



Special Variation Application Form Part B

Enter name of the council here

Application Form

2024-25

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.

Contact details

Enquiries regarding this document should be directed to a staff member:
Jisoo Mok (02) 9019 1955
Sheridan Rapmund (02) 9290 8430

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](#).

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Council Information

Please fill out the table below.

Council name	Kempsey Shire Council
Date submitted to IPART	5 February 2024

1 About this application form

This application form is to be completed by councils applying for a special variation (SV) to general income for 2024-25 under section 508(2) or 508A of the *Local Government Act 1993* (LG Act). The application form is in two parts:

1. Application Form [Part A](#) (separate Excel spreadsheet)
2. Special Variation Application Form Part B (this MS Word document)

The SV Application Form Part B collects:

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

It also provides a List of attachments and checklist to assist councils.

When completing this Application Form, councils should refer to:

- The 'Apply for a SV or minimum rates (MR) increase' page of IPART's [website](#)
- The Office of Local Government (OLG) [Guidelines](#) issued in November 2020
- IPART's SV Guidance Booklet – *Special Variations: How to prepare and apply* available on our [website](#).

We encourage Councils to contact IPART early in their preparation to apply, or potentially apply, for an SV.

2 Description and Context

These questions seek information not tied to a specific criterion in the OLG guidelines.

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

In , please use the checkboxes to indicate the type of SV the council is applying for. In , please provide, rounded to **2 decimal places**:

- the total percentage increase (including the rate peg) and,
- for a section 508A SV, the cumulative percentage increase over the SV period.

Should an SV be approved, the instrument will list the approved percentage(s) and cumulative percentage rounded to 2 decimal places, unless council has specifically applied for a different number of decimal places.

If applying for a Crown Land Adjustment (CLA), please **do not** include the CLA percentage in Table 2. Information about CLAs is collected in Question 2 below.

In

Table 3, please explain if the council would like its instrument issued to a different number of decimal places and if it has used an assumed rate peg that is not 2.50%.

Our [Guidance Booklet - Special variations: How to prepare and apply](#) has an example of these questions completed.

Table 1 Type of special variation

What type of SV is this application for?	<input type="checkbox"/> Section 508(2)	<input checked="" type="checkbox"/> Section 508A	
Are you applying for Permanent or Temporary?	<input checked="" type="checkbox"/> Permanent	<input type="checkbox"/> Temporary	<input type="checkbox"/> Permanent + Temporary

Table 2 The council's proposed special variation

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Is this year in the SV period?	yes	yes	yes	no	no	no	no
Percentage increase	7.90%	15.00%	15.00%				
Rate peg	4.70%	2.50%	2.50%				
Cumulative percentage increase over the SV period for s 508A	7.90%	24.09%	42.70%				
Indicate which years are permanent or temporary	Permanent	Permanent	Permanent				

Table 3 Further questions

Question	The council's response
Does the council wish its potential SV instrument to be issued with a different number of decimal places?	No
If the council used an assumed rate peg that is not 2.50%, please briefly justify why it did so.	2024-25 rate peg of 4.7% has been released

Question 2: Is the council applying for a Crown Land Adjustment (CLA) in 2024-25?

Please fill out the table below if the council is also applying for a CLA, otherwise leave it blank.

Is the council also applying for a CLA?	No
If so, by what percentage?	
What is the dollar (\$) value for the CLA?	
Who was the prior owner of the Crown Land?	
Briefly outline the reason for the land becoming rateable.	

Question 3: What is the key purpose of the requested SV?

In the text box below please summarise the key purpose(s) of the proposed SV.

<p>The key purpose of Kempsey Shire Council's special rate variation is to address the following:</p> <ul style="list-style-type: none"> improving financial sustainability maintaining existing services and service levels generally addressing current and forecast infrastructure backlogs for asset renewals meeting special cost pressures faced by the council

It should be noted that Council is only intending to apply the SRV increase to the property rates and not to the Environmental Levy component which is normally included in general rates income. Environmental levy will only be increased by the approved rate peg.

Significant detail regarding each of the above items has been included when addressing the criteria, in particular Criterion 1 – Financial need.

Question 4: Is the council proposing to increase minimum rates in conjunction with the special variation?

Complete Table 4 if the council proposes to increase minimum ordinary and/or Table 5 if the council proposes to increase special rates in conjunction with the SV for 2024-25. Otherwise, leave it blank. IPART will also use data provided in Application Form [Part A](#) to understand the details of the proposed SV and minimum amounts of rates.

In some situations, a minimum rates increase will be subject to IPART approval. In these cases, councils will need to also complete *Minimum Rate Increase Application Form Part B 2024-25* (Word document) available on our [website](#). Please see Table 2.4 of the [Guidance Booklet - Special variations: How to prepare and apply](#) for further information on when an additional MR increase application may be required. Councils do not need to submit another Application form [Part A](#) (Excel document).

Table 4 Minimum rates increase for ordinary rates

Does the council have an ordinary rate(s) subject to a minimum amount?	No
Does the council propose to increase the minimum rate(s) above the statutory limit for the first time? (If yes, you must complete a separate minimum rate increase application form.)	No
Does the council propose to increase the minimum rate(s) above the proposed SV percentage(s)? (If yes, you must complete a separate minimum rate increase application form, even if the council has been approved to increase its minimum rate above the statutory limit in the past.)	No
Has the council submitted an application for a minimum rate increase?	No

In the text box below, provide the council's proposed minimum rates increase (both in percentage and dollar terms) and to which rating category (or sub-category) the increase is to apply for each year (this can be table form).

Not applicable

Worksheets 4, 5 and 7 (WS 4, 5 and 7) of the [Part A](#) application form collects more detailed information about the proposed minimum rates increase.

Table 5 Minimum rates increase for special rates

Does the council propose to increase the minimum amount of a special rate above the statutory limit?	No
What will the minimum amount of the special rate(s) be after the proposed increase?	Not applicable
Has the council submitted an application for a minimum rate increase?	No

The council must ensure that it has submitted [MR Increase Application Form Part B](#), if required. No separate Part A is required.

Question 5: Does the council have an expiring SV?

Complete the table below if the council has a temporary SV which is due to expire:

- on 30 June 2024, or
- at the end of any year in the period the requested SV would apply.

To calculate the amount to be removed from general income when the SV expires, Council must follow the terms of the relevant condition in the SV instrument. Councils may find the example in Attachment 1 to the [OLG SV Guidelines](#) useful. The OLG's SV Guidelines also specify that councils must contact the OLG to confirm the calculation of this amount.

Does the council have an SV which is due to expire on 30 June 2024?	No
Does the council have one or more SV/s due to expire during the proposed SV period?	Yes
If Yes to either question: a. When does the SV expire?	2027-28
b. What is the percentage to be removed from the council's general income?	3.09%
c. What is the dollar amount to be removed from the council's general income?	1,064,024
Has OLG confirmed the calculation of the amount to be removed?	Not yet. An email was sent to OLG on 16 Jan 2024 asking for the calculation to be confirmed. In a follow up call, they advised to add this comment and that they would likely have the calculation after the submission date.

Attachments required:

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

Question 6: Does the council have an existing (ongoing) section 508A special variation which applies in 2024-25?

Complete this question if the council has an existing section 508A multi-year SV instrument which approves an increase to general income above the rate peg for 2024-25 and future years within the period covered by the council's SV application.

If the council has an ongoing section 508A SV and is seeking additional changes to general income during the term of that existing SV, IPART will need to vary the original instrument if the application is approved, rather than issuing a separate SV instrument to apply for 2024-25 (or later years).

Does the council have a section 508A multi-year SV instrument that applies in 2024-25?	No
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If yes to the above question, in the text box below:

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

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

Not applicable

Attachments required:

- A declaration by the General Manager as to the council's compliance with the conditions specified in the SV instrument on the council's official letterhead.
- Supporting documents providing evidence of the council's actions to comply with the conditions in the instrument, e.g. extracts from annual reports or any other publications in which compliance with the terms of the SV has been reported to ratepayers

Question 7: Has IPART ever approved a special variation (including additional special variations in 2022-23)?

Complete this question if IPART has ever approved an SV for the council.

You **do not need** to complete the text box for this question if the relevant information has been provided in the council's response to Question 6.

Does the council have a section 508(2) or 508A SV which IPART has approved?

Yes

If yes, in the text box below, for each SV approved by IPART, briefly:

- Specify the type of SV and the increase to general income approved.
- Outline the council's actions in complying with conditions in the SV instrument(s) or where the council has failed to comply with the conditions, provide reasons and list the corrective actions undertaken.
- Describe any *significant* changes relevant to the conditions in the SV instrument(s) since it was issued.

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

Council has complied with all SV instruments as detailed in Annual Reports. Reporting has included reference to additional income raised, breakdowns of expenditure and value of the SV in context of overall financial management.

There have been no significant changes relevant to the conditions in the SV instruments since they were issued.

The type of SV and increases to general income are listed below:

Year	Type	Temp. or Perm.	No of years increase applied	Cumulative % increase including rate peg	Increase to Notional income (over no of years period)	Reason
2012-13	508(2)	Perm.	1	11.27%	1,366,376	Increase to fund road works and maintenance
2014-15	508A	Perm.	4	37.54%	5,234,474	Reduce infrastructure backlog on roads and bridges of \$120M
2018-19	508(2)	Temp. for 10 years	1	6.50%	764,935	To continue to fund environmental restoration projects
2022-23	508(2)	Perm.	1	2.00%	265,920	Councils were invited to apply as the rate peg was very low at 0.8%

Compliance reporting can be found in Councils Annual Report and Financial Statements under the section titled Expenditure of Special Rate Variation Income or similar.

All Annual Reports are accessible from the following link on Council's website:

Annual reports & publications - <https://www.kempsey.nsw.gov.au/Your-Council/Publications/Annual-reports-publications>

References to reporting sections are as below:

2012-13 Annual Report

Pg 21 (Financial Strategies Adopted by Council)

2013-14 Annual Report

Pg 22 /23

2014-15 Annual Report

Pg 20 / 21

2015-16 Annual Report

Part A – Pg 17

Part B – Pg 28-30

2016-17 Annual Report

Part A Pg 16-17

Part B Pg 26-28

2017-18 Annual Report

Part A – Pg 11

Part B- Pg 9-10

2018-19 Annual Report

Part B Pg 9-10

2019-20 Annual Report

Part B – Pg 8-10

2020-21 Annual Report

Part B – Pg 10-11

2021-22 Annual Report

Part B – Pg 21-22

2022-23 Annual Report

Part A&B (combined report) – Pg 26-27

Attachments required:

- A copy of the relevant instrument(s) approving SVs issued by IPART.
- A declaration by the General Manager as to the council's compliance with the conditions specified in the SV instrument(s).
- Supporting documents providing evidence of the council's actions to comply with the conditions in the instrument(s).
- If applicable, supporting documents providing evidence of the corrective actions undertaken in the event of a failure to comply with the conditions in the SV instrument(s).

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

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

Does the council have deferred general income increases available to it from one or more previous years under section 511 of the LG Act?	No
If Yes, has the collection of this additional income been included in the Council's Long Term Financial Plan (LTFP)?	

In the text boxes also explain:

<p>a. The quantum, rationale and timing of any deferred increases in general income.</p> <p>Not applicable</p>
<p>b. When council plans to catch up on the deferred general income through the catch up provisions and whether this been included in the LTFP.</p> <p>Not applicable</p>
<p>c. How does this deferred income impact on the council's need for the SV and its cumulative impact on ratepayers' capacity to pay? The council may also wish to further expand on this question in of OLG Criterion 1 below.</p>

Not applicable

3 OLG SV Criterion 1 – Financial need

Refer to the [OLG SV Guidelines](#) as needed, and section 3 of IPART’s [Guidance Booklet - Special variations: How to prepare and apply](#) when preparing consultation strategy and material for completing this section.

In below, please explain how the council met each component of Criterion 1. Please also provide a reference to evidence in the IP&R documents.

The [Part A](#) application form also collects information for this criterion in Worksheets 9 (WS 9 - Financial), 10 (WS 10 - LTFP) and 11 (WS 11 - Ratios).

Table 6 OLG Criterion 1 components

Criteria	Evidence of meeting this criterion from the council’s IP&R documents	Reference to IP&R documents
<p>The need for, and purpose of, a different revenue path for the council’s General Fund (as requested through the SV) is clearly articulated and identified in the council’s IP&R documents</p>	<p>The purpose of Kempsey Shire Council’s (KSC) application for a SRV is to achieve longer term financial sustainability and address the current and forecast asset backlog, particularly in relation to road and transportation assets. Recent inflationary cost pressures, labour award increases, emerging costs and the impact of cost shifting have all negatively affected Council’s cost to operate and the ability to maintain the current levels of service delivery and asset management.</p> <p>This need has been consistently articulated in all of Council’s IP&R documents and supporting strategic documents adopted by Council over the last five years.</p> <p>KSC has endured 5 years of droughts, fires and floods along with the COVID-19 pandemic. Responding to, and then working through the recovery efforts associated with these events, has meant that earlier planned SRV applications have been deferred. The decision to apply for a SRV this year reflects the immediate need to increase revenue to offset the current and forecast increased costs. As detailed in KSC’s published Annual Reports (particularly Part C Audited Financial</p>	<p>Community-Strategic-Plan-2022-Your-Future-2042</p> <p>Delivery Program 2022_26 Operational Plan 2023_24</p> <p>KSC 2023 Strategic Asset Management Plan</p> <p>LTFP 2023-2033</p>

	<p>Statements) and clearly illustrated in worksheet 9 of the attached Part A application form, KSC has reported annual operating deficits (excluding capital grants and contributions) over the past 5 years for the General Fund. The General Fund operating performance ratio has been similarly negative, or unfavourable, over this period, with the 2022-23 result only being positive as a result of a significant increase in operating grants due to early payment of the Financial Assistance Grant in June 2023 and receipt of other disaster recovery funding.</p> <p>This decision to submit this SRV application follows the completion of a comprehensive SRV investigation project which ran from July through to November 2023. The SRV investigation project comprised significant community engagement demonstrating the need for a SRV and the impacts on various categories of ratepayers, as well as finding additional savings through budget revisions and asset management data updates.</p> <p>Forecast expenditure increases are based on CPI, labour award increases, depreciation indexation and increased borrowing costs to maintain the asset backlog at a reasonable level (1). These increases, which compound year on year, outstrip the forecast revenue increases which are based on CPI and rate peg assumptions (also compounded). KSC has been implementing various initiatives to address these financial challenges since the adoption of its Financial Sustainability Strategy in 2019. While these initiatives have resulted in financial and productivity improvements to date, and financial sustainability initiatives are continuing to be implemented, these will not be sufficient to bridge the forecast widening gap between available income and expenses. Consequently, a SRV is required to enable KSC to maintain existing service levels and address the increasing asset backlog.</p> <p>KSC’s updated long term financial plan indicates a 10-year deficit in the General Fund of \$72 million. This deficit is due to a combination of operating expenditure requirements growing faster than revenue, additional capital expenditure to address the asset backlog so that assets do not further deteriorate, and a forecast increase in borrowing costs that is required to fund these expenditures.</p>	<p>Council Resolution 21 November 2023</p>
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The forecast borrowing costs alone will add an additional \$12 million of costs over the next 10 years without an SRV, as the level of borrowings would be \$148 million or an increase of \$76 million without an SRV.

As a result, KSC’s forecast operating performance ratio declines significantly over the 10-year period from -2.8% in 2022-23 to -17.5% (3) in 2032-33. Further, the debt service cover ratio declines from 6.87 to 1.21 (2) over the same period.

The following table illustrates several examples of cost increases (without a corresponding funding source) which have had a significant impact on KSC’s financial position over the past 5 years, as referred to above. These items represent either new costs, such as the need to invest in cybersecurity or resource an internal audit function, the decision to invest in improved asset management capability which didn’t previously exist at KSC, or in the case of insurance, simple market-based cost escalation. These are material examples only to demonstrate the recent impacts on KSC’s operating cost base and do not reflect all cost impacts experienced.

Examples of specific cost increases	Increase since 2018/2019	Average annual increase
Insurance	65%	275,439
Cyber security	100%	186,221
Software	107%	340,354
Internal Audit	100%	169,474
Asset Management	278%	481,670
Total		1,453,158

References to where the need and purpose for an SRV has been articulated in council’s IP&R documents are detailed below:

2042 Your Future - Community Strategic Plan (CSP) adopted in June 2022 identified the aspirations of the community over the next 20 years including expectations of Council’s fair and equitable

	<p>financial management along with asset management that meets current and future community needs (pages 24, 28).</p> <p>Using the agreed themes from the CSP, Council’s 2022-2026 Delivery Program clearly sets out the 2023-24 budget statement and revenue forecasts along with priority actions for the four-year term including asset maintenance and financial stability (pages 18,19, 32, 40, 42). The introductory messages in the document specifically identify the level of deficit forecast for Council over coming years and that a SRV has been identified as a potential revenue path to address the deficit (page 7).</p> <p>The Strategic Asset Management Plan (SAMP) and Long Term Financial Plan (LTFP) are critical documents in the IP&R framework, providing detailed and publicly endorsed explanations of the widening gap between income and expenditure. Both of these documents have identified the financial sustainability issues (consistently for the last five years in the case of the LTFP), but in conjunction with Council’s November 2023 resolution to apply for a SRV both were updated to reflect the more accurate assumptions and forecast. Following public exhibition and engagement both documents were adopted by Council on 30 January 2024 and published on Council’s website as attached.</p> <p>The last paragraph on page 7 of the current LTFP provides further evidence for the need and purpose for the SRV as well as on pages 10 (last two paragraphs) through page 14.</p> <p>Council’s improved asset management maturity over the last 5 years has provided more reliable asset condition data and forecasting. Page 54 of the SAMP identified a \$70 million backlog in general fund capex renewals over the next 10 years (at current service levels). This has been addressed in the LTFP base case by including an additional \$7 million per annum capex to address this issue. The \$7 million is predominantly for transport (road related) assets.</p> <hr/> <p>1. Addressing asset backlog is not just about current levels of backlog but forecast levels of backlog expected due to lower current levels of capital investment. Addressing backlog is both prudent</p>	
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Criteria	Evidence of meeting this criterion from the council's IP&R documents	Reference to IP&R documents
	<p>from an asset management point of view and financially responsible as the more deteriorated an asset is the more it will cost to get it back to an acceptable service level.</p> <ol style="list-style-type: none"> 2. Operating performance ratio is a measure of profitability and the benchmark is greater than zero. A deficit is less than zero and a profit is greater than zero, so any deficit position does not meet the benchmark. 3. Debt service cover ratio is a measure of how much of total operating revenue (excluding capital grants) can cover the annual principal and interest repayments of loans. The benchmark is two times, meaning that Council should have revenue that is more than double the interest and loan repayments, or not have interest and loan repayments which are more than 50% of the revenue being earned. 	
<p>In establishing need for the SV, the relevant IP&R documents should canvass alternatives to the rate rise.</p>	<p>Since the 2019 adoption of the Financial Sustainability Strategy and Roadmap, KSC has indicated significant long term financial sustainability challenges. Forecasting required for the Long-Term Financial Plan, within the IP&R document suite, has modelled multiple years of ongoing operating deficit budgets when capital grants and contributions are excluded. Alternative budget scenarios, with and without a SRV have been published throughout this time, aiming at raising awareness and reflecting the challenge in obtaining a sustainable budget position.</p> <p>Council has spent the last five years since the adoption of the Financial Sustainability Strategy and Roadmap working through the implementation of financial sustainability initiatives in an attempt to address the ongoing forecast deficits. These initiatives have been broad based and have included reviewing fees and charges, increasing own source revenue from commercial businesses, selling surplus land, purchasing efficiencies through improved procurement practices and contract negotiations, and various operating productivity improvements across KSC's operations. A complete</p>	<p>LTFP 2023-2033</p>

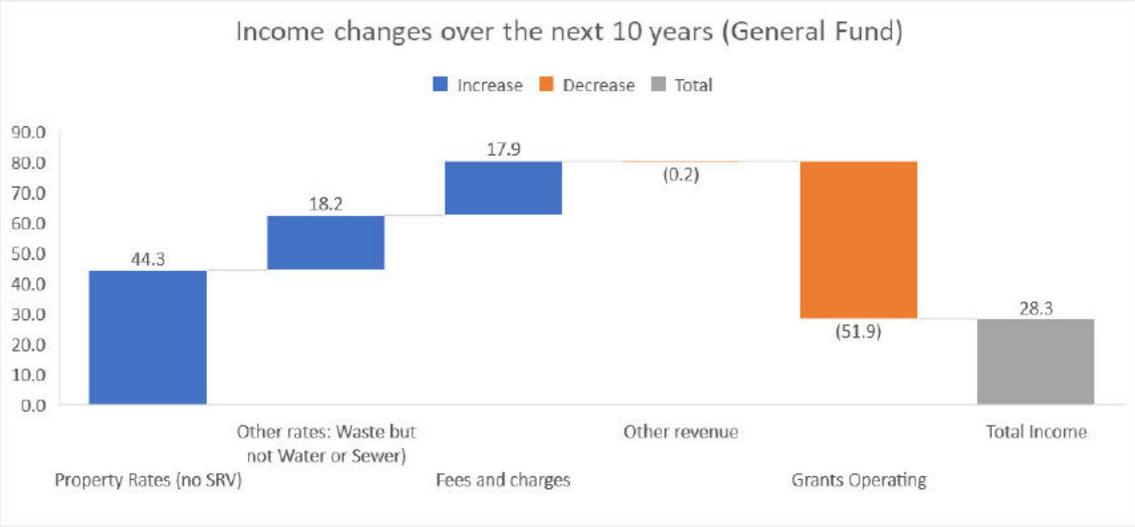
	<p>listing of cost savings and productivity improvements that have been implemented are included in response to Criteria 3.</p> <p>Council’s adopted LTFP has consistently referenced the Financial Sustainability Strategy adopted in 2019 and implemented in the intervening years. Appendix 1 of the LTFP outlines the actions identified in the Strategy with these having been reported to Council and the community on a quarterly basis (within the same report as the Quarterly Budget Review Statements and Operational Plan delivery status).</p> <p>LTFP page references: 7-14, 22 and 24-26 Delivery Program 2022-26 and Operational Plan 2023-24 page references: 7, 67 (LE.OP27)</p> <p>Several financial sustainability initiatives have been progressed to the point of being either completed or have become part of ongoing operations and where continuous improvement in these areas is now a business-as-usual activity.</p> <p>Initiatives noted in the LTFP providing a possible alternative to a rate increase include:</p> <ul style="list-style-type: none"> • Asset management improvements to ensure a strategic approach that includes increased internal assessment capability and improved asset data capture. • Seeking increased revenue from Council operated businesses such as Saleyards and Holiday Parks. • Development of a service review framework and toolkit. • Organisational structure transformation. <p>In April 2023 Council resolved (Council meeting agendas & minutes - Kempsey Shire Council working with the Macleay Valley community (nsw.gov.au)) to investigate whether delivery of these initiatives and a detailed investigation into asset management plans, proposed capital programs and possible service level reductions could present a viable alternative to a SRV.</p>	
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	<p>The investigation, including outcomes of the community engagement, resulted in a subsequent update to the LTFP reducing the forecast deficit and therefore modelled percentage of SRV. The LTFP adopted in January 2024 identifies a cumulative General Fund deficit of \$72 million to 2032-33. Noting the current and forecast rate pegs, combined with increasing costs, the LTFP confirms it will not be possible for the General Fund to return to surplus, which is consistent with actual historical financial results, as noted above.</p> <p>While financial sustainability initiatives have improved the financial position and will continue to be implemented as per the adopted program, a SRV which would allow Council to raise rates above rate peg has been identified as the only realistic way to return the General Fund to a surplus position without substantial service reductions and significant reductions in asset maintenance, both of which are in direct contrast to results from the 2023 community survey. See more detail in the LTFP Financial Sustainability section (see pages 8 to 10).</p> <p>The SRV options presented in the revised LTFP are summarised in the table below:</p>	
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Description	Base case	SRV Option 1	SRV Option 2
What will this address?	<ul style="list-style-type: none"> Asset backlog is addressed at current levels of service⁵ Reduce expenditure by \$500k per annum by finding future savings through service reviews and business improvement initiatives. 	<ul style="list-style-type: none"> Base case + Financial sustainability through an approved SRV to raise property rates. 	<ul style="list-style-type: none"> Option 1 + Reduce expenditure by a further \$500k per annum by finding future savings through service reviews and business improvement initiatives (\$1M in total)
Rationale	<ul style="list-style-type: none"> If the asset backlog is not addressed, Council's assets will deteriorate even more over time and cost a lot more in the future when the assets are in an even worse condition. Currently asset replacement times have been pushed out as Council has not had the financial capacity or resources to replace assets in line with recommended asset replacement times. Council is committed to finding \$500k per annum in future savings to reduce the impact of the SRV. 	<ul style="list-style-type: none"> Base case + Council has to be financially sustainable to be able to keep providing its current levels of service. 	<ul style="list-style-type: none"> Option 1+ Council is committed to finding and additional \$500k per annum in future savings to reduce the impact of the SRV.
Financial outcome	\$72M in cumulative deficits over the 10-year forecast period	Moderate surplus of \$0.5M on average over the 2025-26 to 2032-33 period	

When considering the Base Case in the LTFP and reflected in the modelling contained in the SAMP, the documents note that current service delivery and expenditure calculations are not based on recommended asset maintenance times but on an extended replacement time. Without increasing rates revenue Council cannot afford to replace assets in the recommended timeframes, meaning

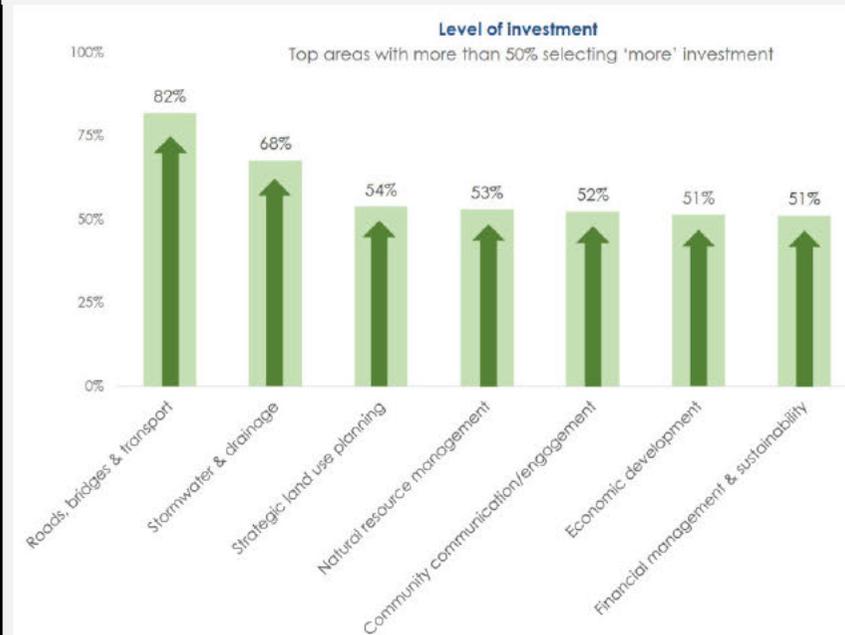
Criteria	Evidence of meeting this criterion from the council's IP&R documents	Reference to IP&R documents																						
	that under the base case scenario of no SRV indicated in the LTFP, asset conditions will continue to deteriorate creating more significant financial and community expectation gaps in future years.																							
<p>In demonstrating this need councils must indicate the financial impact in their LTFP.</p>	<p>As previously noted, through the 2023 SRV project investigation into actions to address Council's financial sustainability, the LTFP was updated to reflect revised assumptions and expenditure forecasts for the General Fund. These changes resulted in a slight improvement across the forecast position of the 10-year base case (with no SRV).</p> <p>However, as illustrated in the chart below and included in the LTFP (page 13), Council's financial position continues to deteriorate over time as expenditure grows more quickly than income.</p> <div data-bbox="533 742 1729 1284" data-label="Figure"> <table border="1"> <caption>General Fund Deficit cumulative forecast of \$72M over the next 10 years</caption> <thead> <tr> <th>Fiscal Year</th> <th>Annual Deficit (\$ Millions)</th> </tr> </thead> <tbody> <tr> <td>2023/24</td> <td>(1.9)</td> </tr> <tr> <td>2024/25</td> <td>(2.0)</td> </tr> <tr> <td>2025/26</td> <td>(4.9)</td> </tr> <tr> <td>2026/27</td> <td>(5.8)</td> </tr> <tr> <td>2027/28</td> <td>(7.1)</td> </tr> <tr> <td>2028/29</td> <td>(8.2)</td> </tr> <tr> <td>2029/30</td> <td>(8.8)</td> </tr> <tr> <td>2030/31</td> <td>(9.8)</td> </tr> <tr> <td>2031/32</td> <td>(10.9)</td> </tr> <tr> <td>2032/33</td> <td>(12.4)</td> </tr> </tbody> </table> </div>	Fiscal Year	Annual Deficit (\$ Millions)	2023/24	(1.9)	2024/25	(2.0)	2025/26	(4.9)	2026/27	(5.8)	2027/28	(7.1)	2028/29	(8.2)	2029/30	(8.8)	2030/31	(9.8)	2031/32	(10.9)	2032/33	(12.4)	LTFP 2023-2033
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	<p>Three additional graphs below from the LTFP (pages 13–14) indicate that income is only forecast to increase by \$28.3 million over the next 10 years from current levels while expenditure is increasing by \$82.9 million. As a result, the 10-year deficit forecast increases from current levels of \$17.2 million to \$71.7 million, which is not sustainable without corrective action in the form of a SRV.</p>  <table border="1" data-bbox="533 534 1668 1061"> <caption>Income changes over the next 10 years (General Fund)</caption> <thead> <tr> <th>Category</th> <th>Change (\$ million)</th> <th>Type</th> </tr> </thead> <tbody> <tr> <td>Property Rates (no SRV)</td> <td>44.3</td> <td>Increase</td> </tr> <tr> <td>Other rates: Waste but not Water or Sewer</td> <td>18.2</td> <td>Increase</td> </tr> <tr> <td>Fees and charges</td> <td>17.9</td> <td>Increase</td> </tr> <tr> <td>Other revenue</td> <td>(0.2)</td> <td>Decrease</td> </tr> <tr> <td>Grants Operating</td> <td>(51.9)</td> <td>Decrease</td> </tr> <tr> <td>Total Income</td> <td>28.3</td> <td>Total</td> </tr> </tbody> </table>	Category	Change (\$ million)	Type	Property Rates (no SRV)	44.3	Increase	Other rates: Waste but not Water or Sewer	18.2	Increase	Fees and charges	17.9	Increase	Other revenue	(0.2)	Decrease	Grants Operating	(51.9)	Decrease	Total Income	28.3	Total	
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Current base deficit in 10 years	(17.2)											
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<p>Evidence of community need/desire for service levels/projects and limited council resourcing alternatives.</p>	<p>To inform development of the suite of IP&R documents over the last five years Council has conducted significant community engagement.</p> <p>One of the key quantitative sources of engagement data is the regular Community Satisfaction Survey conducted by Micromex. This randomly selected telephone survey of 310 residents provides a maximum sampling error of plus or minus 5.6% at a 95% confidence level. Micromex has</p>	<p>Micromex KSC Community Satisfaction_2023</p>										

	<p>developed Community satisfaction Benchmarks using normative data from 75 unique councils, more than 175 surveys and over 93,000 interviews since 2012.</p> <p>The 2023 survey conducted in late February provided insight into community expectations and trend analysis.</p> <p>Key findings from the Report that relate to the decisions reflected in Council’s financial sustainability investigation, LTFP and SAMP are:</p> <ul style="list-style-type: none"> • Financial management and sealed roads are two of the four key drivers of community satisfaction (page 7 and pages 50-51) This conclusion is reached using regression analysis mapping stated satisfaction against derived importance to identify priority areas that will influence levels of community satisfaction. • When asked to consider the next 10 years plus and what residents believe will be the highest priority issues within Kempsey Shire area 41% of respondents identified ‘roads/traffic management & bridges’ as their highest priority issue. A significant increase on 29% in 2020. • In looking specifically at Council’s priorities for future resourcing and levels of investment 97% of residents said roads, bridges and transport were a priority. <p>The graph below (page 19 of attached Micromex KSC Community Satisfaction_2023) shows the top service delivery areas where more than 50% selected more investment.</p>	
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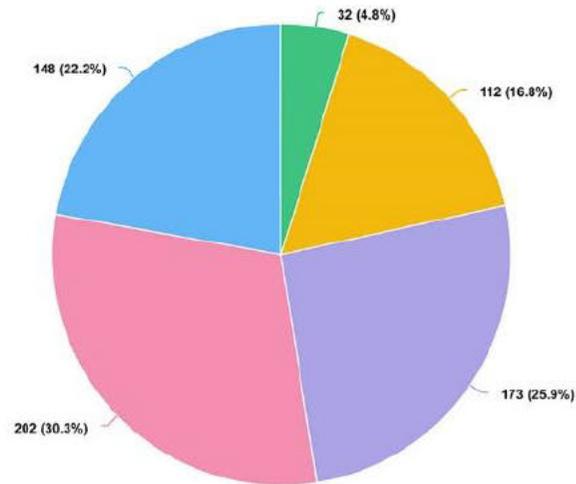
When looking more specifically at areas of Council service delivery 59% of residents stated they would prefer Council to focus more on maintaining current assets regarding roads, bridges and drainage (page 25).

Satisfaction with Council's services is measured as part of the survey. Sealed roads recorded only a 47% satisfaction rating, 11% lower than the regional benchmark and on par with Council's OLG Group 4 according to Micromex benchmarks.

The Our Financial Future Engagement Report summarising the community feedback specifically related to the proposed SRV reflects the Micromex findings and shows that:

	<ul style="list-style-type: none"> • 75% of respondents want Council to remain in a strong financial position. • When asked how satisfied residents were with the standard of maintenance and renewals for Council infrastructure 52.5% of respondents are either dissatisfied or very dissatisfied. <p>It should be noted that Council’s base case includes capital investment to address these issues, but this mostly maintains current and forecast asset backlog at current service levels. This should not be misinterpreted as increasing service levels. The investment in asset backlog is prudent from an asset management perspective and also is the most cost-effective solution from a financial perspective. Leaving assets to deteriorate means they cost more to replace in the long-term.</p>	
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Q2 | How satisfied are you with the standard of maintenance and renewals for Council infrastructure (such as roads, bridges, buildings and footpaths)?



Question options

(Click items to hide)

- Very satisfied
- Satisfied
- Neither satisfied nor dissatisfied
- Dissatisfied
- Very Dissatisfied

As demonstrated through the LTFP and SAMP, supported by a body of community engagement evidence, Council’s application for a SRV seeks to achieve financial stability while allowing the maintenance of current service levels in the high priority area of roads infrastructure.

Criteria	Evidence of meeting this criterion from the council's IP&R documents	Reference to IP&R documents
<p>Evidence could also include the analysis of the council's financial sustainability conducted by Government agencies</p>	<p>In March 2013, NSW Treasury Corporation (T-Corp) completed a Financial Assessment, Sustainability & Benchmarking Report where KSC was independently assessed as “Unsustainable”. In December 2016, the Office of Local Government assessed KSC to be “not fit”. As a result of these assessments, KSC was unable to access loan funding through T-Corp. KSC were one of only a very small number of NSW councils precluded from borrowing from T-Corp.</p> <p>KSC entered into further discussions with T-Corp in 2020 in an effort to access cheaper loans via T-Corp, however access was still denied due to KSC not meeting T-Corps required credit metrics.</p> <p>In February 2023, the Minister for Local Government announced that effective 10 February 2023, every council in NSW will have access to competitive loans from TCorp, subject to TCorp’s standard loan application process and lending criteria.</p> <p>Prima facie this announcement would indicate that KSC would now be able to access loans through T-Corp which it had not had access to previously. However, discussions with T-Corp following this announcement indicates that KSC will still not likely be able to access T-Corp loan funding due to the forecast deficit position in the absence of a SRV.</p>	<p>Click or tap here to enter text.</p>
<p>If applicable, has the council not applied the full percentage increases available to it in one or more previous years under section 511 of the Local Government Act? If a council has a large amount of revenue yet to be caught up over the next several years, it should explain in its application how that impacts on its need for the SV.</p>	<p>N/A</p>	<p>Click or tap here to enter text.</p>

3.1 Additional information required for councils with an existing SV applying for an additional percentage increase

If the council has **an existing SV**, then explain the **need for a variation to that SV** to increase the annual percentage increases.

Click here to enter text.

3.2 Any other factors that demonstrate the council's financial need (optional)

In the text box please give a brief explanation of any other factors not already mentioned that may be relevant to demonstrate the council's need.

For instance, the council may wish to discuss the impact of **non-rateable** properties.

Click here to enter text.

Worksheet 12 (WS 12) in the [Part A](#) Excel application form can also be used to provide additional data.

4 OLG SV Criterion 2 – Community awareness and engagement

Refer to the OLG SV Guidelines as needed, and section 4 of IPART’s Guidance Booklet - Special variations: How to prepare and apply when preparing consultation strategy and materials for completing this section. Please also note that section 4 of IPART’s Guidance Booklet - Special variations: How to prepare and apply is the IPART fact sheet referred to in the OLG SV Guidelines under Criterion 2 that provides guidance to councils on the community awareness and engagement criterion for special variations.

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

In Table 7 please provide evidence as to how the councils community engagement met Criterion 2.

Table 7 Evidence of the council's community engagement demonstrating Criterion 2

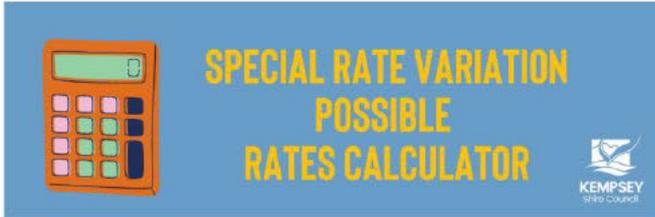
Criteria	Evidence of meeting this criterion	Reference to application supporting documents
Evidence that the community is aware of the need for and extent of a rate rise.	<p>Council’s Community Engagement throughout the application of the Financial Sustainability Program has been linked to the IPR&R framework and engagement best practice.</p> <p>Council conducted detailed engagement including quantitative Community Satisfaction Surveys and analysis of community feedback across more than 20 local and regional strategic planning documents. This foundation established a clear understanding of community expectations and Council’s role in the broader future of the Shire through the development and adoption of the 2042 Our Future Community Strategic Plan (CSP) and 2022-2026 Delivery Program</p> <p>Phase 1: Our Financial Future- Investigation into Financial Sustainability, August to November 2023</p>	<p>Our Financial Future_Engagement & Communications Plan</p> <p>Our Financial Future_Engagement and Communications Results</p> <p>Community Strategic Plan_ Your Future 2042</p>

Criteria	Evidence of meeting this criterion	Reference to application supporting documents
	<p>A clear and widespread program of engagement and community information aiming to explain the complexities of the long-term financial plan, the rising costs facing Council, and the proposed options for addressing financial sustainability including possible SRV scenarios. This phase also provided an opportunity for community to advise Council on their understanding and acceptance of these issues through submissions and survey responses.</p> <p>To create a greater role in decision making for the community this engagement phase was conducted prior to Council resolving to go ahead with an application for an SRV. Not having the decision already made created trust in the information being shared and greater awareness in the community about the opportunity to have a say. It also put more onus on Council to ensure productivity and cost savings had been further considered as part of the integrity required in the process of seeking an increase from ratepayers.</p> <p>Phase 2 – Applying to IPART for a Special Rate Variation, November 2023 to January 2024 Once Council had reviewed all the feedback provided by the community and assessed the updated financial and asset management analysis, they resolved to apply for an SRV at a reduced percentage than proposed in the Investigation phase. That resolution enabled a second engagement phase for the public exhibition of the updated Long Term Financial Plan (LTFP), Strategic Asset Management Plan and the revised Hardship Relief for Ratepayers and Debt Recovery Procedures.</p> <p>Active stakeholders and widespread community interest generated by Phase 1 helped in extending the community reach of Phase 2 the Exhibition stage.</p> <p>Engagement Methodology and Results Results of the CSP engagement and more recently Phase 1, identified the community expectations for a higher level of service, particularly regarding maintenance and replacement of transport assets, no appetite for considering service reductions across other areas of Council and no acceptance of an SRV. These views are diametrically opposed and not aligned to any of the goals in Council’s Financial Sustainability Roadmap and Program.</p> <p>Key themes from the Phase 1 community feedback were:</p>	

Criteria	Evidence of meeting this criterion	Reference to application supporting documents				
	<ul style="list-style-type: none"> • Rising cost of living • Impact on renters of a rate increase • Questioning depreciation impact and benefits of grants • Questioning Council’s financial management processes <p>This feedback and Council’s commitment to continually focusing on efficiencies and cost savings resulted in revisions to the LTFP and adoption of a reduced SRV percentage for this subsequent application to IPART.</p> <p>While the community still predominantly reject the notion of any SRV and have largely focused their efforts on objecting to the largest proposed SRV increase included in the original LTFP, the engagement program across all stages of the project has greatly increased awareness and understanding of the need for and extent of the proposed rate increase.</p> <p>The Engagement and Communications Plan attached outlines how Council assessed the stakeholder matrix and designed a comprehensive program of engagement that used a varied methodology, focused on plain English explanations and sought to achieve message reach across the community.</p> <p>The Engagement and Communications Results Report evaluates the methodology, collates and assesses the feedback received considered against reach, levels of participation and variety of tools used.</p> <p>Key metrics as presented in that report across both phases of engagement include:</p> <table border="1" data-bbox="376 1532 1134 2029"> <thead> <tr> <th data-bbox="376 1532 587 1570">Tool</th> <th data-bbox="587 1532 1134 1570">Measurement</th> </tr> </thead> <tbody> <tr> <td data-bbox="376 1570 587 2029">Your Say Macleay Website Portal</td> <td data-bbox="587 1570 1134 2029"> Phase 1: 6,000 page visits 31.8% of visitors took some action. 319 visitors downloaded 792 documents. 335 views of the FAQ page 37 visitors viewed videos a total of 62 times. Phase 2: 1,170 page visits 907 aware participants visited at least one page 168 downloads of documents on exhibition </td> </tr> </tbody> </table>	Tool	Measurement	Your Say Macleay Website Portal	Phase 1: 6,000 page visits 31.8% of visitors took some action. 319 visitors downloaded 792 documents. 335 views of the FAQ page 37 visitors viewed videos a total of 62 times. Phase 2: 1,170 page visits 907 aware participants visited at least one page 168 downloads of documents on exhibition	
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<p data-bbox="204 725 347 1173">The council need to communicate the full cumulative increase of the proposed SV in percentage terms, and the total increase in dollar terms for the average ratepayer, by rating category.</p>	<p data-bbox="376 725 1134 972">As part of the adopted Financial Sustainability Strategy and Roadmap and subsequent LTFPs, Council has advised community of scenarios for possible SRV applications since 2019. The subsequent engagement and communication around each year's draft Integrated Planning and Reporting document suite has enabled awareness of the SRV language and possible impacts for ratepayers and for Councils additional rate income.</p> <p data-bbox="376 1016 1134 1397">When Council resolved in April 2023 to commence the formal investigation into making a decision about whether to apply for a SRV, the engagement plan developed outlined a considered and active approach to engaging with the residents and ratepayers throughout the Phase 1 Our Financial Future investigation and Phase 2 Exhibition. This involved creating simple mechanisms to provide ratepayers with detailed explanation of the percentages, increases in dollar terms and impacts on each rating category – for all rate increase scenarios that were considered as part of the investigation and after Council’s resolution to apply to IPART.</p> <p data-bbox="376 1442 1134 1688">A significant component of this communication was the creation and promotion of a rates calculator where ratepayers were able to enter their specific property land value and see the impact on their rates for each scenario. This tool was used for the three scenarios canvassed in Phase 1 Engagement and then updated and promoted for the adopted scenario used in the Exhibition engagement.</p> <p data-bbox="376 1733 1134 1980">The availability of the calculator was promoted through the Information Flyer mailed to all ratepayers and distributed at face-to-face opportunities and Community Presentations. The calculator was also the primary topic of media relations and a video interview posted to Council’s social media channels during the Exhibition phase, when the preferred SRV percentage had been resolved.</p>	<p data-bbox="1165 725 1378 837">Our Financial Future_Engagement and Communications Results</p> <p data-bbox="1165 882 1378 994"><i>Inclusive of: Fact Sheets, Rates Calculator Media Release and stories</i></p>		

Criteria	Evidence of meeting this criterion	Reference to application supporting documents
	<p>Link to Rate calculator video https://www.facebook.com/watch/?v=1027356588529631</p> <p>Link and image below for Phase 2 Rate Calculator: SRV Rates Calculator December 2023 (openforms.com)</p> <div data-bbox="379 622 1058 1357" style="border: 1px solid #ccc; padding: 10px; margin: 10px 0;"> <p>Welcome</p>  <p>About the rate increase</p> <p>Council is applying for authority to implement a Special Rate Variation (SRV) that could take effect from July 2024.</p> <p>The proposed SRV includes a rate increase each year for three years between 2024 and 2026. For non-pensioners, the first year increase is 7.9%, followed by 15% increases in each of the following two years. In total this results in a compounded increase of 42.7% over three years.</p> <p>This calculator is provided to help you understand the potential impact of this SRV on your own rates. By answering the following three questions you can see your predicted rates figures for the next three years.</p> </div> <p>To support the digitally accessible Rates Calculator during Phase 1 Investigation into Our Financial Future, Council developed a specific Fact Sheet – The Impact on All Rating Categories clearly explaining the three proposed rate increase scenarios and the subsequent impact in dollar and percentage terms on the four rating categories of Kempsey Shire.</p> <p>This Fact Sheet was made available in hard copy at all face-to-face engagement opportunities including static displays in the Council office and Libraries.</p>	

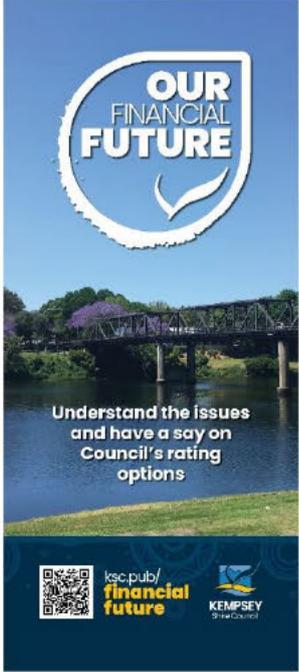
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	<p>Council’s online portals for both phases of the engagement included a clear info graphic on the landing page that outlined the SRV options being considered. For Phase 1 this infographic was reproduced in the Our Financial Future information brochure along with links to the fact sheet and further information for non-residential rating categories. That brochure was mailed to all ratepayers with the September notice.</p> <p>Following Council’s November resolution to apply for a 42.7% SRV, the infographic clearly explaining the impact on all rating categories of the proposed increase, was updated and used as a primary communication tool on the portal used for the second phase of the engagement from November 2023 to January 2024. https://yoursay.macleay.nsw.gov.au/applying-to-ipart-for-a-special-rate-variation</p> <p>Image below of the Impact info graphic as it appeared on the engagement portal for Phase 2.</p> <div data-bbox="387 1133 1137 1585" style="border: 1px solid black; padding: 5px;"> <p>Impact of potential rate increase:</p> <p>The revised Long Term Financial Plan outlines in full the forecast deficit and impact of the proposed Special Rate Variation. Based on the average rate charges the table below shows the impact of the 42.7% rate rise over three years for each of the four rating categories.</p> <table border="1" data-bbox="459 1193 1054 1413"> <thead> <tr> <th></th> <th>Annual Rate Peg + SRV Increase Year 1</th> <th>Annual Rate Peg + SRV Increase Year 2</th> <th>Annual Rate Peg + SRV Increase Year 3</th> <th>Total increase after 3 years</th> </tr> </thead> <tbody> <tr> <td>PERCENTAGE INCREASE</td> <td>7.9%</td> <td>15%</td> <td>15%</td> <td>42.7%*</td> </tr> <tr> <td>RESIDENTIAL \$ increase based on average residential rate of \$1,274</td> <td>\$101</td> <td>\$206</td> <td>\$237</td> <td>\$544</td> </tr> <tr> <td>BUSINESS OTHER \$ increase based on average business rate of \$2,514</td> <td>\$199</td> <td>\$407</td> <td>\$468</td> <td>\$1,074</td> </tr> <tr> <td>BUSINESS URBAN \$ increase based on average business urban rate of \$3,403</td> <td>\$275</td> <td>\$664</td> <td>\$648</td> <td>\$1,487</td> </tr> <tr> <td>FARMLAND \$ increase based on average Farmland rate of \$2,332</td> <td>\$184</td> <td>\$377</td> <td>\$434</td> <td>\$996</td> </tr> </tbody> </table> <p>Have a say on the revised documents: Submissions can be made by the following methods: 1. Fill out our short survey to add commentary on the documents. 2. Make a more comprehensive formal submission, using the online submission tool, by email to kac@kempsay.nsw.gov.au or mailed to: The General Manager Kempsey Shire Council PO Box 3078 West Kempsey NSW 2640 Feedback is open from Wednesday 22 November 2023 to Friday 19 January 2024.</p> </div>		Annual Rate Peg + SRV Increase Year 1	Annual Rate Peg + SRV Increase Year 2	Annual Rate Peg + SRV Increase Year 3	Total increase after 3 years	PERCENTAGE INCREASE	7.9%	15%	15%	42.7%*	RESIDENTIAL \$ increase based on average residential rate of \$1,274	\$101	\$206	\$237	\$544	BUSINESS OTHER \$ increase based on average business rate of \$2,514	\$199	\$407	\$468	\$1,074	BUSINESS URBAN \$ increase based on average business urban rate of \$3,403	\$275	\$664	\$648	\$1,487	FARMLAND \$ increase based on average Farmland rate of \$2,332	\$184	\$377	\$434	\$996	
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<p>The Delivery Program and LTFP should clearly set out the extent of the General Fund rate rise under the SV, for the average ratepayer, by rating category.</p>	<p>The Delivery Program 2022-2026 and Operational Plan 2023-2024 adopted in June 2023 outlined Council’s financial sustainability issues, identified the Financial Sustainability Program as a multi-year project and noted a new Delivery Program project for 2023-24 to investigate a special rate variation. (pages 7 and 45)</p>	<p>Delivery Program 2022-26 / Operating Plan 2023-24 Pages 7 and 45</p> <p>Long Term Financial Plan Page 23</p>																														

Criteria	Evidence of meeting this criterion	Reference to application supporting documents
	<p>Specific actions within the 2023-2024 Operational Plan committed Council to implement financial sustainability strategies as detailed within the adopted Long Term Financial Plan, inclusive of the Financial Sustainability Roadmap and to investigate the need for a Special Rate Variation noting the adopted performance measure of reporting the outcomes of the investigation to Council by November 2023. (pages67)</p> <p>The LTFP adopted on 27 June 2023 outlined three SRV scenarios which formed the basis of the Stage 2 engagement and education conducted by Council between August and November 2023.</p> <p>Following that Phase 1 community engagement the LTFP was updated to reflect a lower SRV scenario as per Council’s November 2023 resolution and the document placed on public exhibition from 22 November 2023 to 19 January 2024 before being adopted on 30 January 2024. The adopted LTFP is available on Council’s website https://www.kempsey.nsw.gov.au/Your-Council/About-Council/Corporate-management/Corporate-planning-performance-and-budget/Long-Term-Financial-Plan</p>	
<p>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.</p>	<p>Council has actively communicated the need for efficiency measures and a strategic approach to securing financial sustainability since the 2019 adoption of the Financial Sustainability Strategy and Roadmap.</p> <p>Reports on progress against the adopted actions and efficiency measures have been submitted to Council quarterly since 2019. The original 2019 Financial Sustainability Program was reviewed and updated following the final Q4 2021-22 Report, and then incorporated into the adopted LTFP in 2022 as a Revised Financial Sustainability Program. Latest reports are attached.</p> <p>By 2022 of the 28 initiatives originally in the original Financial Sustainability Program eight were complete and 18 were in implementation phase with an average percentage complete of 71% and two were on hold.</p>	<p>2019 Financial Sustainability Strategy and Roadmap</p> <p>Final Status Report Financial Sustainability Strategy Q4 2021-22</p> <p>Financial Sustainability Program Status Report Q1_2023-24</p>

Criteria	Evidence of meeting this criterion	Reference to application supporting documents
	<p>The Revised Financial Sustainability Program has 16 initiatives, some of which have been rolled from the original program and some new ones were added. Eight are in progress, three have been completed and five have not started mainly due to resourcing constraints.</p> <p>Below is a brief summary of initiatives that have either been completed or in progress that have delivered business efficiencies. Further detail regarding these measures is included in Criteria 3.</p> <p>A new corporate business system and chart of accounts has been implemented that removed the reliance on paper timesheets and has digitally automated the accounts payable process. Council has also fully integrated an online system for Developer Assessments and related functions linking to the Department of Planning’s developer portal, making the process clearer for applicants and saving staff resources in manually handling all applications.</p> <p>Council has created a more efficient and financially accountable culture by improving the IP&R process and linkages, and at the same time educating managers and budget owners in financial management through business partnering. Council has streamlined the quarterly and annual budgeting process by making it more consistent and repeatable as well as introducing standardised monthly management reporting.</p> <p>The introduction of Project Management frameworks and a project management office has created systems for project prioritisation and assessment via business case of any new projects. This means projects included in the Operating Plan have undergone scrutiny and are delivered more effectively and efficiently.</p> <p>Another focus has been improving the end-to-end asset management function. Considerable work and investment have been required to realise the current efficiencies of being able to access reliable asset management data easily. This will continue to be an ongoing cost but it is essential to Council operations and accurate future works programming.</p> <p>A formal service review framework and program has been developed with service reviews to start in 2023-24.</p>	

Criteria	Evidence of meeting this criterion	Reference to application supporting documents
	<p>Council has actively and publicly communicated the financial issues facing Council and the measures taken to improve efficiencies, reduce risk and update systems over the last five years.</p> <p>As part of the dedicated community education and engagement undertaken between August and November 2023, Council specifically highlighted in the engagement materials the cost saving measures that have been implemented by including:</p> <ul style="list-style-type: none"> • Dedicated content in the community group presentations • Publication of the presentation slides in the Our Financial Future engagement portal • Development of a Fact Sheet – Council’s cost reductions • Distribution of the fact sheet at all face-to-face engagement opportunities including markets, community briefings and static displays in the Library and Customer Service Centre • A section on cost reductions in the information brochure direct mailed. <p>As highlighted in the LTFP, delivery of the highly comprehensive and visible body of efficiency and productivity improvement work has not resulted in ongoing long term financial sustainability. The ongoing impacts of inflationary pressures, labour award increases, emerging costs and the impact of cost shifting have all negatively affected operating costs and Council’s ability to maintain the current levels of service delivery and asset management.</p>	
<p>The council’s community engagement strategy for the SV must demonstrate an appropriate variety of engagement methods to ensure community awareness and input occur.</p>	<p>In April 2023 Council resolved to commence a formal investigation into the need for a SRV as identified in the Financial Sustainability Strategy and Roadmap and reflected in the 2023-24 Operating Plan. Resources were dedicated to reviewing detailed financial modelling, asset management planning and levels of capital spending.</p> <p>The investigation required significant community education and engagement so that the community was informed and had a say on the difficult decisions required.</p>	<p>Our Financial Future_Engagement & Communications Plan</p> <p>Our Financial Future_Engagement and Communications Results</p>

Criteria	Evidence of meeting this criterion	Reference to application supporting documents
	<p>The Our Financial Future Engagement and Communications Plan attached reflects the approach and actions that were required for Phase 1: Our Financial Future - Investigation into Financial Sustainability and Phase 2: Applying to IPART for a Special Rate Variation (to be implemented pending the outcome of Phase 1)</p> <p>The Plan was developed in accordance with Council’s adopted Community Engagement Strategy to ensure compliance with the Local Government Act 1993 and the Environmental Planning and Assessment Act 1979. The Strategy applies the principles of the leading industry organisation International Association of Public Participation (IAP2).</p> <p>The objectives of the Engagement Plan were to:</p> <ul style="list-style-type: none"> • Increase community awareness of Council’s financial position and implementation of the Financial Sustainability Strategy to date • Inform the community about the possible rate increase scenarios • Seek community feedback on options for Council’s financial sustainability • Inform the community of the steps in decision making process. <p>A dedicated brand and design was developed for the Our Financial Future engagement to generate significant community awareness by ensuring:</p> <ul style="list-style-type: none"> • Brand reflected corporate style of existing IPR docs and reinforces long term impact of these decisions • Inclusion of an image showing the iconic Kempsey bridge, representing the river that unites all of Shire, not trying to depict individuals, separate villages or specific infrastructure • Reinforces a clear call to action • Provides consistent URL links back to engagement portal containing detailed information. <p>The branding is depicted below in the artwork for the display banners used at all face-to-face engagement activities.</p>	

Criteria	Evidence of meeting this criterion	Reference to application supporting documents
	 <p>The specific details of how Council engaged with the community, the methods used, materials created, and subsequent communications campaign undertaken are explained in detail in attached Our Financial Future Engagement and Communications Plan, and separate Report.</p> <p>Primary engagement and communication methodology used included:</p> <p><u>Information Brochure</u> – summarising the financial issues, the impact on ratepayers of proposed SRV, how to get more information and have a say. 15,000 copies of this printed brochure were inserted into the September rates mailout to all ratepayers and distributed at all face-to-face engagements.</p> <p><u>Online Engagement Portal</u> – https://yoursay.macleay.nsw.gov.au/ Linked from all promotional and design material the Your Say Macleay portal (updated for Phases 1 and 2) had over 7,000 views for the two Phases and provided:</p> <ul style="list-style-type: none"> • A suite of fact pages (also printed in hardcopy and used at all face-to-face engagements) • Community presentations and explanatory videos for key concepts 	

Criteria	Evidence of meeting this criterion	Reference to application supporting documents
	<ul style="list-style-type: none"> • Q&A – both prewritten common questions and ability for community to ask questions and have answers published • Rates Options Survey and Submissions • Rates Calculator – to help residents understand the possible impact for individual properties. • Links to relevant documents and background materials. <p><u>Face to Face Events</u> – A combination of unique community presentations and Council staff being present at existing community events created face to face opportunities for feedback from more than 380 residents through:</p> <ul style="list-style-type: none"> • Markets - Council has a mobile community engagement van, funded through bushfire grants, that is highly recognisable and serves as a mobile office. The van was used at markets and community events to distribute information and receive community feedback • Community briefings arranged in conjunction with existing community groups and organisations enabled Council to present the financial sustainability need and seek feedback from over 200 residents • Displays – information stands were set up in the Customer Service Centre and Kempsey Library to encourage distribution of materials and conversations with staff. <p><u>Media Liaison and Advertising</u></p> <ul style="list-style-type: none"> • Throughout all phases of the engagement plan Council proactively worked with local media professionals to ensure timely and transparent provision of information • 12 stories were written and published by Council on the KSC website • Multiple TV News, print and radio interviews were conducted. • 7 advertorial columns were published in the Macleay Argus, with this content then being further distributed through Councils E newsletter and social media channels. 	

Criteria	Evidence of meeting this criterion	Reference to application supporting documents
<p>Explain the action, if any, the council took in response to feedback from the community</p>	<p>Council took a holistic and deliberate approach to implementing a phased engagement plan so that the community feedback was genuinely able to influence Council’s decision to seek an SRV and this subsequent application.</p> <p>During the inform and engage stage of the work undertaken between August and November 2023 Council staff spoke directly to community at numerous face-to-face community briefings, stalls at markets and events as well as individual stakeholder meetings. This created opportunities to explain the financial issues and limitations on Council’s ability to generate more income, explore ideas and feedback for cost saving and genuinely advise the community that a decision hadn’t yet been made on whether an application would be made.</p> <p>The current cost of living pressures, rising costs across utilities, insurance and private sector businesses that don’t have caps placed on their income generation are all having a real impact on our community’s available funds. Understandably the proposed levels of Council rate increases were met with significant opposition.</p> <p>Council actively encouraged submissions and sought responses to the survey that included seeking feedback on services the community would accept being reduced or cut and proposals for further Council cost savings.</p> <p>This feedback as presented in the Our Financial Future Engagement & Communications Report and attachments, along with responses staff workshops, influenced the recommendation made to the Councillors in the 21 November 2023 report. The recommendation made and resolved was to:</p> <ul style="list-style-type: none"> • Determine that the level of asset management and financial security represented by the original SRV Options two and three at 85% and 94% were not viable for the community to pay and were therefore removed from the LTFP and Council decision • Undertake a critical review of the assumptions, inclusions and service level calculations in the LTFP as per community calls for more accurate financial management and the April 2023 resolution of Council to carry out a financial sustainability investigation ahead of a potential SRV application 	<p>Our Financial Future_Engagement and Communications Results</p> <p>KSC November 2023_Council_Report</p>

Criteria	Evidence of meeting this criterion	Reference to application supporting documents
	<ul style="list-style-type: none"> • Include in the revised LTFF a \$550,000 (averaged annual amount over the 10-year forecast) commitment to finding future productivity savings, largely achieved through removing vacant positions from the establishment, which reflects the community feedback questioning levels of Council staffing. <p>Further the recommendation made to Council, and subsequent application being submitted seeks a SRV of 42.7%, a lower percentage than the original Option 1 of 51%. This decision that is a direct result of the influence of community feedback on Council’s financial sustainability investigation and decision making.</p> <p>Council has also reviewed, updated and simplified the Hardship Relief to Ratepayers and Debt Recovery Procedures, reflecting the seriousness of the affordability concerns. Through the engagement and adoption of the procedures Council has reassured the community that the Hardship options available, along with the availability of vouchers and initiatives from other levels of government such as Service NSW will be actively communicated and promoted.</p> <p>While an SRV application is not the result many in the community were seeking, there is a greater level of understanding and acceptance about the unsustainable financial position of local government and Kempsey Shire in particular.</p> <p>The level of engagement and ultimate reduction in the SRV being applied for has strengthened Council’s stakeholder relationships and commitment to best practice community engagement.</p>	

In the text box below, provide any other details about the council’s consultation strategy, timing or materials that were not captured in Table 7.

Click here to enter text.

In the text box below, please provide any other details about the community’s involvement in, engagement with or support of or opposition to the proposed SV not captured in Table 7.

The community were actively involved in the engagement process and as a result of the education and engagement activities conducted by Council, community members subsequently created an online forum, Figure it Out KSC.

Representatives of this group were responsible for coordinating a petition against the SRV application. The petition containing 8,429 unverified signature was lodged with Council on Monday 30 October and is attached as a confidential attachment due to the privacy data contained.

Please list out any other attachments in Table 8 that the council has relied on to respond to Criterion 2 that was not otherwise outlined in Table 7.

Table 8 Other Criterion 2 attachments

Attachment number	Name of document	Page references
	Micromex KSC Community Satisfaction Survey 2020	
	Micromex Community Satisfaction Survey 2023	
	Our Financial Future_Submissions & Survey Results	
	Petition (Parts A, B & C to manage document size)	

5 OLG SV Criterion 3 – Impact on ratepayers

Refer to the [OLG SV Guidelines](#) as needed, and section 5 of IPART's [Guidance Booklet - Special variations: How to prepare and apply](#) when preparing consultation strategy and material for completing this section. The [Part A](#) application form also collects information for this criterion in Worksheet 7 (WS 7 - Impact on Rates).

5.1 How did the council clearly show the impact of any rate rises on the community?

Please articulate in the text box below how the council demonstrated this question.

In your response, please include references to the Delivery Program, LTFP and relevant community consultation materials to support the council's claims.

As a critical part of the strategic corporate improvement process that Council has undertaken a Financial Sustainability Strategy and Roadmap was developed after an independent review and adopted in 2019.

This Strategy established the agreed program of work required for Council to achieve a sustainable balance between organisational and legislative requirements and meeting community expectations. Consideration of possible rate increase scenarios and the subsequent impact across rating categories was included in this Strategy and has been part of Council's financial management approach and documented within the Long Term Financial Plan since that time.

The Delivery Program 2022-26 reaffirmed the forecast operating deficit, the financial sustainability initiatives being implemented and the agreed action in this term of Council to conduct an investigation into whether the SRV scenarios that had been identified in the LTFP for five years were viable.

The terms of the Financial Sustainability Investigation were reported to Council in April 2023 as a further mechanism to create transparency and establish clear expectations with the community regarding impacts and the decision making timeframe.

Council's methodology for engaging with and educating the community during the Investigation and Exhibition phases focussed on clear communication, plain English language and provision of detailed explanations of the impact of a potential rate rise.

This involved creation of specific communication and engagement tools that focussed on plain English and clear highlighting of the percentages, increases in dollar terms and impacts on each rating category – for all scenarios being considered both before and after Council's resolution to apply to IPART for a SRV.

Councillors were briefed monthly throughout the financial sustainability investigation and then the exhibition phase, and the tools described below were demonstrated and provided to them to increase their understanding as decision makers and enable them to share directly with their networks and stakeholders in the community.

Primary tools used to show the impact of the SRV included:

Rates Calculator

A simple online form where ratepayers entered their land valuation as per the latest rates notice and the ratepayer was shown the specific expected increase for their property for all scenarios as a percentage and dollar amount, and overall dollar amount compared to the 2023-24 base year.

This calculator was launched during the Phase 1 Engagement between August and November 2023 when three rate SRV scenarios were being considered. [SRV Rates Calculator \(openforms.com\)](#) The calculator clearly showed the impact of all three possible scenarios for each of the years of implementation.

Following Council's November 2023 resolution to apply for a 42.7% increase over three years the calculator was reconfigured to provide accurate data to residents on the impact of the increase being applied for. [SRV Rates Calculator December 2023 \(openforms.com\)](#)

The calculator was featured prominently on Council's project specific online engagement portals, highlighted in the Our Financial Future information brochure that was mailed to all ratepayers (12,500 printed and 500 online distribution) promoted verbally in all face to face engagement interactions and featured in media releases and news articles as part of the focussed effort to help community understand the impact of the proposed SRV.

Infographic /Fact Sheet

Council developed and displayed a clear info graphic highlighting the impact of the proposed SRV in percentage and dollar terms.

All three scenarios were modelled in the initial engagement between August and November 2023 and then the graphic was updated for further engagement November - January 2024 following Council's resolution on the SRV percentage being applied for.

The initial stage of engagement also included distribution of *Fact Sheet 3: The Impact on all Rating Categories* which broke down the three proposed SRV options across the four rating categories of Residential, Business, Business Other and Farming.

This Fact Sheet was made available from the online engagement portal and distributed in hard copy at all face-to-face engagement activities and through information displays in Council's Customer Service Centre and Library.

Info Graphic 1:

Featuring prominently on Council's online engagement portal and in the Our Financial Future mailout, Info Graphic 1 consistently referenced the detailed breakdown of impact across all rating categories as per Fact Sheet 3 referred to above.

What options are being considered?

Council's long term financial plan outlines three options for possible rate increases that deliver a moderate budget surplus and varying levels of improved asset conditions.

Based on an average residential rate charge of \$1,274 the table below shows the impact of the three rate rise options and average total difference in rate charges.

	Annual Rate Peg + SRV increase each year	Cumulative Increase after 3 years	Average \$ increase 2024/25	Average \$ increase 2025/26	Average \$ increase 2026/27	Average total \$ impact on residential rates
OPTION 1 Address financial sustainability. Manage asset maintenance and backlog at current level of service.	14.77%	51%	\$188	\$216	\$248	\$652
OPTION 2 Achieve financial stability. Replace assets in line with recommended replacement times.	22.79%	85%	\$290	\$357	\$438	\$1,085
OPTION 3 Achieve financial stability. Replace roads & bridges to a better standard to increase longevity.	24.76%	94%	\$315	\$394	\$491	\$1,200

* All three options will achieve a moderate annual operating surplus of \$1m on average over the years 2025-26 to 2032-33.
The breakdown of total impact for Farmland, Business and Business Other rates is available from the Fact Sheets at ksc.pub/financialfuture

Info Graphic 2:

Once Council resolved to apply for a 42.7% SRV the info graphic was updated to include all rating categories in the one table and highlighted on the landing page of the landing page of the Phase 2 online engagement portal.

The image was also used in social media posts and provided to the media.

	Annual Rate Peg + SRV Increase Year 1	Annual Rate Peg + SRV Increase Year 2	Annual Rate Peg + SRV Increase Year 3	Total increase after 3 years
PERCENTAGE INCREASE	7.9%	15%	15%	42.7% *
RESIDENTIAL \$ increase based on average residential rate of \$1,274	\$101	\$206	\$237	\$544
BUSINESS OTHER \$ increase based on average business rate of \$2,514	\$199	\$407	\$468	\$1,074
BUSINESS URBAN \$ increase based on average business urban rate of \$3,483	\$275	\$564	\$648	\$1,487
FARMLAND \$ increase based on average Farmland rate of \$2,332	\$184	\$377	\$434	\$996

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

Please articulate in the text box below how the council demonstrated this question.

In your response, please provide references to the Delivery Program, LTFP and community consultation materials where the council has considered the affordability and the community's capacity and willingness to pay.

To establish the affordability of the proposed SRV and the community's capacity to pay, Council engaged Morrison Low to prepare a report based on the three SRV scenarios as presented in the June 2023 adopted LTFP.

The attached Capacity to Pay report provided an objective and independent assessment to assist with the decision on the level of the SRV. Noting the diversity of property values and demographics across the Kempsey Shire, the report provides an analysis and evaluation of relative wealth and financial capacity, by considering the financial exposure and vulnerability of the community across five different geographical regions.

Based on a comparison of economic and socioeconomic data from Council, Australian Bureau of Statistics and .id (informed Decisions) the methodology used to assess capacity to pay across a diverse community involved:

- Divide LGA into 5 geographic groupings for analysis
- Examine relative wealth between different groupings in relation to:
 - Characteristics of social disadvantage such as age, household makeup & income and SEIFA rankings
 - Level of vulnerability in the groups considering property ownership, employment, pensioners
 - Household expenditure
 - Employment by industry type
- Layer grouping analysis over proposed rating changes to identify level of impact

The breakdown of the local government area is shown in Table 2 from the report.

Table 2 Kempsey Local Government Area grouping breakdown

Grouping	Population (2021)	(id) Profile Areas ¹
Kempsey	10,763	"West Kempsey - Greenhill; East Kempsey; South Kempsey."
Coastal North	9,886	"Frederickton and District; Stuarts Point and District; South West Rocks - Jerseyville."
Coastal South	4,794	"Crescent Head - Kundabung; Smithtown - Gladstone and District."
Rural (West)	2,561	"Rural West – Bellbrook."
Aldavilla - Airport	3,263	"Aldavilla - Euroka - Yarravel."
Kempsey LGA	31,267	

Table 30 on page 33 of the Report presents willingness to pay in the context of actual outstanding rates and charges of OLG Group 4 councils.

Kempsey's percentage of outstanding rates for 2022-23 is 8.2%, a further reduction from 10% in 2021-22, or when excluding payments made in advance in 2022-23 the percentage is 4.5% (down from 6.5% in 2021/22).

The NSW benchmark for rural councils is 10%, and Kempsey has consistently been significantly below this percentage for the past four financial years – this is therefore an indicator of capacity and willingness to pay.

The independent authors of the Capacity to Pay Report concluded that:

1. There are significant levels of advantage within the Kempsey LGA, along with significant pockets of disadvantage.
2. It is important for Council not to marginalise especially vulnerable individuals and households, particularly in the Kempsey geographic area.
3. A high proportion of residents within the Kempsey geographic grouping are renters or in social housing, which can mean minimal impact of an SRV.
4. An appropriate hardship policy is required to address the issues identified in the Kempsey geographic region, which only has 'some' capacity to pay.
5. The hardship policy will be equally important to address pockets of disadvantage in "Coastal North" and "Rural West" and less so "Coastal South" and "Aldavilla – Airport" which are the two geographical areas considered as the highest levels of advantage, demonstrated by high levels of equivalised income and home ownership.
6. There is very limited capacity to pay across the Shire for Options Two and Three and therefore Option One, a cumulative increase of 51%, is the highest presented potential SRV level that should be considered.

It should be noted that cost of living and mortgage costs assessed in the capacity to pay analysis use data from 2021 and 2022, which does not capture potential additional financial vulnerability in the community caused by cost-of-living increases over the last 12 months. However, it also doesn't include any increases in income during this period either.

Having assessed the Capacity to Pay Report, in conjunction with the significant community feedback regarding cost of living pressures, it was concluded that the three SRV scenarios originally presented to the community should be reviewed.

In the November 2023 business paper Council noted that the originally proposed SRV options, could have a detrimental effect on some household budgets. Subsequently the recommendation made to Council and the final resolution was to adopt additional Council savings and reduce the rate increase being sought to 42.7% cumulative over three years in line with the revisions included within the attached LTFP.

5.3 How has the council addressed (or intend to address) concerns about affordability?

Does the council have a hardship policy?	Yes
If yes, is an interest charge applied to late rate payments?	Yes unless negotiated in accordance with adopted Procedures.

To inform our assessment, Worksheet 12 (WS 12) in the [Part A](#) application form also collects data on overdue rates notices, pensioner concessions and rates notices subject to hardship provisions.

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

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

Council is aware that an SRV may cause hardship for ratepayers who have been impacted by natural disasters, COVID-19 and more recently, the impact of cost-of-living increases. Unfortunately, many of these same circumstances have contributed to the financial issues Council is seeking to address.

Concerns about affordability have been the central theme of the community feedback and subsequently weighed heavily on the Councillors decision to apply for a SRV. Many of the submissions and survey responses highlighted the impact of increases from utilities and service providers that don't require the same level of approval and public scrutiny that is applied to Council rate increases.

Throughout the engagement process and certainly in communicating Council's resolution to make this application, KSC has reassured the community that seeking a rate increase is one part of the process. The expectation on the organisation, from Senior Management, Councillors and the community, is to continue to seek additional savings, efficiencies and appropriate grant funding in an effort to not have to adopt the maximum SRV percentage if approved.

This sentiment was captured in the Mayor's statement from the November 2023 media release, distributed after the Council meeting to all outlets and resulting in significant TV, radio and print media coverage.

Leo Hauville, Mayor of Kempsey Shire Council, emphasised that Councillors faced a very challenging decision and arriving at a resolution was not taken lightly.

“Careful consideration has been given by myself and fellow Councillors of the detailed report prepared by Council staff outlining the findings of the Special Rate Variation investigation,” said Cr Hauville.

“Financial and asset data as well as the significant feedback in community surveys and submissions were considered before Councillors voted to proceed with an application.”

“This decision does not mean the rates will definitely go up by more than the rate peg set by the NSW government. It means that if approved, a special rate variation is still one of the options available come June next year when Council will ultimately be aiming to set a sustainable financial path.”

As outlined in responses above, Council resolved to adjust the LTFP, committing to further productivity savings and reduced asset management spending to lower the SRV required compared to what was originally proposed.

Further to the lower percentage SRV, Council resolved not to implement the increase equally across three years, instead opting for an increase just 3.2% above the rate peg for the 2024-2025 year to minimise the initial impact on ratepayers in the current economic climate.

These decisions are reflected in the below excerpt from the KSC Council resolution in November 2023:

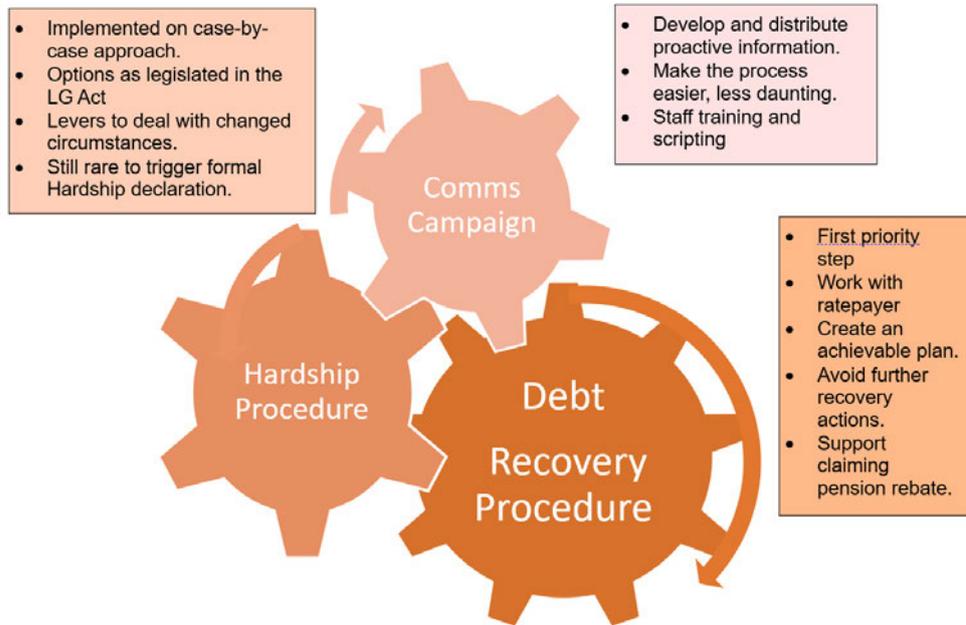
- *In recognition of community feedback and capacity to pay considerations, rejects the original Special Rate Variation options two and three and proceed with a revised option one of 42.7% cumulative including the rate peg over a three-year period commencing in 2024-25, to be permanently retained within the rate base;*
- *Notes that the proposed increase in 2024-25 be limited to 7.9% including the rate peg to minimise the initial impacts on ratepayers and provide time for ratepayers to prepare for proposed increases of 15% including the rate peg in both 2025-26 and 2026-27;*

To further address these concerns and embed a focus on the affordability issue throughout the lifecycle of the proposed SRV implementation Council’s resolution in November also committed the organisation to:

- a) *Undertaking further analysis and service reviews to identify additional cost savings and productivity improvements to improve Council’s forecast financial position, potentially reducing the size of the future rate increases to be implemented;*
- b) *Reviewing the rating structure to ensure it remains fair and equitable, both across and within the Residential, Farmland, Business Urban and Business Other rating categories;*
- c) *Continuing to advocate to the Commonwealth and NSW governments for improved and increased funding of the local government sector and for improved outcomes regarding cost-of-living pressures; and*

As part of Council’s holistic approach to managing disadvantage, while still ensuring the financial sustainability of Council’s operations, a detailed review of Council’s policies and procedures governing debt recovery and rating support provided to the community was conducted as part of the Financial Sustainability Investigation. The updated documents were then publicly exhibited with the revised SAMP and LTFP, before adoption in January 2024.

The image below, developed for Councillor workshops shows the interrelated components of Councils approach.



Council’s Recovery of Unpaid Rates, Charges, and other Debts Procedure outlines the support given and legislative steps Council take to work with ratepayers to manage debt and make payment possible.

Council’s debt recovery intentions are clearly outlined in the document:

Council will act with integrity and fairness seeking to ensure the recovery of all debts as soon as possible, consistent with the ability of the debtor to pay.

Prior to involvement of external debt recovery services Council will use early stage intervention to facilitate payment, seeking to negotiate voluntary repayment arrangements to address outstanding debts, and reduce the likelihood of moving to later debt recovery stages.

The basis of the debt recovery procedure involves a series of Council reminders, potentially followed by referral to a professional debt recovery agency, court action and ultimately enforced sale of property.

The Hardship Relief to Ratepayers Procedure clearly and comprehensively explains the support mechanisms Council can provide to ratepayers within the limitations of the Local Government Act. It ensures those mechanisms are fit for purpose, supporting ratepayers with fairness and integrity, particularly in the context of a rate increase.

The KSC governance framework does not mandate that procedures have to be publicly exhibited or formally adopted, but these steps were undertaken between November 2023 and January 2024 to support transparency, create greater community awareness of the existence of these mechanisms and reflect that the communities concerns regarding affordability were being addressed.

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

The review and adoption of updated Hardship and Debt Recovery procedures has been carried out as part of Councils Delivery Plan action to *Deliver and improve corporate performance, assets, risk and management systems* (page 40) and the multi-year project to *Investigate special rate variation* (page 45). This body of work is further represented within the Operational Plan action *LE.OP27 Investigate need for a Special Rate Variation* (page 67).

c. Please explain how the council makes its hardship policy or other measures known to ratepayers.

In noting the outcomes of the Investigation into the need for a Special Rate Variation at the November 2023 Council meeting, Council resolved to proceed with the application. That resolution also committed Council to the following action: *Developing and implementing a communications plan to ensure ratepayers understand the timing and impact of any approved future rate increases and the revised hardship relief processes available to minimise impacts on ratepayer's capacity to pay.*

When Council adopted the revised Hardship and Debt Recovery procedures in January 2024 the commitment to making these measures known to the community was further reinforced. Staff in the Communications, Rates and Customer Service teams have recently done a training series "Ratepayer Roulette" giving updated advice on dealing with challenging circumstances and providing support.

The practical delivery of the agreed communications campaign will include:

- a dedicated section on the website, linking to the adopted procedures.
- a story in the rates mailout that goes to all households.
- a flyer available from Customer Service and Council's outreach engagement to provide information about payment options and support available which is valuable in helping people know it's safe to make contact with Council.
- This comms materials can include referrals to financial advisors and services like the Neighbourhood Centre. This is far more easily updated and kept current than including that detail in the procedure.

5.4 Are there any other factors that may influence the impact of the council's proposed rate rise on ratepayers (optional)?

Describe the impact of any other anticipated changes in the rating structure (e.g. receipt of new valuations), or any changes to other annual ratepayer charges such as for domestic waste management services.

You may also explain how the number of **non-rateable properties** may impact the council's average rates, if relevant to your council.

You can provide additional data using Worksheet 12 (WS 12) in the [Part A](#) Excel application form. For instance, providing the number of non-rateable versus rateable properties.

Council resolved in November 2023 to undertake a review of its rating structure to ensure ongoing fair equitable and transparent outcomes as part of the Financial Management actions in the 2024-25 Operational Plan.

6 OLG SV Criterion 4 – Exhibition and Adoption of IP&R documents

Refer to the [OLG SV Guidelines](#) as needed, and section 6 of IPART’s [Guidance Booklet - Special variations: How to prepare and apply](#) when preparing consultation strategy and material for completing this section.

Table 9 seeks information which demonstrates that the council has met the formal requirements for the preparation, exhibition, adoption and publication of the current IP&R documents.

Table 9 IP&R documents

IP&R Document	Exhibition dates	Link to council minutes that outlines the resolution to publicly exhibit	Adoption date	Link to council minutes that outlines the resolution to adopt	Link to the adopted IP&R document on the council’s website
Community Strategic Plan	6 December 2021 - 27 February 2022	Draft Minutes of the Ordinary Council Meeting - 16 November 2021 (nsw.gov.au)	26 April 2022	https://www.kempsey.nsw.gov.au/files/content/public/v/2/your-council/council-meetings-forums-catchups/council-meeting-agendas-minutes/ordinary-council-meeting-26-april-2022-minutes/ordinary-council-meeting-26-april-2022-minutes/220426-ordinary-council-meeting-26-april-2022-confirmed-minutes-signed.pdf	Community Strategic Plan - Kempsey Shire Council working with the Macleay Valley community (nsw.gov.au)

Delivery Program	21 April 2023-21 May 2023	https://www.kempsey.nsw.gov.au/files/sharedassets/public/v/1/docs/departments/governance/meetings/230418-ordinary-council-meeting-18-april-2023-minutes-signed.pdf	27 June 2023	https://www.kempsey.nsw.gov.au/files/sharedassets/public/v/1/docs/departments/governance/meetings/2023/meeting-minutes/230627-ordinary-council-meeting-27-june-2023-confirmed-minutes-signed.pdf	Operational Plan - Kempsey Shire Council working with the Macleay Valley community (nsw.gov.au)
Long Term Financial Plan	22 November 2024 to 19 January 2024	https://www.kempsey.nsw.gov.au/files/sharedassets/public/v/1/docs/departments/governance/meetings/2023/meeting-minutes/231121-ordinary-council-meeting-21-november-2023-minutes-1.pdf	30 January 2024	Extraordinary Council Meeting - 30 January 2024 - Kempsey Shire Council working with the Macleay Valley community (nsw.gov.au)	Long Term Financial Plan - Kempsey Shire Council working with the Macleay Valley community (nsw.gov.au)
Asset Management Plan (which contain long-term projections of asset maintenance, rehabilitation and replace, including forecast costs).	22 November 2023 to 19 January 2024	https://www.kempsey.nsw.gov.au/files/sharedassets/public/v/1/docs/departments/governance/meetings/2023/meeting-minutes/231121-ordinary-council-meeting-21-november-2023-minutes-1.pdf	30 January 2024	Extraordinary Council Meeting - 30 January 2024 - Kempsey Shire Council working with the Macleay Valley community (nsw.gov.au)	Corporate planning, performance and budget - Kempsey Shire Council working with the Macleay Valley community (nsw.gov.au)

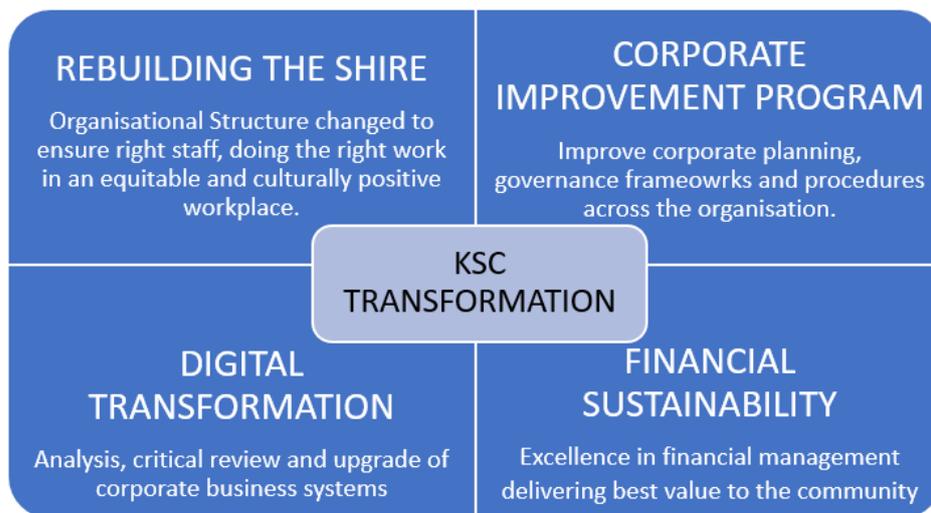
7 OLG SV Criterion 5 – Productivity improvements and cost-containment

Refer to the OLG SV Guidelines as needed, and section 7 of IPART's [Guidance Booklet - Special variations: How to prepare and apply](#) when preparing for and completing this section.

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

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

Over the last six years KSC has undergone a period of significant change and maturity, driven by an overarching strategic approach to focus the transformation on four key areas:



An independent organisational review commissioned by the Mayor and Councillors in 2017 was one of the actions taken following the Office of Local Government notification that Council did not satisfy the financial criteria in the original IPART Fit for the Future Assessment.

The review identified significant organisational issues in relation to culture, accountability and staff competency. A new structure was implemented which ultimately resulted in appointment of a new General Manager and two new Directors, replacing the previous General Manager and four Director structure.

In the ensuing years achieving greater productivity and accountability has been a goal of the interrelated corporate transformation priorities focussing on culture, structure, systems and financial sustainability.

The underlying strategic principles of the transformation over this time have included identifying and managing risk and non-compliance; improving operating efficiency, staff morale and financial literacy.

Complex bodies of work have been carried out in each of the four key areas as outlined in the summary below and described in the attached Timeline of Efficiency and Productivity.

2018 Rebuilding the Shire

This work was primarily an internal program focused on improving staff engagement, equity in pay scales and career development pathways to rebuild trust in Council as an employer.

The restructure addressed levels below senior staff, including reducing Managers from 13 to 9. As noted above, two Directors had already been removed from the structure.

Consistent assessment and adjustment of the organisational structure in the period since has enabled KSC to adjust and accommodate significant change in recent years such as unprecedented grant funded capital works following natural disasters and workplace change linked to COVID-19.

A focus of the organisational transformation has been the creation of greater financial, reporting and cultural accountability within the Leadership team. Inclusion of all people leaders in the organisational information sharing and decision making has enabled greater awareness of the importance of financial sustainability and specifically, productivity savings.

Practical applications that relate to this SRV application have included:

- Quarterly Leadership Forum meetings, encompassing approximately 60 leaders within KSC, that involve a combination of information presentations, training and collaborative feedback.
- Workshops as part of the Leaders Forum to support prioritisation of systems reviews.
- A specific workshop to compile feedback on productivity improvements that have been implemented at a team level, and suggestion from leaders on savings yet to be made.

2019-2020 Corporate Improvement Program (CIP)

The CIP was developed by undertaking data review, staff workshops and priority mapping. The process identified that Council needed to improve links with the Integrated Planning and Reporting Framework by focusing on seven areas in order to meet the future service delivery and asset needs for the community.

The program recognised that future opportunities and challenges would include; population growth rates, declining agricultural production and changing economic basis, increasingly diverse community needs and declining revenue and funding options for large community assets, utilities and infrastructure maintenance required for water, sewer and roads.

The CIP governance framework appointed the Executive Leadership Team responsible for the outcomes with a steering committee established and a Group Manager appointed to lead each of the seven programs of work. Collective outcomes were reported to the Leadership team monthly and progress reports reported to Council and the public quarterly.

The identified programs of work recognised as corporate improvement priorities were:

1. Corporate Governance – Clear policies, procedures, delegations, legislative commitments and project governance.
2. Financial Sustainability – Implementation of the adopted Roadmap and Program containing clearly defined actions.
3. Community Engagement – Developing and adopting an engagement strategy that would support increasing community trust and participation.
4. Asset Management – Improving asset data, registers and systems to create more accurate condition reporting and life cycle costing.
5. Workforce and Culture – Greater accountability and safety, workforce planning and upgrade to outdated salary and performance review structures and systems.
6. Systems and Processes – targeting useful, timely systems improvements that assists task and performance outcomes.
7. Corporate Planning, Reporting and Performance Management - improving internal literacy and understanding of IP&R to better link organisational actions, assets and resources with community priorities and corporate strategies.

2019 - Ongoing Financial Sustainability Strategy and Roadmap

As a critical part of the overall CIP, the Financial Sustainability Strategy and Roadmap was developed after an independent review and adopted in 2019. It established the agreed program of work required for Council to achieve a sustainable balance between organisational and legislative requirements and meeting community expectations.

Outcomes are reported quarterly to Council against the themes of:

1. Delivering best value to our community – more accurate asset management data, work with community to understand service expectations, savings through changes to organisational structure, focus on procurement and contract management.
2. Excellence in financial management – Audit, Risk & Improvement Committee and improved governance reporting, structured budget development process, targeted grant applications that reflect priorities, policies and procedures to embed financial accountability.
3. Striving to Deliver Better Practices - staff led continuous improvement and efficiency, increase own source revenue.

This body of work has been highlighted to the community through Fact Sheet 1.

[804f8dc7b7c7bc178ec40e2fb2105bbf_Fact_Sheet_1_Cost_Reductions_.pdf \(amazonaws.com\)](#)

An ambitious program of work, the Strategy was originally established without knowledge of the impact of major natural disasters and the economic impact of COVID-19. The ongoing focus on achieving financial sustainability is now embedded in the organisational culture and within the Long Term Financial Plan.

With Local Government juggling increasing community demands, limitations to rates and own source revenue and the impact of cost shifting by other levels of government, financial sustainability is a constant factor in the matrix of decision making.

2019 – 2024 Share the Vision Digital Transformation

Analysis and assessment of outdated, high risk operating systems led to a research and tender phase before Council commenced a long term process of systems based improvement.

The strategic intent of this program links to the technology enabled principle that underpinned the organisational restructure in the year prior to commencing the Digital Transformation.

The significant investment in creating a technology enabled Council, has resulted in the implementation of over 40 digital solutions all aligned to the following objectives:

- Reducing human intervention in processes
- Ability to provide accurate and automated financial reporting
- Streamlining work processes to save staff time
- Building organisational stability
- Supporting policy compliance at an individual level
- Increasing efficiency and autonomy for staff to perform their roles
- Enhanced customer experience

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

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

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

The strategic program outlined in 7.1 and further clarified through the attachment *Timeline of Productivity and Efficiency* has enabled the delivery of a sustained, organisation wide commitment to improving productivity and containing costs.

A summary of outcomes from major initiatives is documented below:

2019-20 Digital Transformation - Electronic timesheets

As part of the core business systems replacement Council implemented Definitiv; an online timesheet, leave and staff management system, across the entire organisation. This has resulted in more accurate and effective record keeping, improved digital literacy of all staff particularly those in the Operations workforce and created significant real time savings and efficiency by not having administrative staff input paper-based timesheets.

The system has enabled integration of the payroll and timesheet systems and moved all leave forms and physical timesheets online, achieving significant benefits such as:

- reduced expense on paper
- saved staff hours in filling in timesheets and then HR entering into payroll
- more efficient and accurate automated pay processing
- digitising leave balances
- creating the ability to download trend data for leave management
- reduced personnel enquiries and interruptions to HR staff from colleagues seeking estimates of projected leave balances or reversing leave applications

- improved and accessible provision of contact details for emergency management
- ability to upload a photo of sick leave certificate therefore reducing processing time.

As part of the rollout all staff had to have a Council email account established and operational. Linking this change to payroll ensured compliance and meant communication channels and efficiency for reaching all staff are now far more interactive, efficient and measurable.

2021 Digital Transformation - Greenlight

Council made the decision to implement a web-based Development and Compliance system prior to Development Applications, Complying Development Certificates and Post Consent Certificates being mandated to go through the Planning Portal by NSW Department of Planning.

Greenlight is custom designed and provides a web-based system for assessment of applications including Development Applications, Complying Development Certificates, Post Consent Certificates, Building Information Certificates and Private Certifier Registrations. Some of the main functions included are:

- Integrating uploaded documents with Councils record management system minimising double handling.
- Automated workflow status and acknowledgement emails creating clear customer expectations.
- Integrated payments.
- Inspections recorded having been automatically scheduled.
- Consistent templates, stamping and acknowledgement of plans and documents.
- Record keeping across all applications which integrates with Council's electronic records management system.
- Report generation.
- Task are integrated with the NSW Planning Portal.

Council staff are no longer spending time collating, scanning and manually processing paper-based planning documents, inspection reports and records including correspondence.

Acknowledgements are now more automated and are sent to applicants' emails, online payment is preferred and is linked to the application/register creating greater financial efficiency which is critical for large scale development applications.

The system allows for greater visibility of development applications across the Shire and allows for more efficient progress tracking from the customer, again creating efficiencies for development application support and customer service staff. The documents relating to the Development Application are made public through a simple DA Register online interface where customers can view applications and the submitted or approved documents.

Greenlight is also used to generate Planning Certificates, that are integrated with the GIS mapping system and address register. This has resulted in a reduction in planning staff input on each application, less manual work around as the mapping provides an accurate source of truth providing an effective method for keeping up with legislation changes and creating efficiencies for planning outcomes.

Planning certificates are sent through the system via email to the applicant, reducing all printing and manual scanning of the certificates and associated applications. Clear records of the information sent is also automated into our electronic records management system.

Council has continued to seek improvement in this area and has also implemented the Greenlight Health module. This includes registers for Food Business, Skin Penetration, Onsite Sewer Management System, Backflow Prevention Devices, Public Swimming Pool, Cooling Towers, UPSS (Underground Petroleum Storage Systems), Thermostatic Mixing Valves, Mortuary and Caravan Parks.

Having these registers in Greenlight creates greater efficiency for the Environmental Health Officers who can be more proactive in their public health programs due to efficient management of documentation, record keeping and workflow through automated responses and management of payments.

Additional registers that achieve similar handling and record keeping efficiencies have also been added in the past year including Private Swimming Pool (Certificates of Compliance for Fencing), Development Related Advice (which includes requests for pre-lodgements, flooding, contribution calculations etc), Dwelling Entitlement searches and Tree Removal applications.

Procurement

Identified through the Financial Sustainability Strategy as a mechanism for improving supplier relationships, reducing risks and lowering excess third party spend Council has invested significant resources in maturing systems and processes associated with procurement and contract management.

All staff in leadership roles have been involved in workshops and training to assess past practices and undertake training as changes have been implemented.

An internal audit of Procurement identified simple efficiency improvements such as:

- Establishment of a Procurement Advisory Committee
- Creating exception reporting to capture procurement and accounts payable actions outside of adopted policies.

A practical example of improving procurement processes to achieve substantial savings in staff time across all levels of Council is the 2019 review of the Corporate Credit Card Procedure and subsequent 2020 implementation of the NAB Flexipurchase online approval system.

All staff who procure goods and services are supported to undergo training in procurement and credit card use and all small purchases of \$1,000 or less are encouraged to use Credit Cards and associated online approval.

This has significantly reduced staff time uploading quotes, generating PO's, processing invoices and waiting for payment before goods can be secured. For operational staff requiring stock or small machinery, Library staff ordering books and Community Development staff delivering events this greater financial flexibility with required accountability has significantly increased operational efficiency.

Further productivity improvements have been made with the transition to the public tender system eProcure. By transitioning to an established digital system Council has improved transparency, record keeping and decision making efficiency.

The Infrastructure Delivery section has been critically involved in procurement audits and reviews to ensure that procurement practices are contemporary and that opportunities for savings are identified where possible.

The implementation of eProcure has supported transition to a 'Panel' system of purchasing for ongoing infrastructure needs, where a competitive tender is let and a panel of suppliers is established for the supply of goods and services. This has improved efficiency by reducing the need to run an individual procurement activity for separate jobs and ensures product consistency and a quality outcome in a competitive manner.

Asset Management System

Council is responsible for acquiring, maintaining, and renewing approximately 30,000 assets collectively worth over \$1.3 billion. As part of the Financial Sustainability Program, Council has invested in improving the asset maintenance systems and collecting better data so that we can more accurately identify and cost those assets that require repair and or replacement, and more accurately forecast achieving the NSW Government industry benchmark for asset maintenance.

The result of this ongoing asset management analysis has enabled more accurate definition of the "Asset Backlog".

Assets are the primary focus of Council's financial statement audit undertaken annually by external auditors.

Improving the asset management system and Council's expertise in this area has involved:

- Seeking specialist external advice and recruiting expertise in the Asset Management team over the last four years to deliver improvements to asset revaluations, inspections and data accuracy.
- Migrating all asset management data into a fit for purpose system. The Asset Management Information System (AMIS) includes configuration of full financial details for each asset.
- This migration allowed Council to undertake a system-based revaluation of all assets, primarily focussed on transport and stormwater sectors, enabling accurate data and more reliable financial forecasting and management.
- Asset data has also been progressively integrated with Council's existing GIS system to provide a geographical and spatial representation of asset locations and performance.
- The Asset Management System has a 20-year modelling horizon to reflect longer asset life, updated with condition rating data every few years.

A key focus for Infrastructure Delivery and Asset Management staff has been the implementation of a maintenance management software system, Reflect.

The system has been implemented for road maintenance and includes strategically inspecting the road network and logging defects in real time, from the field in accordance with the adopted Road Management Plan.

Our Road Management Plan defines the different defects that apply to the road network with intervention levels and response timeframes required. This documented strategic approach aligned with relevant software allows the infrastructure crews to allocate and deliver works more efficiently.

This software also enables many reporting functions and as the information held within the application grows, staff will continue to analyse the information and make further efficiency improvements.

Budget and project prioritisation process

Council now has a consistent and repeatable process for quarterly and annual budgeting. This has been made more efficient by using data models that refresh and report far quicker and more accurate than manual excel based templates saving time for staff and budget owners.

A rigorous process of planning, assessment and engagement has been implemented to determine Council's annual budget and agree projects that are suitable for grant funding applications, which reduces the impact and risk associated with subjective judgements on what constitutes essential Council spending.

Over the last five years, through the introduction of the quarterly Leaders Forum, KSC staff have undergone increased training regarding the community engagement and long term strategy mechanisms within the Integrated Planning and Reporting Framework and the relationship of the framework to the budget approval process.

It is now accepted practice that development of any Strategy or Planning document must adhere to Council's adopted Community Engagement Strategy and follow the principles of the IP&R framework. This ensures the community have an opportunity to express support or concern when major projects are identified in context of long term planning and prior to being adopted by Council.

The annual budget is simplified by rolling and removing closed projects and one-off costs, with inclusion of any new or non-carry over projects requiring Executive evaluation and approval following presentation of a project prioritisation template used across all sections of Council. The prioritisation process identifies where the project aligns with current adopted Delivery Program and Operating Plans (addressing the risk of outdated strategies being funded) and an overall assessment of risk and reward and the with heavy negative weighting applied to projects that pose financial risk to Council, meaning that these projects are often rejected.

This process is also being implemented for major grant funding applications, outside of those that address repair work associated with an emergency declaration.

Audit Function

The Internal Audit function at KSC was established in late 2018 with the adoption of internal audit charters, recruitment of an internal auditor and establishment of an Audit, Risk & Improvement Committee (ARIC). Internal Audit provides an innovative and value-adding service function that supports management and the ARIC in reviewing and recommending improvements to key processes and controls.

Productivity and cost containment measures are considerations for many internal audits. The ARIC is made up of three independent members and one Councillor observer.

Internal Audit conforms with the Standards and Code of Ethics issued by the Institute of Internal Auditors, Office of Local Government (OLG)'s risk management and internal audit guidelines (2023) and the Internal Audit Charter.

Table 1 in the attachment Timeline of Efficiency and Productivity Change provides a detailed overview of some key efficiency, effectiveness and productivity improvements derived from Council's Internal Audit function over the past five years.

Staff identified and driven improvements

- Implementation of Azility (2021) an organisation wide energy and water data management system that enables tracking of usage, identify peaks and anomalies, and bill monitoring to enable actions to reduce usage and overall costs.
- Facilitating digital distribution of ratepayers 2 x free hard waste tip vouchers, reducing printing costs, fraud and transfer of benefits.
- Increased operational staff involvement in the review and decision making around purchase of plant resulting in purchase of multipurpose equipment and greater resource sharing.
- Reducing specialty position descriptions and levels within the structure across many sections of Council including Customer Service, Library, Community Development, People and Culture Teams, Construction Labourer roles as well as Water and Sewer operators. This change has created greater staff cross functional efficiency and flexibility.
- Appointment of an external investment advisor to manage Council's investment decisions, which in addition to improving productivity has resulted in improved investment returns.
- A dedicated Surveillance Officer role has been established within the Infrastructure Delivery team, as well as focused engineering and technical support roles to refine the specifications used by Council and ensure compliance of internal and contracted construction teams.
- Council has reduced reliance and expenditure on contracted labour hire staff, instead upskilling local staff through government funded trainee and apprenticeships, or creating temporary contract positions within the structure that are responsible for multiple areas of project management.
- The addition of a construction control unit within our construction team has enabled staff to accurately transfer the detailed design into the unit onsite, which also has provision to communicate with the grader and other machinery. This enables the team to accurately follow the detailed design efficiently and without the need for several survey pegs and stringlines to be run on site to follow the design saving resource time and resulting in faster service delivery. Accurately following the design also helps to ensure the constructed assets longevity and compliance.
- Infrastructure Delivery construction teams have expanded the road construction techniques used to include in-situ stabilisation and re-use of existing pavements to reduce the requirement of imported gravel materials. This process can be used in suitable scenarios explored by our construction teams, however when used this process reduces the construction timeframes and reduces the amount of cost in procuring material from offsite.

b. Outline the outcomes which have been achieved, including providing quantitative data where possible.

Many of the initiatives KSC has implemented over the last six years and outlined in the *Timeline of Productivity and Efficiency* were part of a commitment to modernise the operating systems of the organisation and reduce risk associated with poor compliance, poor records and inefficient processes.

From this perspective it is difficult to quantify the outcomes purely in financial terms or to distinguish the corporate opportunities realised. Outcomes such as creating a positive workplace culture, attracting and retaining skilled staff, staff being able to deliver significantly increased capital programs, manage an influx of grant funding and work with the community to manage the burden of significant fires, floods and COVID-19 are all largely intangible compared to the base line and unknown outcomes of not taking these actions.

The table below gives further high-level quantitative indicators of outcomes achieved.

Year	Initiative	Description	Est. Saving
2018-19	Restructure	Managers reduced by four positions created ongoing savings.	\$600,000 per annum ongoing
2018-21	Workers Compensation Insurance cost reduction	Improved management of long term injury claims and proactive return to work process delivered significant reductions in ongoing premiums.	\$335,000 per annum ongoing
2019-20	Definitiv (payroll system) implementation	Material paper savings and efficiency in staff time. Equivalent of one FTE gain.	\$100,000 per annum ongoing
2019-20 2021-22	Installation of Solar and LED lights	Civic Centre and Slim Dusty Centre	\$82,000 per annum ongoing
2020-21	Saleyards leased out	10+ 10-year lease for management, operation and maintenance of Saleyards facility.	\$120,000 additional income per annum ongoing
2020-21 2021-22	Depreciation reduction	A comprehensive review of assets lives was conducted which resulted in an extension of asset lives resulting in lower depreciation. \$3.7M General Fund and \$1.7M Water and Sewer Funds.	\$3.7M reduction to ongoing depreciation base (General Fund).
2021-ongoing	Power Purchasing Agreement	Signed seven-year agreement to lock in a fixed price, achieved before major price hikes. From 2025 large sites and street lighting will be 100% renewable energy. Avoiding recent retail and wholesale electricity price escalations	\$53,233 per annum ongoing
2021-22	Sale of Vacant Land	Sale of unused Council owned land in Kempsey.	\$343,000 one off
2022	Electricity tariff optimisation assessment	Reduced electricity costs	\$60,000 per annum ongoing

2022-23	Relocation of Visitor Information Centre (VIC)	VIC now co-located at Slim Dusty Centre following Council's acquisition of the building. Promoting and staffing one inclusive visitor location created ongoing savings.	\$38,000 per annum ongoing
2022-23	Holiday Park profitability	Investment in Council's five holiday parks on Crown Land, generating increased profit, reducing need to supplement operations from General Fund.	\$230,000 per annum ongoing
2022-23	Microsoft Enterprise	Renegotiated corporate rates and Council package for Microsoft Enterprise software systems.	\$100,000 per annum ongoing
2022-23	LED Street light replacement program	Investing in LED bulbs resulting in lower electricity consumption and street light electricity usage bills	\$175,232 per annum ongoing
	Total	Total of per annum ongoing savings included in Long Term Financial Plan (LTFP)	\$5,594,324
	Operating Expenditure	General Fund 2023-24 budget (LTFP)	\$60,802,000
		Savings as a percentage of operational expenditure	9.2%

While the corporate change program and specifically, the Financial Sustainability Strategy and Roadmap, has been progressively implemented since its adoption in 2019, the impact of cost shifting, rate pegging, rising costs of inflation and materials, along with limited own source revenue increases, has outstripped the material gain achieved from the efforts to reduce costs and increase productivity.

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

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

The response should, wherever possible:

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

In the text boxes below:

a. Explain the initiatives which the council intends to implement and their financial impact.

a) The work of achieving financial sustainability is an ongoing and ever-changing target for most NSW Councils. The adopted Financial Sustainability Program will guide Council's continued focus on being a responsible financial partner with ratepayers. Specific initiatives that will be the focus of the next financial year include:

1. Establish and adopt Treasury Management policies and procedures covering Restricted Assets, Debt Management and Investment Strategies securing best practice, long term management of cash, debt and generational equity.
2. Establish and adopt a Grant Funding strategy to prioritise applications that fund needs identified in the Delivery Program and Operating Plan therefore maximising financial injection.
3. Implement the prioritised service review framework that has been developed to reach a collaborative decision on service levels, service reductions and cost containment.
4. Implement an innovation portal for staff to identify, capture and refine business improvement initiatives and cost reduction opportunities.

Council made a further public commitment to this work as part of the November 2023 resolution to proceed with this SRV application which included an undertaking to: *conduct further analysis and service reviews to identify additional cost savings and productivity improvements to improve Council's forecast financial position, potentially reducing the size of the future rate increases to be implemented. (link to November resolution)*

As part of the community engagement aligned to the SRV Investigation conducted between August and November 2023, feedback was sought on the services the community recommended could be reduced or cut.

The Kempsey Airport was highlighted as a service that creates a significant financial burden on ratepayer funds and is not practically accessed by the majority of ratepayers. A further investigation as to the legality, steps required and possible savings generated by reducing Council's obligations to continue operating the facility, will be prioritised within the service review project slated for the current financial year.

This review was further confirmed in the December 2023 Council meeting with a resolution to: *undertake a review of the operation and financial sustainability of the Kempsey Airport, with a report back to a future meeting of Council in the next financial year.* This ensures that any potential savings identified by changing the Airport operations can be included in the 2025-26 Operating Plan and updated Long Term Financial Plan. The airport costs Council more than \$0.5 million per annum to operate and in addition will require significant future capital expenditure (approximately \$12 million over the next three years).

b. Indicate whether these have been incorporated in the council's Long Term Financial Plan, if not, explain why.

The above items have not been specifically included in the LTFP as the financial benefits are not certain and have not yet been quantified. Any savings identified from the undertaking of these initiatives will be included in future iterations of the LTFP and to the extent that these savings are material, it may allow a reduction in future rate increases to ratepayers.

One of the objectives of the financial sustainability investigation conducted in 2023 was to critically review the assumptions, inclusions, and service level calculations in the LTFP. The revised LTFP adopted on 30 January 2024, includes a revised forecast deficit of \$72 million over the 10-year LTFP period, a \$31 million improvement to the LTFP adopted in June 2023.

A significant contributor to the revised forecast deficit is the commitment made that Council will identify \$500,000 (2023-24 dollars) in ongoing realised operational expenditure savings compared to the previous forecast expenditure. These savings will potentially come from not filling current vacancies, therefore using natural attrition to reduce the Council workforce and salary expenditure. Savings will also be identified through the ongoing implementation of systems improvements particularly in procurement and information technology.

All savings, efficiencies and updated estimates noted by Council in November 2023 and included in the updated Long Term Financial Plan are as per table below.

Favourable changes in the revised LTFP	Nominal ^a \$	
	Annual amount	10-year total
Financial Assistance Grant increase (based on 2023-24 final figure received)	565,410	5,654,097
Street Lighting (realised savings from the most recent LED replacement project)	175,232	1,752,322
Reduced backlog repairs and maintenance based on new asset condition data	531,871	5,318,711
Commitment to finding future productivity savings	551,406	5,514,063
Savings on projected interest on loans due to lower borrowings required from these changes	583,744	5,837,439
Total favourable changes to the operating deficit	2,407,663	24,076,631
Reduced backlog of capital asset replacement based on new asset data. Positively impacts loans and loan interest as noted above.	287,870	2,878,703
Total favourable changes	2,695,533	26,955,334

7.4 How has the council's levels of productivity and efficiency changed over time, and compared to similar councils?

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

It is difficult to compare KSC against other Group 4 Councils due to the unique circumstances of being only one of a handful of Council's instructed to resubmit Fit for the Future proposals, the level of corporate change and productivity improvement over the last five years while still managing the impact of multiple natural disasters between 2019 – 2022.

The Guardian Australia identified Kempsey as the fifth highest rated NSW Council on disaster index [Interactive map: which areas of Australia were hit by multiple disasters in 2020? | Bushfires | The Guardian](#)

The grant funding available to KSC following the natural disasters meant Council experienced a fivefold increase in capital programs between 2018 and 2022.

The volume of program growth and comparatively small growth in resourcing is a strong indicator of the value of significant systems and productivity improvements during the evaluation period.

Council's total headcount, as reported in Part B of its published Annual Report, has increased from 287 as of 30 June 2018 to 351 at 23 November 2022. This number is inclusive of all functions (such as Water, Sewer and Waste) and not just those functions to which general fund rates apply and covers permanent full-time, permanent part-time or staff employed under a fixed term contract.

The trends in breakdown of staff numbers up until 30 June 2022 is detailed in the table below.

Position Breakdown (Actual Employees Numbers)	2021-22	2020-21	2019-20	2018-19	2017-18
No. of Full-Time positions	268	262	256	261	250
No. of Part-Time Positions	29	24	24	21	22
No. of Temporary Part-Time Positions	4	5	7	3	4
No. of Temporary Full-Time Positions	47	27	26	30	1
No. of Casual Positions	13	14	12	15	10
Total	361	332	325	330	287

The majority of the increased staffing numbers over this 5-year period relate to temporary full-time positions. These are not permanent positions but rather positions which are for a defined period of time (i.e. project based roles). This indicates that there has been limited underlying staff increases despite increased delivery outcomes.

There are a number of factors which explain the increase in staffing numbers over the past 5 years. These are noted below:

- The 2018 figure includes a significant number of unfilled vacant positions that coincided with Council’s management change and impending restructure. Vacant positions were left open during this transition period to create maximum flexibility for the new management team.
- These carried over vacancies were in many cases filled in the first year of the new structure, which explains the increase in full-time positions in the first year from 2018 to 2019.
- In line with the principles of the Financial Sustainability Program and Council’s Workforce Management Plan a reliance on external staff (labour hire, contractors) has been addressed with the employment of qualified staff. This has increased the overall headcount but reduced external costs associated with contractors and labour hire.
- Some of these newly created internal technical positions are in Water and Sewer, which does not impact the General Fund, the subject of this SRV application.
- Council has received grant funding for almost four years to employ temporary fulltime staff focused on disaster preparedness and recovery.
- As per Initiative 13 of the Financial Sustainability Program Council has established a Project Management Office to improve project efficiency and delivery standards for major capital works programs, many of which are grant funded for disaster recovery, or funded through holiday park revenue. This initiative accounts for approximately 12 FTE positions primarily temporary full-time contracts and has resulted in time and budget efficiencies, particularly in comparison to outsourcing project management to consultants and contractors.
- Council have taken advantage of State and Federal Government employment schemes offering rebates for trainee and apprentice positions. This creates career paths targeted predominantly at young people, offering benefits to the wider Kempsey community.
- A number of regulatory changes have legislated additional local government positions, such as an Internal Auditor and Integrated Planning and Reporting Officer. Neither of these positions existed prior to 2018.
- Additional resources have been added to emerging fields that aim to manage risk and increase professionalism compared to previous staffing structures. For example, roles have been added in specialist areas of IT Support, Cyber Security, Asset Management and WH&S.
- Ranger positions have been increased in response to community calls for greater compliance and regulation, particularly in regard to parking and dog management.
- Acquisition of the Slim Dusty Centre, which in addition to hosting an entry fee-based museum also acts as a visitor information centre, art gallery, community centre and venue for conference and events, has increased the workforce in the past three years.

KSC Rates as a percentage of operating expenses for OLG Group 4 Councils

Figure 5 Actual (2022) rates as a percentage of operating expenses for OLG Group 4 councils



Figure 5 is an excerpt from the attached Morrison Low Capacity to Pay report commissioned by KSC in 2023.

The graph shows total council rates as a percentage of operating expenditure for group 4 councils. For the 2021-22 financial year Broken Hill had the highest level of rates as a percentage of operating expense (at 47%) and at the lower end was Richmond Valley at 18%, with the Group 4 average being 28%. Kempsey ranked 13 out of 25 Councils, with rates income representing 25% of total operating expenditure in 2021-22. This has decreased from 27% in 2020-21.

Results from the LGNSW Performance Excellence Program, coordinated by Price Waterhouse Coopers, gives a strong indication of the outcomes of Council’s systems improvement and digital transformation:

- Kempsey Shire Council records 0% agency staff spend as a percentage of total expenditure on employees (as noted above this is a direct correlation to the decision to employ trainees and local Project Managers) The average for equivalent medium sized Councils is 3%.
- The organisational focus on improved culture and putting workplace safety at the front of that change, has resulted in significant insurance premium reductions and far greater workplace efficiency. In 2023 NSW Council’s average lost time injury days per 100 employees was 155 and KSC lost only 83 days.

- When considering staffing and functions of Council per 100 employees KSC are below NSW Council averages for Corporate, Customer Service, HR and IT staff.

Table 10 Criterion 5 attachments

Attachment number	Name of document	Page references
	Timeline of Efficiency and Productivity Change	
	2019 Financial Sustainability Strategy and Roadmap	
	Kempsey Shire Council - Capacity to Pay Report	36

8 Council certification and contact information

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

8.1 Certification of application and declaration

Prepare a document in the form indicated below. Please sign (electronic signature is also acceptable), scan and submit it with your application.

This is to be completed by General Manager and Responsible Accounting Officer.

Name of the council:	Kempsey Shire Council
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We certify that to the best of our knowledge the information provided in the Part A application form and this SV Part B application form is correct and complete. We have completed the checklist for the Part A and B application forms and also provided all relevant attachments as requested (see Table 11, Table 12 and Table 13).

General Manager (name):	[Redacted]
Signature and Date:	[Redacted]
Responsible Accounting Officer (name):	[Redacted]
Signature and Date:	[Redacted]

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

8.2 Council contact information

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

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

General Manager

General Manager contact phone	[REDACTED]
General Manager contact email	[REDACTED]

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

Primary council contact

Council contact phone	[REDACTED]
Council contact email	[REDACTED]
Council email for inquiries about the SV application	[REDACTED]

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

Secondary council contact

Council contact phone	[REDACTED]
Council contact email	[REDACTED]
Council email for inquiries about the SV application	[REDACTED]

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

9 List of required attachments

To complete (adding rows as necessary):

- Name each document.
- Check the box to indicate that it is being submitted with the application.

Table 11 Required attachments checklist

Name of attachment	The document is included	The document is not applicable
Mandatory forms/attachments:		
Application Form Part A (Excel spreadsheet)	<input checked="" type="checkbox"/>	
Application Form Part B (this Word document)	<input checked="" type="checkbox"/>	
Council resolution to apply for the special variation	<input checked="" type="checkbox"/>	
Completed certification and declaration (see 8.1)	<input checked="" type="checkbox"/>	
If applicable, to support the responses provided in Question 5 of Description and Context (see section 2) provide:		
Instrument for expiring special variation/s	<input checked="" type="checkbox"/>	<input type="checkbox"/>
OLG advice confirming calculation of amount to be removed from the council's general income	<input type="checkbox"/>	<input type="checkbox"/>
If applicable, to support the responses provided in Questions 6 AND/OR 7 of Description and Context (see section 2) provide:		
Declaration of compliance with conditions in past instruments (if applicable)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Relevant instrument(s) for past special variations (if applicable)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Evidence of compliance with conditions in past instruments (if applicable)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Mandatory public supporting material (i.e. to be published on IPART's website):		
Community Strategic Plan	<input checked="" type="checkbox"/>	
Delivery Program	<input checked="" type="checkbox"/>	
Long Term Financial Plan	<input checked="" type="checkbox"/>	
Asset Management Plan(s) (required if a key purpose of the SV is related to assets and capital expenditure)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Consultation materials, e.g. copies of media releases, notices of public meetings, newspaper articles, fact sheets used to consult on rate increase and proposed special variation (combined into one document)	<input checked="" type="checkbox"/>	NA

Name of attachment	The document is included	The document is not applicable
Community feedback (including surveys and results)	<input checked="" type="checkbox"/>	NA
Willingness to pay study (if applicable)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Hardship policy	<input checked="" type="checkbox"/>	NA
Other public supporting materials:		
Government agency's report on financial sustainability e.g. NSW Treasury Corporation (if applicable)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
2019 Financial Sustainability Strategy and Roadmap		
Final Status Report Financial Sustainability Strategy Q4 2021-22		
Financial Sustainability Program Status Report Q1_2023-24		
KSC April_2023_Council Report_Special_Rate_Variation_Investigation		
KSC November_2023_Council_Report		
Micromex KSC Community Satisfaction 2020		
Micromex KSC Community Satisfaction_2023		
Our Financial Future_Submissions & Survey Results		
Recovery Unpaid Debts Procedure		
Timeline of Efficiency and Productivity Change		
Confidential supporting material (i.e. not to be published on IPART's website):		
Petition Submitted by Kyle Arnott (Parts A,B,C)		

10 Checklists

We provide these checklists to ensure that submitted applications meet a minimum standard.

Meeting the requirements of these checklists **does not** guarantee a council will be approved for the SV it has applied for.

Table 12 Part A Application Form Checklist

Checklist items	Please indicate whether the items have been actioned
Data provided in Part A application (i.e. proposed SV%, rates amount etc) are consistent with those contained in Part B application.	<input checked="" type="checkbox"/>
Table 1.2 of "WS1-Application" lists all the tables in worksheets 1 -12 that council must complete, based on the nature of council's application. Please confirm that all the data requirements, as listed in table 12, have been completed.	<input checked="" type="checkbox"/>
All completed tables (values and units – i.e. \$ or \$'000) have been completed correctly and verified to source. Please pay attention to the units specified for each table in each worksheet.	<input checked="" type="checkbox"/>
WS 10 - LTFP agrees to the council's provided LTFP.	<input checked="" type="checkbox"/>
Dollar numbers provided in "WS10 – LTFP" are in dollars (\$) not thousands (\$'000) or millions (\$M)	<input checked="" type="checkbox"/>
If the council has an expiring or existing SV, it has incorporated this when filling out WS 2.	<input checked="" type="checkbox"/>
Annual and cumulative percentages are rounded to 2 decimal places.	<input checked="" type="checkbox"/>
Ensure that figures provided in WS 9 – Financials, WS 10 – LTFP and WS 11 – Ratios are at the General Fund level and <i>not</i> consolidated.	<input checked="" type="checkbox"/>
If the council proposes a combined SV, the council has discussed the relevant data and modelling requirements prior to submission.	<input type="checkbox"/> N/A
Indication whether optional tables in WS 12 has been completed.	<input checked="" type="checkbox"/>

Table 13 SV Part B Application Form Checklist

Checklist items	Please indicate whether the items have been actioned
All required text boxes and tables have been completed.	<input checked="" type="checkbox"/>
All applicable documents per the List of Attachments (Table 11) have been provided.	<input checked="" type="checkbox"/>
The council has declared all SVs (including ASVs) approved since 2011-12 and provided annual reports that show compliance with the instrument reporting conditions, or explaining divergences.	<input checked="" type="checkbox"/>
The council's LTFP includes both the baseline (no-SV) and the SV scenario it is applying for.	<input checked="" type="checkbox"/>
The proposed SV annual and cumulative percentages agree to those used in community consultation, or if they differ, the reason has been explained.	<input checked="" type="checkbox"/>
If applying for a multi-year SV, the council has correctly calculated the cumulative percentage and dollar impact of the proposed SV using compounding.	<input checked="" type="checkbox"/>
The council has referenced community consultation materials that <i>at minimum</i> show the cumulative percentage of the SV and average total dollar increase (cumulative) per rating category.	<input checked="" type="checkbox"/>
Figures presented in Application Form Part B are consistent, as relevant, with those in Application Form Part A.	<input checked="" type="checkbox"/>
The council has submitted a Minimum Rates Part B Application Form, if required.	<input type="checkbox"/>
For OLG Criterion 5 (section 7), the council has provided concrete evidence and plans for past and future cost-containment and productivity strategies, as far as practicable.	<input checked="" type="checkbox"/>