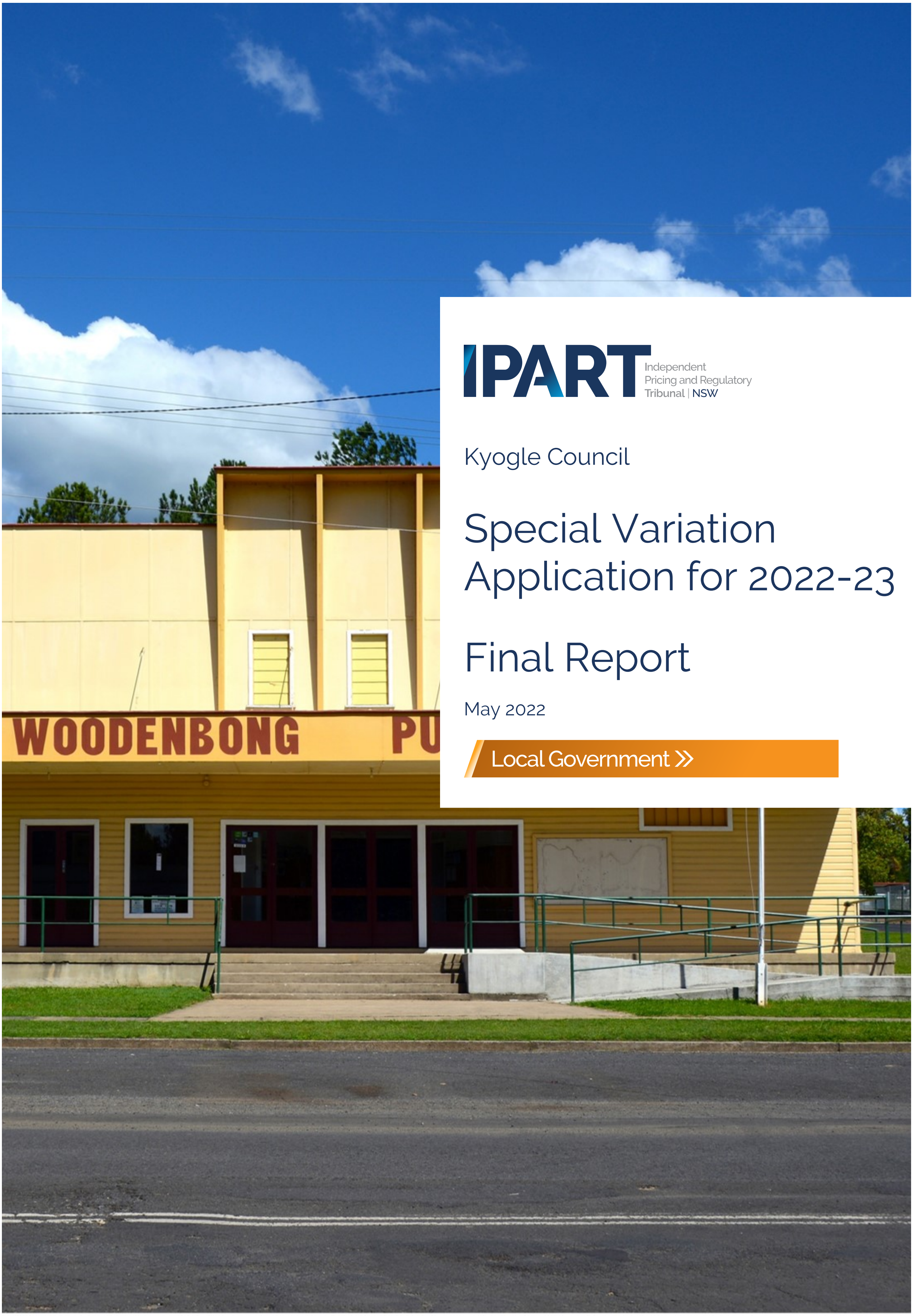

IPART
Independent Pricing and Regulatory Tribunal | NSW

Kyogle Council

Special Variation Application for 2022-23

Final Report

May 2022

Local Government

Tribunal Members

The Tribunal members for this review are:
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The Independent Pricing and Regulatory Tribunal (IPART)

Further information on IPART can be obtained from IPART's website.

Acknowledgment of Country

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

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

Contents

1 Executive summary

Kyogle Council (the council) has applied to IPART to increase its general income through a permanent special variation of 2.5% (inclusive of the rate peg) in 2022-23.

Under the proposed special variation, the council would increase its income from rates by 2.5% in 2022-23. This increase would be retained in the council's rate base permanently. The increase would be applied across residential, business and farmland rating categories.[1]

The council has sought the special variation for the following reasons:

- to deliver on the commitments in its LTFP
- to continue to deliver existing services and infrastructure programs
- to improve its ongoing financial sustainability.

1.1 IPART's decision

We have approved the proposed special variation in full. Our decision means the council can increase its general income in 2022-23 as shown in Table 1.1.

The approved special variation is permanent, which means the council can retain the increase above the rate peg in its rating base.

Table 1.1 Approved increase to the council's general income (%)

	2022-23
Permanent increase above the rate peg	1.8%
Rate peg	0.7%
Total increase	2.5%

Our decision means the council will have $140,000 in additional income in 2022-23, and a cumulative increase of $1.6 million over the next 10 years.

The special variation is subject to the following condition:

- The council report, in its annual report for the Year 2022-23, on the following for that year in accordance with Appendix B:
  - the council's actual revenues, expenses and operating balance against the projected revenues, expenses and operating balance as outlined in its Long-Term Financial Plan;
  - any significant differences between the council's actual revenues, expenses and operating balance and the projected revenues, expenses and operating balance as outlined in its Long-Term Financial Plan and the reasons for those differences; and
  - the Additional Income funded by this special variation.

1.2 Impact of approved special variation on ratepayers

The impact of the approved special variation on average rates is shown in Table 1.2.

Table 1.2 Impact of approved special variation on average rates 2022-23 ($)

	2021-22 average rates	Total SV increase	2022-23 average rates
Residential	1,206	30	1,236
Business	1,514	37	1,551
Farmland	1,984	50	2,034

Note: Numbers may not add due to rounding. Figures presented are the maximum increases under the approved SV.
Source: IPART calculations.

1.3 The council's application met the assessment criteria.

To make our decision, we assessed the council's proposed special variation against the 5 criteria set by the Office of Local Government (OLG) in the *Guidelines for the preparation of an application for a special variation to general income* (OLG Special Variation Guidelines).[2] We found that its proposal meets these criteria. Our assessment against each criterion is summarised below.

Criteria	Grading	Assessment
01	Largely demonstrated	**Financial need** The council's financial position is positive in the short-term, although we note the recent flooding is likely to increase its costs above those forecast for 2022-23. It faces long-term financial sustainability challenges particularly given its infrastructure backlog and upcoming loan repayments.
02	Largely demonstrated	**Community awareness** The council used a range of consultation methods to make the community aware of the proposed special variation, why it is needed and its impact on rates. The council engaged with the community through posts on social media and the council website. A council newsletter was also mailed to all residents.
03	Largely demonstrated	**Reasonable impact on ratepayers** We found that the impact of the special variation on ratepayers is generally reasonable, and the council's average rates will be lower than most neighbouring councils. The council displayed the impact on ratepayers in community awareness posts and it has hardship measures in place.

Criteria	Grading	Assessment
04	Partly demonstrated	**Integrated Planning and Reporting documentation** The council has exhibited and adopted all necessary Integrated Planning and Reporting documents. However, not all were revised to include the need for the proposed special variation.
05	Fully demonstrated	**Productivity Improvement and Cost Containment** The council has implemented productivity and cost containment strategies since 2017.

1.4 Stakeholders' feedback

In making our assessment, we considered stakeholder feedback on the proposed special variation. We received one submission from a community member that opposed the SV application, highlighting the increasing cost of rent and high inflation relative to wage growth as impacting the community's financial capacity. We also received one submission from a community member of neighbouring Tenterfield Council that supported the SV application.[3]

We consider stakeholder feedback in more detail in the 'Stakeholders' submissions to IPART' section.

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

2 Kyogle Council's special variation application

The council applied for the special variation (SV) set out in Table 2.1.

Table 2.1 Proposed special variation (%)

	2022-23
Permanent increase above the rate peg	1.8
Rate peg	0.7
Total increase	2.5

Source: Kyogle Council Application Part A, Worksheet 1.

The council noted in its application it had budgeted for an increase in rates of 2.5% for 2022-23 in its LTFP which is considerably higher than the 0.7% rate peg applicable to the council.[4] The delay in both the rate peg announcement and local government elections meant the council had limited time to prepare its special variation application, and to update its IP&R documentation. Since submitting its application, the council has also been affected by extreme flooding, which has made it difficult for the council to gather and provide additional information. The additional costs as a result of the flooding have not been reflected in the council's financial data, however we considered the potential impact of these costs in our assessment.

2.1 The council's rationale for the special variation

The council explained that it needs the proposed SV to its general income to:

- deliver on the commitments in its LTFP
- continue to deliver existing services and infrastructure programs
- improve its ongoing financial sustainability. [5]

2.2 Impact of the special variation on the council's general income

The council has estimated that the proposed SV would result in a cumulative increase in the council's permissible general income (PGI) of $1.6 million above what the assumed rate peg would deliver over 10 years.[6] This increase would represent 1.8% of the council's total cumulative PGI over the 10-year period (see Table 2.2).

Table 2.2 The council's PGI from 2022-23 to 2031-32 under the proposed special variation

SV income over 10 years ($m)	1.6
Total PGI over 10 years ($m)	88.7
SV income as a percentage of total PGI (%)	1.8

Note: The above information is correct at the time of the council's application (February 2022).
Source: IPART calculations.

2.3 Impact of the special variation on the council's key financial indicators

The council explained how the proposed SV would impact its key financial indicators over the 10-year planning period. In particular, the SV would improve the council's Operating Performance Ratio (OPR) and Own Source Revenue Ratio, as seen in Table 2.3 below.

Table 2.3 Council's key financial indicators with proposed special variation

Ratio	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Operating performance (%)	-0.7	7.1	5.9	2.2	2.5	2.4
Own source revenue (%)	31.0	36.0	51.8	63.8	63.8	63.8
Infrastructure backlog ratio (%)	6.5	4.6	4.2	3.9	3.7	3.5
Debt service (%)	4.3	7.3	7.1	7.0	6.6	6.5
Rates and annual charges income ($m)	8.8	9.0	9.3	9.5	9.7	10.0

Source: Kyogle Council, Application Part A, Worksheets 8 and 9.

2.4 Impact of the special variation on ratepayers

Under its proposed SV, the council has indicated it would increase total rating income across residential, business and farmland rating categories by less than the 2.5% SV. According to the council's application, on average, the proposed SV increases annual rates above the rate peg for:

- Residential ratepayers by $6 or 0.5% in 2022-23
- Business ratepayers by $16 or 1% in 2022-23
- Farmland ratepayers by $26 or 1.3% in 2022-23. [7]

The council has indicated in its application that its proposed special variation would have the impact on ratepayers shown in the middle column of Table 2.4. However, the proposed SV would allow the council to apply the full 2.5% increase to each category. We have included in the right-hand column the impact on ratepayers should the maximum 2.5% increase (made up of the 0.7% rate peg and an additional 1.8% as a result of the SV) be applied to the current average rates for each category.

Table 2.4 Impact of the proposed special variation on average rates

	2021-22	2022-23 as per Kyogle Council's application	2022-23 with the maximum 2.5% rate rise applied
Residential ($)	1,206	1,217	1,236
Increase ($)		11	30
Increase (%)		0.9	2.5
Business ($)	1,514	1,533	1,551
Increase ($)		20	37
Increase (%)		1.3	2.5
Farmland ($)	1,984	2,024	2,034
Increase ($)		40	50
Increase (%)		2.0	2.5

Source: Kyogle Council, Application Part A, Worksheet 5a and IPART calculations.

2.4.1 Affordability and capacity to pay

The council assessed the affordability of the proposed SV and the community's capacity to pay. The council stated that these average rate increases are affordable, as they are minimal, and residential, business and farmland rates remain below the average rates of neighbouring councils.

The council considers that the proposed rate increase is in line with the expectations of most ratepayers, as it aligns with the council's LTFP.[8]

2.4.2 Hardship policy

The council has a hardship policy and key features include:

- reducing or writing-off accrued interest on rates and charges
- charging a lower rate of interest than that allowed by OLG
- deferral of payment on the increase in ordinary rates when new land values are used. [9]

The council also has pensioner rebates.

2.5 The council's resolution to apply for a special variation

The council resolved to apply for the proposed special variation on 5 January 2022.[10]

2.6 Request for further information from the council

Following our preliminary assessment of the council's application, we issued an information request seeking:

- Clarity on ratepayer impacts
- Information about how the council proposes to use the additional income from the special variation
- Clarity on expenses, particularly capital costs
- The latest revision of the council's LTFP.

The council provided a corrected version of its application, updating average ordinary and special rate tables. The council also indicated that it expected its expenditure for 2022-23 to be as presented in its LTFP. While it did not revise its official LTFP document to include both baseline and SV scenarios, it did provide revised financial statements showing the impact of both the rate peg of 0.7% and the proposed 2.5%.

While the council responded to our initial questions, due to the flooding in Northern NSW there was some information it has not been able to provide.

We considered this additional information along with the council's application in our assessment in section 3.

3 IPART's assessment of the council's application

We assessed the council's application for a special variation against the 5 criteria set out in the OLG special variation Guidelines (and outlined in Appendix A).

We found that the council demonstrated that it meets the criteria for its proposed special variation, because:

- The additional revenue is required to improve the council's financial sustainability and ensure that service levels and infrastructure programs can continue.
- The flooding of North-East NSW impacts the council's short term costs.
- The council made the community aware of its proposed SV using various engagement methods.
- The level of the increase, and therefore impact on ratepayers is minimal.
- The SV is reflected in the council's IP&R documents, as the intent of the SV is to align with its LTFP.
- The council has a considered approach to pursuing efficiency savings.

Our detailed assessment and the reasons for our decision are set out below.

3.1 Criterion 1: Financial need

This criterion examines the council's financial need for the proposed SV. The council is required to clearly articulate and identify the need for, and purpose of, the proposed SV in its Long-Term Financial Plan, Delivery Program and Asset Management Plan (where appropriate).

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

Where relevant, we also use information provided by the council to assess the council's need for the proposed SV to reduce its infrastructure backlog and infrastructure renewals ratio.

We also consider whether the council has:

- applied the full percentage increases available from one or more previous years
- considered alternative funding sources such as increasing own source revenue.

Appendix A provides more detail on the assessment criteria.

3.1.1 The council largely demonstrated a financial need

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

To reach this finding, we considered the forecasts of financial performance over the next 10 years provided by the council. These included the council's Operating Performance Ratio (OPR), Net Cash to Income Ratio, and Infrastructure Backlog Ratio.

We assessed the council's OPR under the Baseline Scenario (i.e. with no special variation) and under the Proposed SV Scenario, based on these forecasts. We found that over the next 5 years:

- Under the Baseline Scenario, the council's average OPR would be 3.4%. It would reach 1.9% in 2026-27, which is above the OLG benchmark of greater than or equal to 0%.[11]
- Under the Proposed SV Scenario, the council's average OPR would be slightly higher at 4%. It would reach 2.4% in 2026-27, which is above the OLG benchmark of greater than or equal to 0%.[12]

We forecast that under the Proposed SV Scenario, the council would have a net cash (debt) position of -$3.1m at 30 June 2023. The net cash amount is negative each year to 2024-25, but the deficit returns to positive figures in 2025-26. The proposed SV is part of the council's financial plan to manage the deficit and improve its cash position.

The council also forecast an infrastructure backlog of 4.6% in 2022-23, which is above the OLG benchmark of less than 2%.[13] The Long-Term Financial Plan (which assumes a 2.5% rate increase in 2022-23) addresses the infrastructure backlog, reducing its infrastructure backlog ratio to 2.3% by 2031-32.[14] The additional revenue from the SV will help the council meet its targets and improve its financial sustainability.

We found however that the council has not considered alternative funding sources such as increasing own source revenue. This is because the delay in local government elections and the late rate peg announcement meant the council had limited time to consider alternative funding sources before the SV application was due.

3.1.2 The council's rationale for the proposed special variation

The council's rationale for the proposed special variation is to align the increase in rates with the rate peg assumption made in its LTFP. This rationale is presented in its application. However, the council's IP&R documentation already assumes the 2.5% rates increase and does not explicitly refer to this being achieved via a special variation, as the council had expected the rate peg to be 2.5%.[15]

It stated that it needs the additional income to:

- Improve the council's financial sustainability
- Maintain service levels and ensure infrastructure programs can continue. [16]

3.1.3 Impact of the proposed SV on the council's financial performance

Generally, we consider a council with a consistent operating surplus to be financial sustainable. An operating surplus is where the income the council receives covers its operating expenses each year. We use the Operating Performance Ratio as a measure of a council's ongoing financial performance or sustainability. Box 3.1 Operating Performance Ratio defines the OPR and how we interpret it.

Box 3.1 Operating Performance Ratio

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

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

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

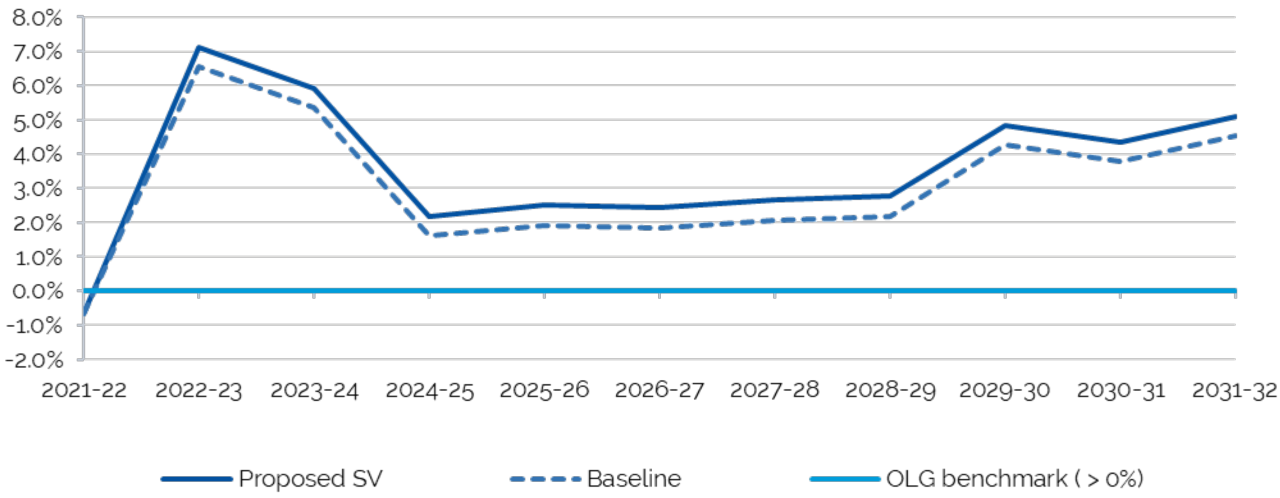
Generally, we consider that a council's average OPR over the next 10 years should be 0% or greater, as this represents the minimum level needed to demonstrate financial sustainability. An OPR consistently well above 0% would bring into question the financial need for an SV.

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

Impact on operating performance ratio

We considered the impact on the council's OPR with and without the proposed special variation in Figure 3.1 and Table 3.1 below.

Figure 3.1 Kyogle Council's OPR excluding capital grants and contributions from 2021-22 to 2031-32 (%)



Source: Kyogle Council, Application Part A and IPART calculations.

Table 3.1 Council's projected OPR with proposed special variation, 2022-23 to 2031-32 (%)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
Proposed SV	7.1	5.9	2.2	2.5	2.4	2.7	2.8	4.8	4.4	5.1
Baseline	6.5	5.3	1.6	1.9	1.9	2.1	2.2	4.3	3.8	4.5

Source: Kyogle Council, *Application Part A*, Worksheet 9 and IPART calculations.

Under the Proposed SV Scenario, the council forecasts that its operating performance will improve, reaching an OPR of 2.4% by 2026-27.[17] This exceeds the OLG benchmark of greater than 0%.

Under the Baseline Scenario (which assumes the council would incur the same expenditure as under the Proposed SV Scenario, without the additional revenue from this SV), it forecasts that its operating results will be dampened, with the OPR reaching 1.9% by 2026-27.[18] This is shown in Table 3.1.

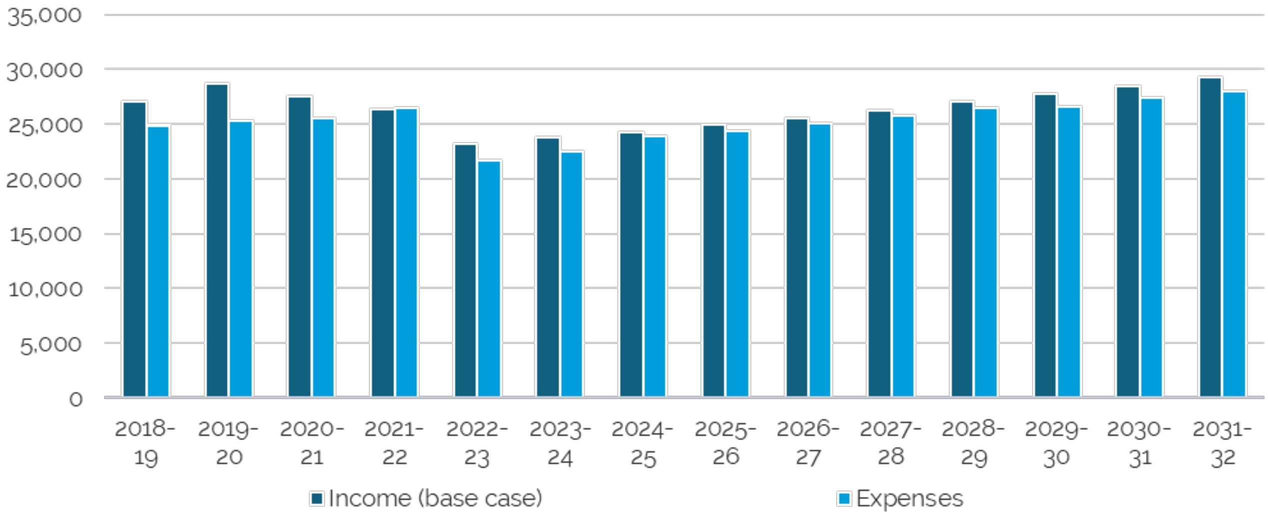
Our analysis indicates that over the next 5 years, the council's financial performance under each scenario results in a simple average OPR of:

- 4% under the Proposed SV Scenario
- 3.4% under the Baseline Scenario.

Underlying income and expenses

The movement in the OPR reflects changes in income and expenses. We explored this further by investigating some of the drivers for these changes in revenues and expenses shown in Figure 3.2.

Figure 3.2 Kyogle Council total income and expenses



Note: Figure 3.2 excludes 'cap grants & cont; net gains from asset disposal; profit on joint ventures and fair value gains' as they are not considered in the calculation of the OPR.
Source: Kyogle Council, *Application Part A* and IPART calculations.

For 2015-16, Kyogle Council was approved a permanent special variation for a cumulative increase of 38.94% over a 5-year period.[19] The SV expired at the end of 2019-20.

The council's operating performance in the short term

The council forecasts a substantial reduction in both income (-11.8%) and expenses (-18.1%) between 2021-22 and 2022-23. The fall in income is due to a reduction in 'User Charges and Fees' by 41% from $10.8m to $6.4m. The reduction in expenses is largely a result of the 'Materials & Contracts' component falling by 64%, down from $8.3m to $3.0m.[20]

We sought further information from the council to better understand the fall in these components. The council explained that these reductions in both forecast income and expenses, and the resultant forecast rise in the OPR were because the latest contracts and projects for state highway activities had yet to be approved by Transport NSW. Therefore, the costs of these activities had not been reflected in the data provided to us. This suggests that the forecast 6.5% OPR in 2022-23 under the baseline scenario is likely an overstatement of the council's actual financial position in the short term. We also note that recent severe flooding and the associated recovery costs are likely to place further pressure on the council's finances in the short term.

The council's operating performance in the medium term

From 2024-25 to 2028-29 the council forecast its income and expenses to grow at a very similar rate, forecasting a consistent OPR between 2% and 3% under the proposed SV.[21] We consider that an OPR of 2% to 3% provides the council with a modest financial buffer to reduce its infrastructure backlog and contribute to its reserves. Therefore, the council can respond more effectively to unforeseen circumstances such as natural disasters.

The council's operating surplus also has to cover loan repayments and capital expenditure, which are not included in the operating expenses used for calculating the OPR. The council has loan commitments, having borrowed to match grant funding to enable it to be part of the Fixing Country Bridges Program.[22] An OPR that is too low may jeopardise the council's ability to make its loan repayments from its operating surplus and restrict capital expenditure needed to address its infrastructure backlog. We discuss the impact of the proposed SV on the council's infrastructure backlog ratio later in this report.

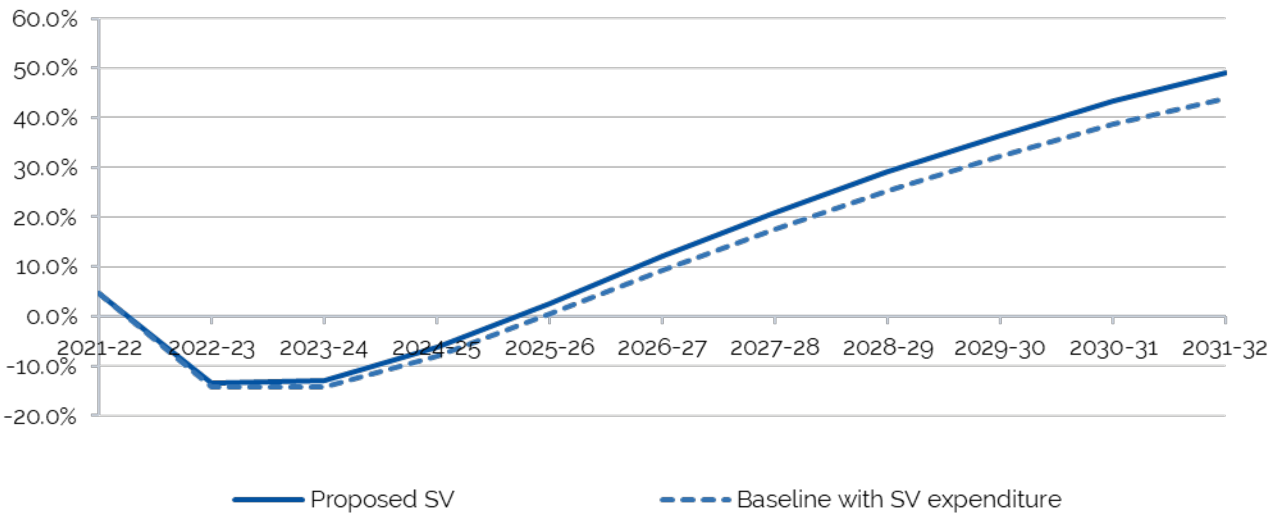
Impact on net cash (debt)

As discussed above, the OPR is a good guide to a council's ongoing financial performance or sustainability. We may also consider a council's financial position, and in particular the net cash (or net debt). This may indicate that a council has significant cash reserves that could be used to fund the purpose of the proposed SV. To do this we examine the council's net cash position and as a percentage of income to assess its financial position.

We calculate that the council's net debt as at 30 June 2023 will be -$3.3 million, or -14.1% of its general permissible income. As Figure 3.3 shows (based on the forecasts provided by the council):

- Under the Proposed SV Scenario, the council's net cash position would improve over the longer term. As at 30 June 2031 we estimate it would be $14.5 million, or 49% of its income.
- In comparison, under the Baseline Scenario, the council's net cash position would also improve, but at a slower rate. As at 30 June 2031, we estimate it would be $12.9 million, or 44% of its income.

Figure 3.3 The council's net cash (debt) to income ratio, 2021-22 to 2031-32 (%)



Note: Baseline Scenario includes the council's full expenses from its proposed SV, without the additional revenue from the proposed SV.
Data source: Kyogle Council, Application Part A, Worksheet 8 and IPART calculations.

Our analysis indicates that over the next 5 years, the council's average net cash (debt) to income ratio would be:

- -3.6% under the Proposed SV Scenario
- -5.4% under the Baseline with SV Expenditure Scenario.

While the council forecasts improvement in the longer term, we consider that its net cash position in the short to medium term supports a financial need for the SV.

Impact on infrastructure backlog ratio

The management of infrastructure assets is an important council function. The council's infrastructure backlog ratio can indicate whether the council has a need for additional revenue to maintain its infrastructure assets. Box 3.2 defines this ratio and how we interpret it.

Box 3.2 Infrastructure backlog ratio

Infrastructure backlog ratio

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

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

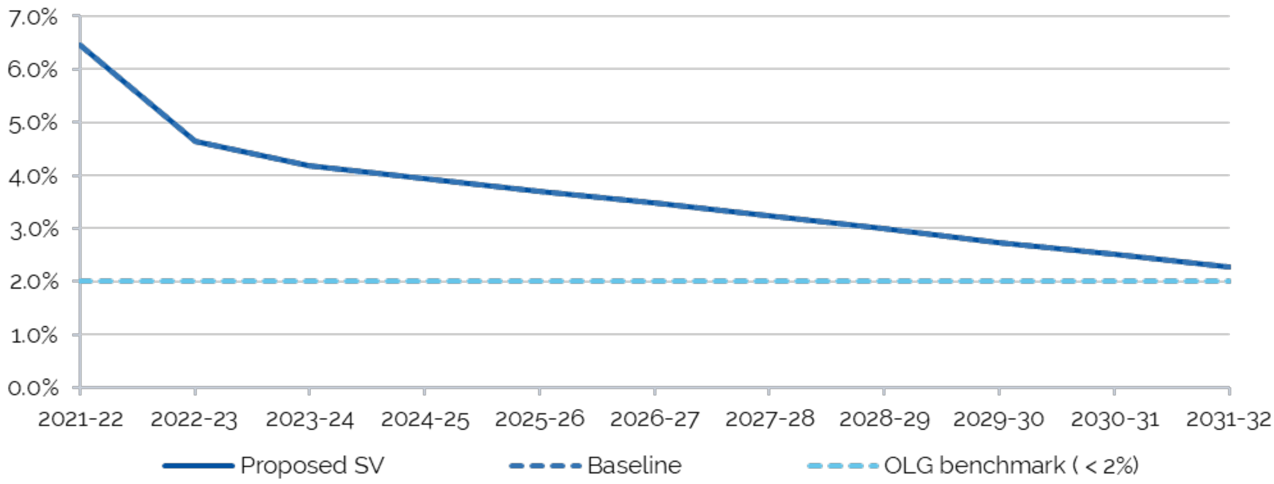
where the carrying value of infrastructure assets is the historical cost less accumulated depreciation.

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

The infrastructure backlog ratio measures the estimated cost of bringing the council's assets to a satisfactory condition (its infrastructure backlog) against the total written down value of its infrastructure. Kyogle Council's most recently available actual infrastructure backlog ratio, from 2020-21, is 9.7%.[23] This is considerably above the OLG benchmark of less than 2%. We note that the council has indicated it intends to use some of the additional revenue from the SV to fund infrastructure works, and an operating surplus or OPR above 0% is necessary to do this.

The delay in council elections and late rate peg announcement meant that the council did not have time to revise its forecast infrastructure backlog ratio under a 0.7% rate peg scenario. Its application provides the infrastructure backlog ratio presented in its Long-Term Financial Plan, which assumes a 2.5% rate peg, for both the baseline and proposed SV scenarios. As a result, the council's infrastructure backlog ratio is the same under the baseline and proposed SV scenarios, sharing a line in Figure 3.4.

Figure 3.4 Council's infrastructure backlog ratio, 2021-22 to 2031-32 (%)



Note: Baseline Scenario includes the council's full expenses from its proposed SV, without the additional revenue from the proposed SV.
Data source: Kyogle Council, Application Part A, Worksheet 8 and IPART calculations.

Over the next 5 years, the council's average infrastructure backlog ratio is forecast to be 4.0%. As Figure 3.4 shows, the infrastructure backlog ratio is forecast to decrease over the longer term. At 30 June 2032 it is estimated to be 2.3%. This is only slightly above the OLG benchmark of less than 2%.[24]

Underlying infrastructure backlog

The council indicated its infrastructure backlog as at 30 June 2021 is $35.7 million.[25] The council has provided further information on the condition of its assets, such as the need for 115 timber bridges to be replaced.[26] According to its Asset Management Strategy, the ongoing timber bridge replacement program, to address a backlog valued at $6.3 million in 2018 and expected to be completed by 2024-25, will contribute most significantly to the reduction in its infrastructure backlog.[27]

Available income and alternative funding sources

We investigated whether and to what extent the council has decided not to apply the full percentage of increases to general income available to it in previous years under section 511 of the Local Government Act. We found that the council did not have any prior year rate increases available to it as a catch up.

The council did not consider alternative funding sources to the proposed special variation in its application. This is because the delay in council elections and late announcement of the rate peg meant the council did not have sufficient time to consider alternatives.

The council decided that the proposed special variation would provide the most feasible funding source to address its financial need given the time available. This is because under the SV the council can continue to operate according to its LTFP, maintaining service levels and continuing its infrastructure projects.

3.2 Criterion 2: Community engagement and awareness

This criterion assesses the council's breadth of evidence that the community is appropriately aware of the need and extent of the proposed rate increase. This criterion also requires the council to discuss its ongoing efficiency measures when explaining the need for the SV. Appendix A provides more detail on the assessment criteria.

3.2.1 The council demonstrated community engagement and awareness

We found that the council largely demonstrated that it met this criterion, commensurate with the size of the proposed increase.

In our view, the council effectively consulted with ratepayers and the community is aware of the need for, and extent of, a rate rise associated with the special variation.

In particular, we found that:

- The council's Delivery Program and Long-Term Financial Plan set out the extent of the General Fund rate rise under the proposed SV (noting that the SV is to align with the council's expected rate peg of 2.5%).
- The council did communicate the full cumulative increase of the proposed SV in percentage terms, and the total increase in dollar terms, for the average ratepayer. [28]
- The consultation material did include a brief discussion of the council's ongoing efficiency measures in explaining the need for the SV.
- The council's engagement methods were reasonable for communicating the impact of the proposed special variation to the community and the community had enough opportunity to provide their feedback.

3.2.2 Council's community consultation

We assessed the council's community consultation for content, clarity, timeliness and engagement methods.

Content

The material the council prepared for ratepayers on its proposed SV included most of the content needed to ensure ratepayers were well informed and able to engage with the council during the consultation process. Specifically, the council communicated:[29]

- the impact of the proposed rate increase to ratepayers in dollar terms for residential, business and farmland ratepayers
- the proposed rate increase with and without the rate peg for each affected ratepayer category
- the cumulative dollar impact on average for the affected ratepayers
- what the additional income from the proposed SV would fund.

Clarity

The council's consultation material clearly presented the proposed SV's:

- need for the proposed rate increase
- dollar impact for an average ratepayer
- cumulative dollar impact.

Overall, we consider the council sufficiently communicated the impact of the proposed SV for its ratepayers.

Timeliness

The council consulted with the community on the proposed special variation from 6 January 2022 to 31 January 2022.[30] This consultation period provided enough opportunity for ratepayers to be informed and engaged on the proposal, given the council's application was initiated after the December rate peg announcement.

Engagement methods used

The council used an appropriate variety of engagement methods to promote awareness of and obtain community views on its proposed rate increase. This included:

- community newsletter mailed to residents
- post on the Kyogle Council Facebook page
- post on the Kyogle Council corporate website.

3.2.3 Outcomes of consultation with the community

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

The council's application indicated that it received 1 written response, several comments on its Facebook page, and a small number of enquiries to the council's office.[31]

The single written response was in support of the proposed SV, and other enquiries were seeking clarification around various aspects of the proposal. None of the enquiries resulted in objection to the proposed SV.

In response to the community consultation feedback, the council:

- acknowledged the written submission
- verbally clarified with enquiries from the community. [32]

We assess that the council has considered the results of community consultation in preparing its application.

3.3 Criterion 3: Impact on affected ratepayers

This criterion assesses whether the impact on ratepayers is reasonable considering current rates, existing ratepayer base and the proposed purpose of the special variation. Councils must also demonstrate that they have considered the community's capacity and willingness to pay. Appendix A provides more detail on the assessment criteria.

3.3.1 The council largely demonstrated the impact on ratepayers

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

Specifically, we consider the impact of the proposed SV on ratepayers will be reasonable given:

- The proposed increase is modest, and in line with the council's assumed rate peg.
- The council's proposed average residential, business and farmland rates with the SV will be below the estimated average rate levels for its neighbouring councils in 2022-23.

We also note that the council has a hardship policy in place to assist ratepayers experiencing financial hardship. In addition, considering the COVID-19 pandemic, the council has also implemented a range of measures to provide financial relief to residents and businesses that have been affected.[33]

3.3.2 The council's assessment of the impact on ratepayers

The council assessed the impact on ratepayers of the proposed SV and discussed how it has addressed affordability concerns in its community awareness campaign. The proposed SV aligns with the assumed rate peg of 2.5% in its Long-Term Financial Plan and the impact on ratepayers is exhibited in the existing IP&R documentation.

The council did assess the impact on ratepayers by calculating the dollar impact on the average ratepayer and presenting it in its community awareness materials. However, the council did not consider the impact on ratepayers by comparing rates with neighbouring councils. The delay in council elections and a late announcement of the rate peg made it difficult for the council to comprehensively assess the impact on ratepayers in time to submit the application.

According to the council's application, on average, the proposed SV increases annual rates above the rate peg in 2022-23 for:

- Residential ratepayers by $6 or 0.5%
- Business ratepayers by $16 or 1%
- Farmland ratepayers by $26 or 1.3%.[34]

We note that these appear to be below the maximum rate increases permissible under the proposed SV. We have considered the impact on ratepayers of a 2.5% increase later in this report.

The council submitted that it also has a hardship policy for individuals that are experiencing financial hardship. The policy states there are arrangements that can be offered, such as writing off or reducing accrued interest on rates and charges and deferral of payment of the increase in ordinary rates when new land values are used.[35] The council also offers pensioner rebates.

In terms of reporting ratepayers' uptake of the council's financial hardship policy, we note the Office of Local Government issued Debt Management and Hardship Guidelines. The guidelines do not provide advice on a council reporting its number of financial hardship assessments. However, the guidelines recommend the council monitor and report their 'outstanding rates and charges' ratio to reflect the level of uncollected rates.

3.3.3 IPART's analysis of the impact on ratepayers

To assess the reasonableness of the impact of the proposed special variation on ratepayers, we examined the council's SV history and the average annual growth of rates in various rating categories.

We found the average annual compounding growth in business and farmland rates has been comparable to the average annual compounding growth in the rate peg of 2.5% over the same period. However, residential rates have risen 11.6% from 2019-20 to 2021-22, an average of 5.8% per annum.[36]

We also compared 2019-20 rates and socio-economic indicators in the local government area with those of OLG Group 10[a] and neighbouring councils (see Table 3.2 and Table 3.3).

[a] OLG Group 10 councils include: Berrigan, Bland, Blayney, Cobar, Dungog, Edward River, Forbes, Glen Innes Severn, Gwydir, Junee, Lachlan, Liverpool Plains, Narrandera, Narromine, Oberon, Temora, Tenterfield, Upper Lachlan, Uralla, Walgett, Warrumbungle, and Wentworth

Table 3.2 Comparison of the council's average rates and socio-economic indicators with those of neighbouring councils and Group 10 councils (2019-20)

	Kyogle Council	Tweed Council	Byron Bay Council	Richmond Valley Council	Lismore Council	Group 10 Councils
Average residential rate[a] ($)	1,081	1,443	1,296	1,009	1,287	773
Average business rate ($)	1,368	2,867	3,321	2,594	4,854	1,554
Average farmland rate ($)	1,897	2,129	2,274	1,666	2,454	2,803
Median annual household income ($)[b]	43,383	55,480	59,912	49,692	55,636	54,526
Ratio of average rates to median income (%)	2.5	2.6	2.2	2.0	2.3	1.4
Outstanding rates ratio (%)	4.5	4.4	7.6	6.6	7.5	9.0
SEIFA Index NSW rank[c]	13	65	98	6	45	-

a. The average residential rate (ordinary and special) is calculated by dividing total Ordinary Rates revenue by the number of assessments in the category.
b. Median annual household income is based on 2016 ABS Census data.
c. The highest possible ranking is 128 which denotes a council that is least disadvantaged in NSW.

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

Based on 2019-20 data, we found that the council's:

- Average rates are higher than the average for Group 10 councils but are lower than the average of neighbouring councils.
- Average rates to income ratio is 2.5 compared to the average ratios for Group 10 councils of 1.4 and neighbouring councils of 2.3.
- Outstanding rates ratio is lower than for Group 10 councils and most of the neighbouring councils.
- SEIFA ranking is 13, which shows a higher level of disadvantage compared to most neighbouring councils.

Table 3.3 Difference between the council's average rates and those in neighbouring councils and Group 10 councils (2019-20)

Rate category	Kyogle Council	Neighbouring councils	Group 10 councils	Difference between Kyogle Council and neighbouring councils (%)	Difference between Kyogle Council and Group 10 councils (%)
Residential	1,081	1,335	773	39.8	-19.1
Business	1,368	3,424	1,554	-12.0	-60.0
Farmland	1,897	2,123	2,803	-32.3	-10.6

Note: All averages are weighted averages, weighted by the number of assessments.
Source: OLG, Time Series Data 2018-19; and IPART calculations

We compared the council's average rate levels for 2022-23 under the maximum increased allowable under the proposed SV with the projected average rates for OLG Group 10 councils and the average rates for neighbouring councils (see Table 3.4). We found that the council's:

- Average residential, business and farmland rate in 2022-23 with the proposed SV would be lower than the estimated rates for neighbouring councils.
- Average residential rates in 2022-23 with the proposed SV would be higher than the estimated rates for OLG Group 10, while business and farmland rates would be lower.

Table 3.4 Comparison of the council's, neighbouring councils' and Group 10 councils' average rates under the proposed SV in 2022-23

Rate category	Kyogle Council	Neighbouring councils	Group 10 councils	Difference between Kyogle Council and neighbouring councils (%)	Difference between Kyogle Council and Group 10 councils (%)
Residential	1,236	1,407	815	-10.9	49.4
Business	1,551	3,609	1,638	-57.8	-6.4
Farmland	2,034	2,237	2,954	-5.9	-31.5

Note: All averages are weighted averages, weighted by the number of assessments.
Source: OLG, Time Series Data 2018-19; and IPART calculations.

In Table 3.4, we assume a rate peg of 0.7% for Neighbouring and Group 10 councils. The Additional Special Variation (ASV) process, to be conducted in May 2022, may result in some of these councils obtaining special variations which increase income by 2.5%. However, Kyogle Council's proposed SV will not exceed the maximum increase received by councils through the ASV process.

3.3.4 Submissions from the community to IPART

The submission from a community member expressed concern that the rate rise was unaffordable. It underlines the increasing cost of rent and high inflation relative to wage growth as impacting the community's financial capacity.

3.4 Criterion 4: Integrated Planning and Reporting documents

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

This criterion requires councils to exhibit, approve and adopt the relevant IP&R documents before applying for a proposed SV, to demonstrate adequate planning.

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

3.4.1 The council partly exhibited and adopted its IP&R documents

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

The late announcement of the rate peg and the delay of council elections to December 2021 made it difficult for the council to submit revised IP&R documentation as required by the OLG criteria. We consider that most of the council's IP&R documents contained enough information relating to the proposed special variation, and were appropriately exhibited, approved and adopted by the council. We consider this adequate given the timing constraints faced by the council and the magnitude of the proposed increase.

3.4.2 Content of IP&R documents

The need for, and purpose of, the proposed SV

The council presented the need for, and purpose of, the proposed SV in a public notice of the resolution on 6 of January 2022 and provided the opportunity for community submissions by 31 January 2022. The council exhibited and adopted its IP&R documentation in accordance with OLG guidelines. The council's IP&R documentation was also publicly exhibited for the required 28 days.

As the proposed SV aligns with the council's LTFP, other alternatives to the rate rise were not considered.

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

The council's LTFP assumes the proposed SV has not been revised to include the rate peg increase of 0.7% as a base case scenario. However, the council's community consultation material includes the impact of the proposed SV on the average ratepayer.

The impact of any rate rises upon the community

The council's LTFP does not include the council's consideration of the community's capacity to pay rates under the proposed SV.

3.4.3 Council exhibition, approval and adoption of IP&R documents

The council:[37]

- publicly exhibited its Community Strategic Plan from February 2016 to April 2016
- publicly exhibited its Delivery Program from April 2021 to May 2021, and adopted it in June 2021
- revised its Operational Plan to include the SV, noted the revision in the council meeting on 5 January 2022, and exhibited the revised plan on the council website on 6 January 2022
- exhibited its LTFP from April 2020 to May 2020. The LTFP has not been revised to include the proposed SV explicitly, rather it assumes the 2.5% increase.

3.5 Criterion 5: Productivity improvements and cost containment strategies

This criterion requires councils to explain the productivity improvements and cost containment strategies that have been realised in past years and are expected to be realised over the proposed SV period. It also requires them to:

- incorporate the financial impact of the ongoing efficiency gains in their LTFP
- provide evidence of strategies and activities to improve the productivity of their operations and asset management, and robust data quantifying the efficiency gains from these initiatives, as well other cost-saving and revenue-raising initiatives.

3.5.1 IPART's assessment

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

In particular, we considered:

- the council's strategic approach to improving its productivity and efficiency
- its past achievements in delivering productivity and cost containment
- its proposals to improve its productivity and efficiency.

3.5.2 Council's assessment of efficiency gains achieved

The council's application sets out the productivity improvements and cost containment initiatives it has undertaken in recent years. In particular, it submitted that it had:[38]

- implemented joint tendering processes for the provision of insurance services saving $540,000 over a three year period
- solar PV systems saving $60,000 per year ongoing
- reviewed electricity supply contracts saving $106,000 per year ongoing.

3.5.3 Council's future strategies for productivity and cost containment

The council's plan to address its financial sustainability involves a combination of cost reductions and revenue increases. The council indicated that it has planned future efficiency measures over the proposed SV period which will contribute to its expected cost reductions.

Some proposed initiatives include:

- LED street lighting upgrade in 2022-23 saving $10,000 per year
- timber bridge replacement program completed in 2024-25 saving $300,000 per year. [39]

3.5.4 IPART's assessment of the council's performance

We examined a range of indicators on the efficiency of the council's operations and asset management. We also considered how its efficiency has changed over time, and how its performance compares with that of similar councils. The data we compared is outlined in Table 3.5 below.

We found that the council has implemented effective productivity and cost containment strategies in the last 5 years. Its average cost of full time employees (FTE) is slightly lower compared with the average of Group 10 councils. It also has a higher ratio of population to employees although we note it covers a smaller area than the average for group 10 councils. The council also maintains a General Fund operating expenditure below the average of Group 10 councils on a per capita basis.

Table 3.5 Select comparative indicators for Kyogle council, 2018-19

	Kyogle Council	OLG Group 10 Average	NSW Average
General profile			
Area (km^2)	3,584	9,060	5,530
Population	8,796	7,215	63,194
Socio-economic/capacity to pay indicators			
Median annual household income, 2016 ($)[a]	43,383	54,526	77,484
Average residential rates to median income, 2016 (%)	2.5	1.4	1.5
SEIFA, 2016 (NSW rank: 128 is the least disadvantaged)[b]	13		
Outstanding rates and annual charges ratio	4.5	9.0	5.4
Productivity (labour input) indicators[c]			
FTE staff	117	115.5	381
Ratio of population to FTE	75.2	62.5	165.7
Average cost per FTE ($)	75,274	78,512	96,272
Employee costs as % of operating expenditure (General Fund only) (%)	33	35	38
General Fund operating expenditure per capita ($)	2,803	3,320	1,366

a. Median annual household income is based on 2016 ABS Census data.
b. The Socio-Economic Indexes for Areas (SEIFA) is a measure that ranks areas based on their socio-economic conditions. The Australian Bureau of Statistics (ABS) ranks the NSW Local Government Areas in order of their score, from lowest to highest, with rank 1 representing the most disadvantaged area and 128 being the least disadvantaged area. IPART has referred to the Index of Relative Socio-economic Advantage and Disadvantage (IRSAD) for our assessment, one of the component indexes making up the SEIFA.

c. There are difficulties in comparing councils using this data because councils' activities differ widely in scope and they may be defined and measured differently between councils.

Note: Except as noted, data is based upon total council operations for General Fund only.
Source: OLG, Time Series Data 2018-2019, OLG, unpublished data; ABS, Socio-Economic Indexes for Areas (SEIFA) 2016, March 2020, ABS, 2016 Census DataPacks, General Community Profile, Local Government Areas, NSW, Median Weekly Household Income and IPART calculations.

We found that, compared to neighbouring councils, the council has low levels of FTE staff, however it has more staff for each council resident. This may be related to the relative areas of the councils and the difficulties of servicing populations that are spread out. The data we compared is outlined in Table 3.6 below

Table 3.6 Selected efficiency indicators – comparisons of the council's performance

Council	Full time equivalent staff	Population/equivalent full time staff
Tweed Council	711	136
Byron Council	325	108
Richmond Valley Council	278	84
Lismore Council	367	119
Kyogle Council	**117**	**75**

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

We note that these performance indicators only provide a high-level overview of the council's productivity at a point in time and additional information would be required to accurately assess whether there is scope for the council to achieve future productivity/cost savings.

4 Stakeholders' submissions to IPART

We expect the council to be responsible for engaging with their community so that ratepayers are fully aware of any proposed special variation and the full impact on them. This is one of the criteria we use to assess the council's application (see section 3.2).

However, as part of our process we also accept written submissions directly from stakeholders on the council's proposed special variation.

4.1 Summary of submissions we received

We received 2 submissions during the submission period from 15 February 2022 to 7 March 2022.

We received a submission from a ratepayer in Kyogle Council that objected to the proposed SV. The key issue raised was a concern around the additional financial stress it placed on the community. The submission explained that ratepayers are impacted by:

- the increasing cost of rent
- high inflation relative to wage growth.

We also received one submission from a community member of neighbouring Tenterfield Council in support of the proposed SV.

4.2 Response to concerns raised in submissions

We considered the concerns and issues raised in these submissions.

A stakeholder was concerned that the rate increases are unreasonable given the current pandemic and economic environment. That ratepayer was also concerned that the rate increases are unaffordable due to the low socio-economic status of the community and the rising cost of rent.

We considered all stakeholder submissions and all information received from the council to make our final decision on the special variation application.

5 IPART's decision on the special variation

Based on our assessment of the council's application against the 5 criteria and consideration of stakeholder submissions, we have approved in full the council's proposed permanent special variation to general income in 2022-23.

The approved increase to general income is set out in Table 5.1.

Table 5.1 IPART's decision on the special variation to general income

	2022-23 (%)
Permanent increase above the rate peg	1.8
Rate peg	0.7
Total increase	2.5

The special variation is subject to the following condition:

- The council report, in its annual report for the Year 2022-23, on the following for that year:
  - the Council's actual revenues, expenses and operating balance against the projected revenues, expenses and operating balance as outlined in its Long-Term Financial Plan;
  - any significant differences between the Council's actual revenues, expenses and operating balance and the projected revenues, expenses and operating balance as outlined in its Long-Term Financial Plan and the reasons for those differences; and
  - the Additional Income funded by this special variation.

5.1 Impact on the council

Our decision means that the council may increase its general income by 2.5% in 2022-23. This increase can remain in the rate base permanently.

Table 5.2 shows the percentage increases we have approved and estimates the annual increases in the council's general income.

Table 5.2 Permissible general income (PGI) of council in 2022-23 from the approved SV

	Increase approved (%)	**Cumulative increase approved (%)**	**Increase in PGI above rate peg ($'000)**	**Cumulative increase in PGI ($'000)**	**PGI ($'000)**
Adjusted notional income 1 July 2022					7,753
2022-23	2.5	2.5	140	167	7,920

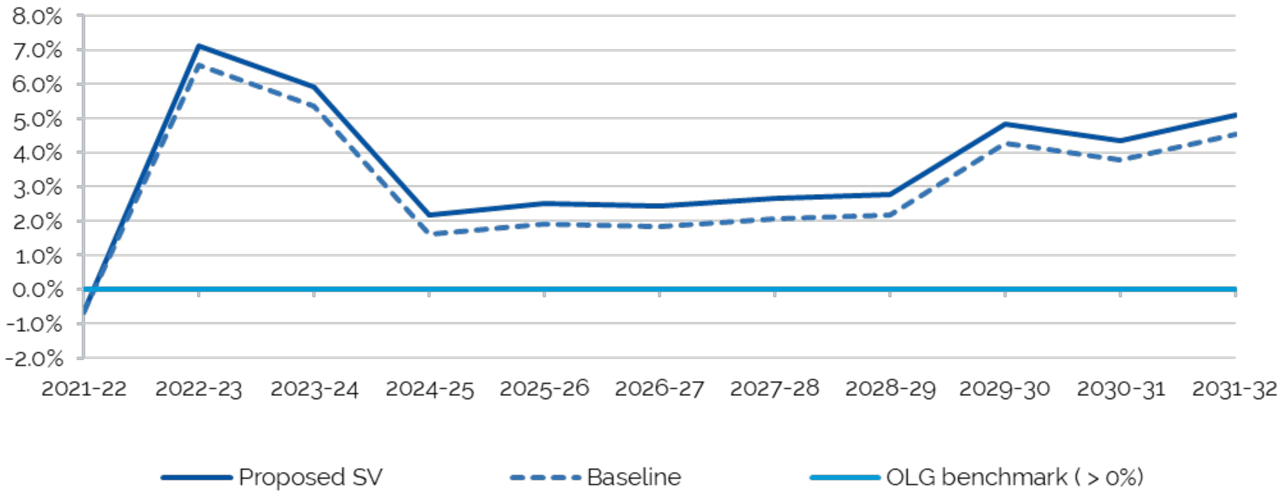
Note: The information in Table 5.1 is correct at the time of the council's application (February 2022).
Source: Kyogle Council, *Application Part A*, Worksheets 1 and 4 and IPART calculations.

We estimate that over the 10 years from 2022-23 to 2031-32, the council will collect an additional $1.6 million in rates revenue compared with an increase limited to the rate peg.

This extra income will enable the council to improve its financial sustainability and continue to deliver existing services and infrastructure programs.

Under our decision, the projected OPR will continue to be above the OLG benchmark of greater than 0% over the SV period as shown in Figure 5.1 below.

Figure 5.1 Council's Projected Operating Performance Ratio (%) (2022-23 to 2031-32) from the approved SV



Source: Kyogle Council, *Application Part A*, Worksheets 1 and 4 and IPART calculations.

5.2 Impact on ratepayers

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

The impacts on ratepayers based on our decision are shown in Table 5.3 below.

In 2022-23, if the maximum allowable increase is applied:

- The average residential rate will increase by $30 (2.5%)
- The average business rate will increase by $37 (2.5%)
- The average farmland rate will increase by $50 (2.5%)

Table 5.3 Indicative annual increases in average rates if the approved SV is applied in full (2022-23)

	2021-22	2022-23
Residential	1,206	1,236
Increase ($)		30
Business	1,514	1,551
Increase ($)		37
Farmland	1,984	2,034
Increase ($)		50

Note: 2021-22 is included for comparison
Source: Kyogle Council, Application Part A, Worksheet 5a and IPART calculations.

Appendices

A Assessment criteria

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

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

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

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

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

Criterion 1: Financial need

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

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

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

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

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

Criterion 2: Community awareness

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

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

Criterion 3: Impact on ratepayers is reasonable

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

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

In assessing the impact, IPART may also consider:

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

Criterion 4: IP&R documents are exhibited

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

Criterion 5: Productivity improvements and cost containment strategies

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

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

Any other matter that IPART considers relevant

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

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

B Kyogle Council's projected revenue, expenses and operating balance

As a condition of IPART's approval, the council is to report in 2022-23 against its projected revenue, expenses and operating balance as set out in its LTFP.

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

Table B.1 Summary of projected operating statement for Kyogle Council under its proposed SV application (2022-23 to 2031-32) ($000)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
Total revenue	43,757	31,285	25,955	26,658	27,350	28,117	28,914	30,166	29,913	30,752
Total expenses	21,703	22,543	23,849	24,424	25,077	25,731	26,440	26,554	27,432	27,992
Operating result from continuing operations	22,054	8,742	2,106	2,234	2,272	2,387	2,474	3,611	2,481	2,760
Net operating result before capital grants and contributions	1,659	1,415	535	626	627	703	751	1,349	1,251	1,500
Cumulative net operating result before capital grants and contributions	1,659	3,074	3,608	4,235	4,862	5,565	6,317	7,666	8,917	10,417

Note: Numbers may not add due to rounding.
Source: Kyogle Council, *Application Part A*, Worksheet 8 and IPART calculations.

Glossary

ABS	Australian Bureau of Statistics
Baseline Scenario	Shows the impact on the council's operating and infrastructure assets' performance without the proposed SV revenue and expenditure.
Baseline with SV expenditure Scenario	Includes the council's full expenses from its proposed SV, without the additional revenue from the proposed SV. This scenario is a guide to the council's financial sustainability if it still went ahead with its full expenditure program included in its application, but could only increase general income by the rate peg percentage.
General income	Income from ordinary rates, special rates and annual charges, other than income from other sources such as special rates and charges for water supply services, sewerage services, waste management services, annual charges for stormwater management services, and annual charges for coastal protection services.
IPART	The Independent Pricing and Regulatory Tribunal of NSW
Local Government Act	*Local Government Act 1993* (NSW)
OLG	Office of Local Government
OLG SV Guidelines	Guidelines for the preparation of an application for a special variation to general income.
PGI	Permissible General Income is the notional general income of a council for the previous year as varied by the percentage (if any) applicable to the council. A council must make rates and charges for a year so as to produce general income of an amount that is lower that the PGI.
Proposed SV Scenario	Includes the council's proposed SV revenue and expenditure.
Rate peg	The term 'rate peg' refers to the annual order published by IPART (under delegation from the Minister) in the gazette under s 506 of the *Local Government Act 1993*.

SEIFA	Socio-Economic Indexes for Areas (SEIFA) is a product developed by the ABS that ranks areas in Australia according to relative socio-economic advantage and disadvantage. The indexes are based on information from the five-yearly Census. It consists of four indexes, the Index of Relative Socio-economic Disadvantage (IRSD), the Index of Relative Socio-economic Advantage and Disadvantage (IRSAD), the Index of Economic Resources (IER), and the Index of Education and Occupation (IEO).
SV or SRV	Special Variation is the percentage by which a council's general income for a specified year may be varied as determined by IPART under delegation from the Minister.

[1] Kyogle Council, Application Part B, February 2022, p 4.
[2] Office of Local Government (OLG), Guidelines for the preparation of an application for a special variation to general income.
[3] Kyogle Council, Online Submission. February 2022.
[4] Kyogle Council, Application Part B, February 2022, p 9.
[5] Kyogle Council, Application Part B, February 2022, pp 8-9.
[6] Kyogle Council, Application Part A, WK6.
[7] Kyogle Council, Application Part A, WK5.
[8] Kyogle Council, Application Part B, February 2022, p 15.
[9] Kyogle Council, Application Part B, February 2022, p 16.
[10] Kyogle Council, Minutes of Council Meeting, January 2022, p 11.
[11] Kyogle Council, Application Part A, WK9.
[12] Kyogle Council, Application Part A, WK9.
[13] Kyogle Council, Application Part A, WK9.
[14] Kyogle Council, Long Term Financial Plan, June 2020, p 5.
[15] Kyogle Council, Application Part B, February 2022, p 9.
[16] Kyogle Council, Application Part B, February 2022, p 10.
[17] Kyogle Council, Application Part A, WK9.
[18] Kyogle Council, Application Part A, WK9.
[19] Kyogle Council, Long Term Financial Plan, June 2020, p 10.
[20] Kyogle Council, Application Part A, WK8.
[21] Kyogle Council, Application Part A, WK9.
[22] Kyogle Council, Application Part B, February 2022, p 9.
[23] Kyogle Council, Application Part A, WK9.
[24] Kyogle Council, Application Part A, WK9.
[25] Kyogle Council, Application Part A, WK9.
[26] Kyogle Council, Application Part B, February 2022, p 23.
[27] Kyogle Council, Bridge Asset Management Plan 2018, May 2019, p 4.
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[30] Kyogle Council, Application Part B, February 2022, p 13.
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[32] Kyogle Council, Application Part B, February 2022, p 14.
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[34] Kyogle Council, Application Part A, WK5.
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[36] Kyogle Council, Application Part A, WK5.
[37] Kyogle Council, Application Part B, February 2022, p 18.
[38] Kyogle Council, Application Part B, February 2022, p 22.
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