

Professor [REDACTED]

Walcha Council: Special Rate Variation



The Report Authors

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“Truth does not become more true by virtue of the fact that the entire world agrees with it, nor less so even if the whole world disagrees with it.”

What is Financial Sustainability?

The ability to meet the reasonable expectations of current residents in a way that does not put at risk the capacity of future generations to meet their own needs (Drew and Dollery, 2020).



Professor Joseph Drew
**What is Financial
Sustainability?**



Is Walcha Council Financially Sustainable?



This Report paints a grim picture of financial sustainability at Walcha local government – a situation that requires urgent redress. Indeed, it makes clear that Council has not been financially sustainable for at least a decade.

“Walcha Council Weak Negative” TCorp 2013

Income Statement

for the financial year ended 30 June 2013

Budget ⁽¹⁾ 2013	\$ '000	Notes	Actual 2013	Actual 2012
Income from Continuing Operations				
<i>Revenue:</i>				
3,820	Rates & Annual Charges	3a	3,889	3,699
2,425	User Charges & Fees	3b	3,223	3,402
214	Interest & Investment Revenue	3c	153	240
154	Other Revenues	3d	200	231
2,922	Grants & Contributions provided for Operating Purposes	3e,f	3,154	3,955
526	Grants & Contributions provided for Capital Purposes	3e,f	724	849
<i>Other Income:</i>				
191	Net gains from the disposal of assets	5	123	172
	Net Share of interests in Joint Ventures & Associated			
-	Entities using the equity method	19	-	-
<u>10,252</u>	Total Income from Continuing Operations		<u>11,466</u>	<u>12,548</u>
Expenses from Continuing Operations				
4,288	Employee Benefits & On-Costs	4a	4,592	4,978
22	Borrowing Costs	4b	42	30
3,619	Materials & Contracts	4c	3,525	4,591
4,480	Depreciation & Amortisation	4d	4,330	4,288
-	Impairment	4d	-	-
1,142	Other Expenses	4e	1,059	939
<u>13,551</u>	Total Expenses from Continuing Operations		<u>13,548</u>	<u>14,824</u>
<u>(3,299)</u>	Operating Result from Continuing Operations		<u>(2,082)</u>	<u>(2,276)</u>
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
<u>(3,299)</u>	Net Operating Result for the Year		<u>(2,082)</u>	<u>(2,276)</u>
(3,299)	Net Operating Result attributable to Council		(2,082)	(2,276)
-	Net Operating Result attributable to Non-controlling Interests		-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes				
<u>(3,825)</u>			<u>(2,808)</u>	<u>(3,125)</u>

(1) Original Budget as approved by Council - refer Note 16

Walcha Council



Ref: WINT/2015/01095
Title: Statistical Analysis of Fit for the Future Survey
Author: General Manager

Report:

This report is to give Councillors a statistical analysis of the Community Survey on Fit for the Future which closed on Friday, 24 April 2015.

Questions:

1. Do you support the recommendation that Walcha Council merge with Uralla Shire Council?

333 responses Yes 52 (16%) No 281 (84%)

2. Walcha Council currently has 8 Councillors would you be in favour of a reduction in this number and if you are what is an appropriate number?

332 responses Yes 218 (66%) No 114 (34%)
Average preferred number of Councillors was five (5)

3. If there was a reduction in the number of Councillors would you be in favour of the elimination of the Wards?

325 responses Yes 197 (61%) No 128 (39%)

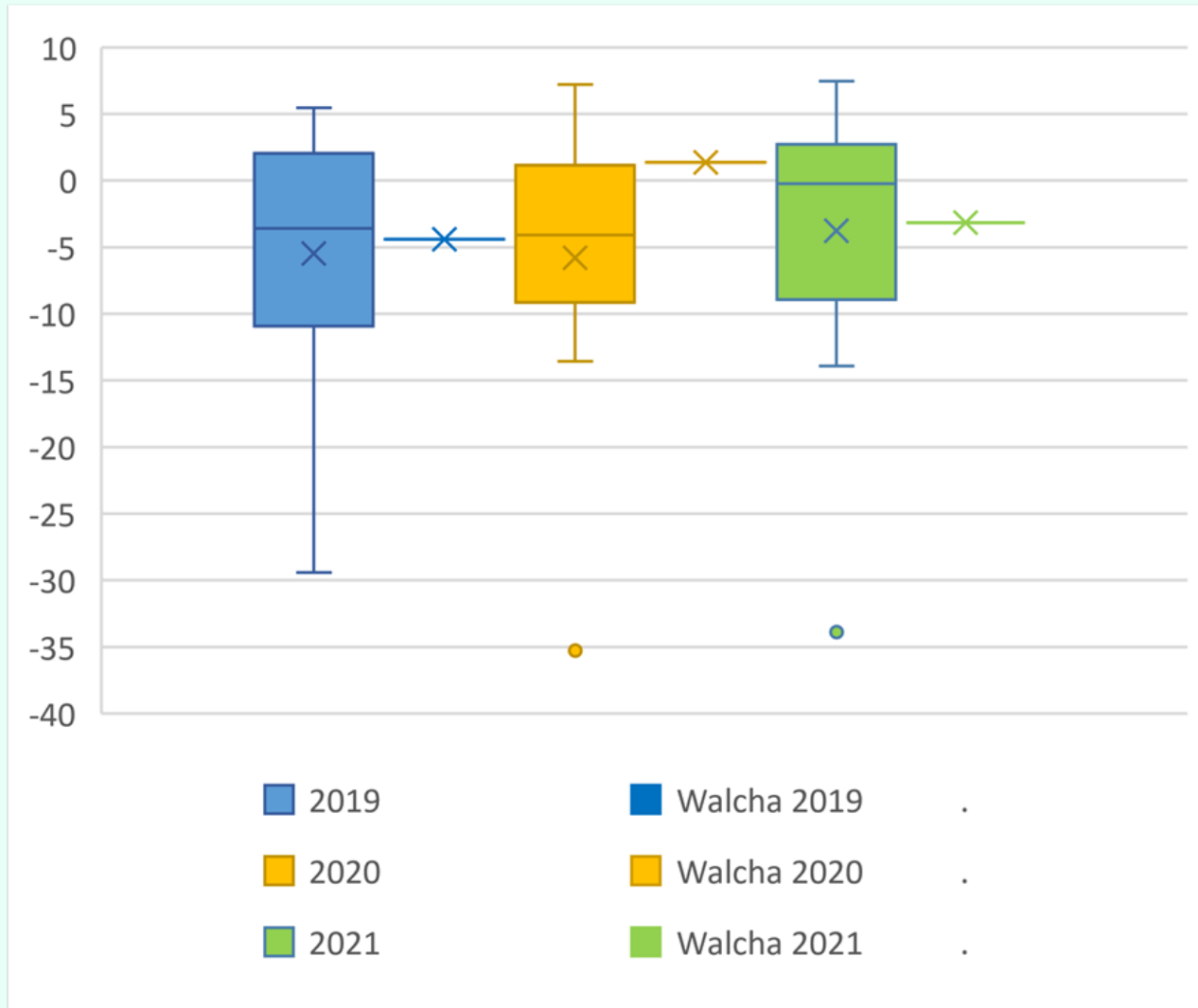
4. Council now meets formally 11 times a year. How many do you feel would be an appropriate minimum?

319 responses Monthly 185 (58%) Bi-monthly 97 (30%) Quarterly 37 (12%)

5. To assist Council improve its infrastructure (eg: Roads, Bridges, Parks & Gardens) would you be willing to pay increased rates?

318 responses Yes 137 (43%) No 181 (57%)

Figure 2. Operating Performance Ratio



Excludes Capital Grants!

Figure 31. Total Cash, Cash Equivalents and Investments (\$000)

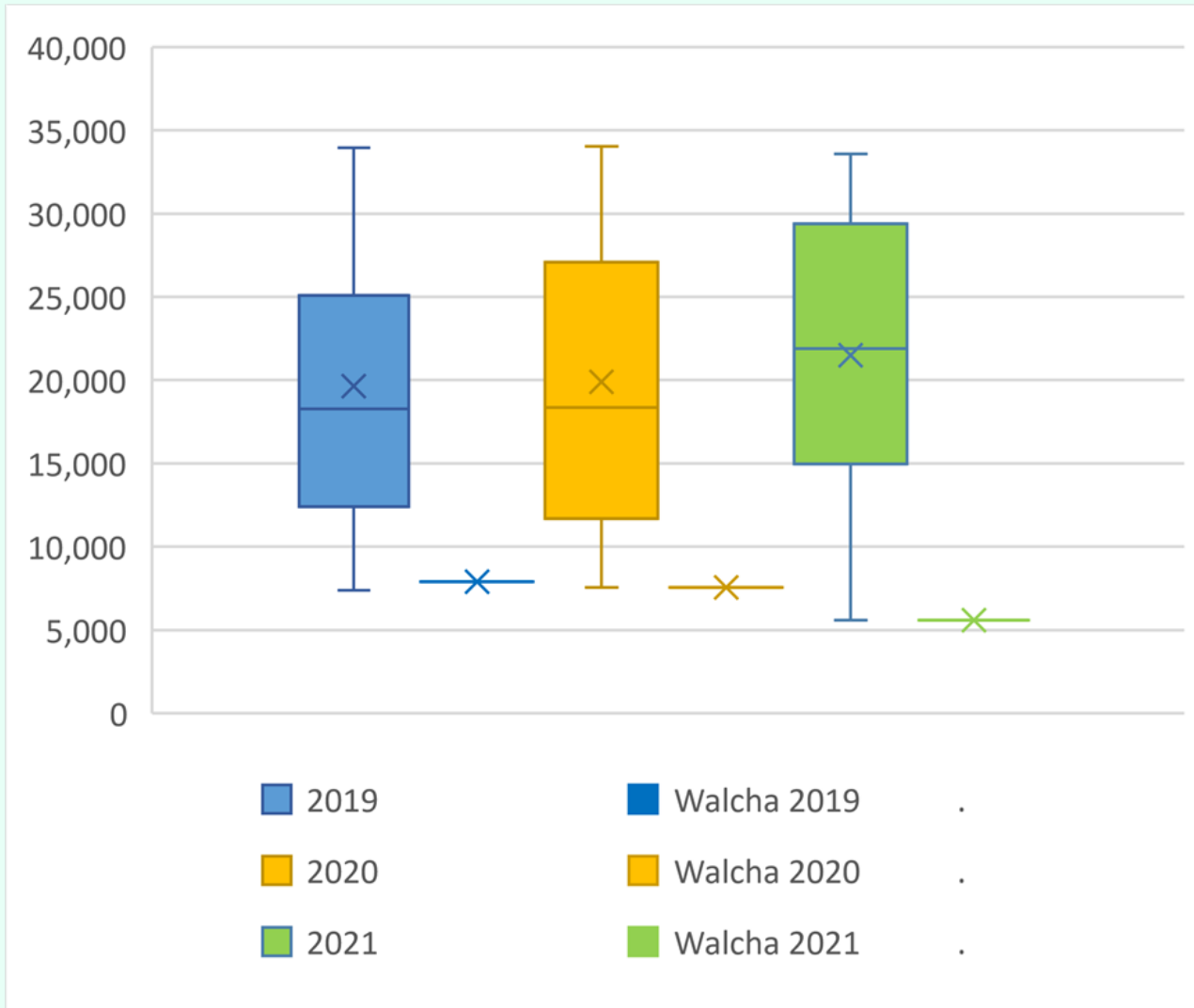


Figure 32. Total Unrestricted Cash, Cash Equivalents and Investments (\$000)

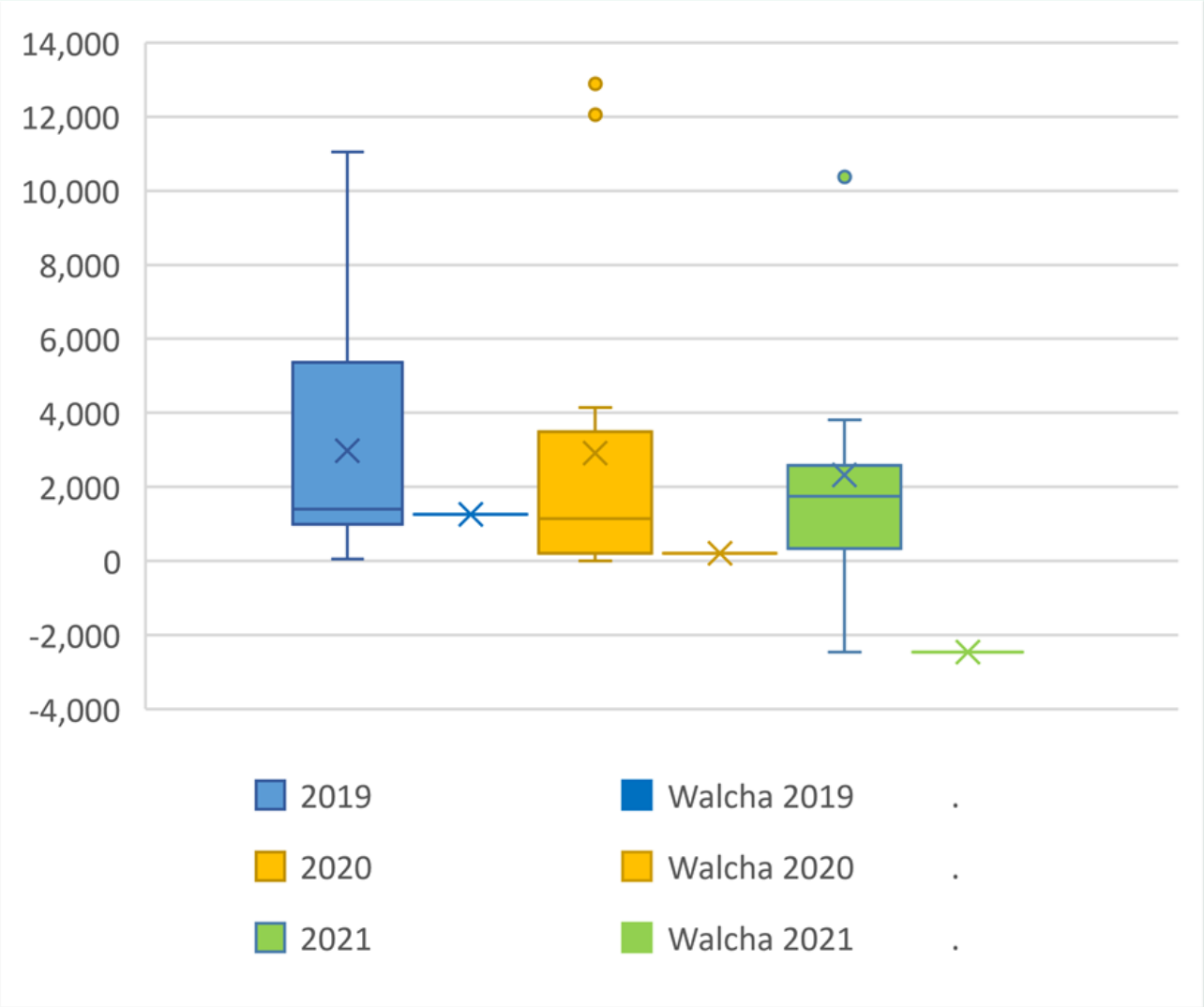
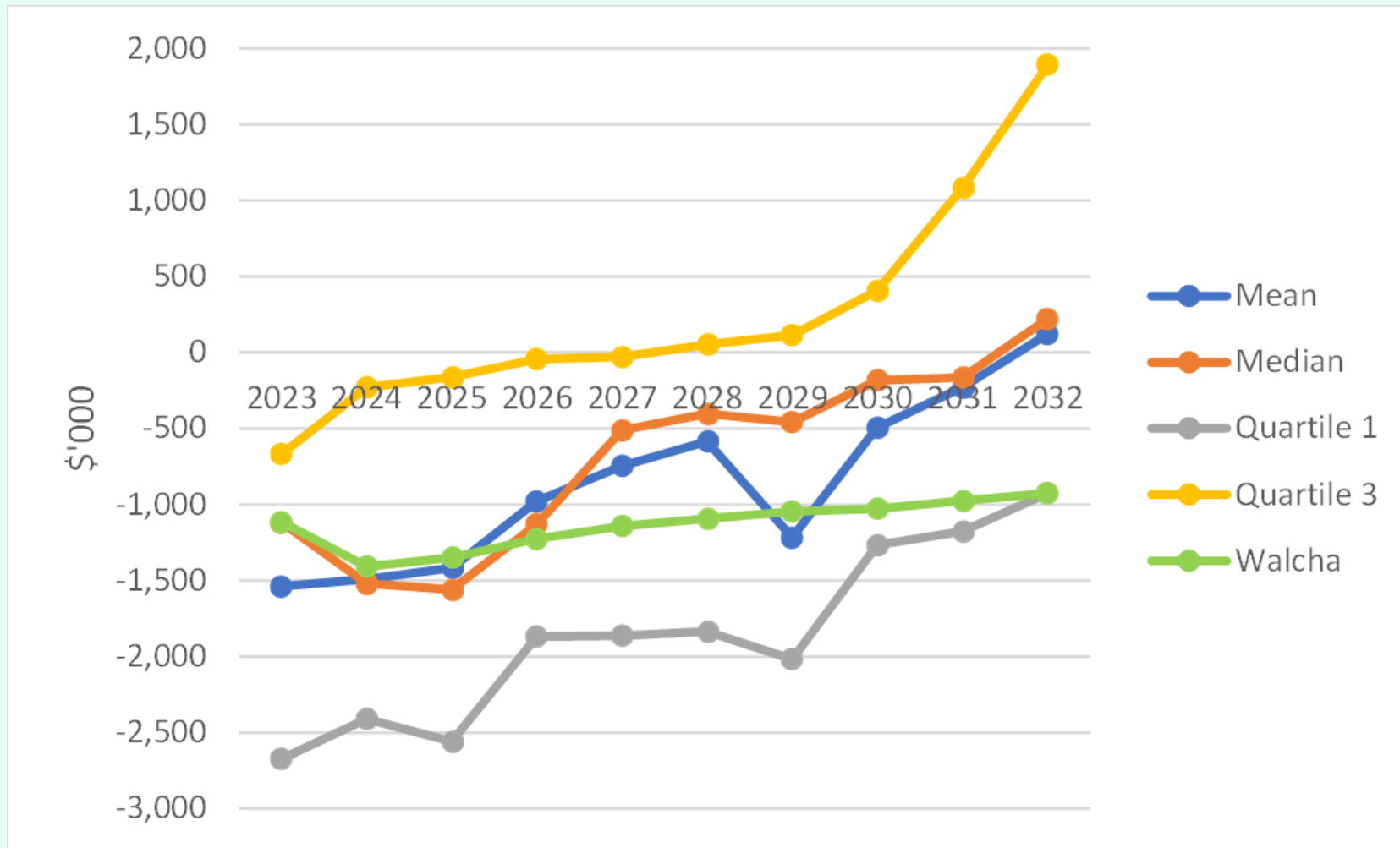


Figure 50. Consolidated Long Term Financial Plan – Nett Operating Result Excluding Capital Grants



* Early Draft

Figure 50. Long Term Financial Plan After Adjustments and Also Proposed Special Rate Variation (Excludes Capital Grants)

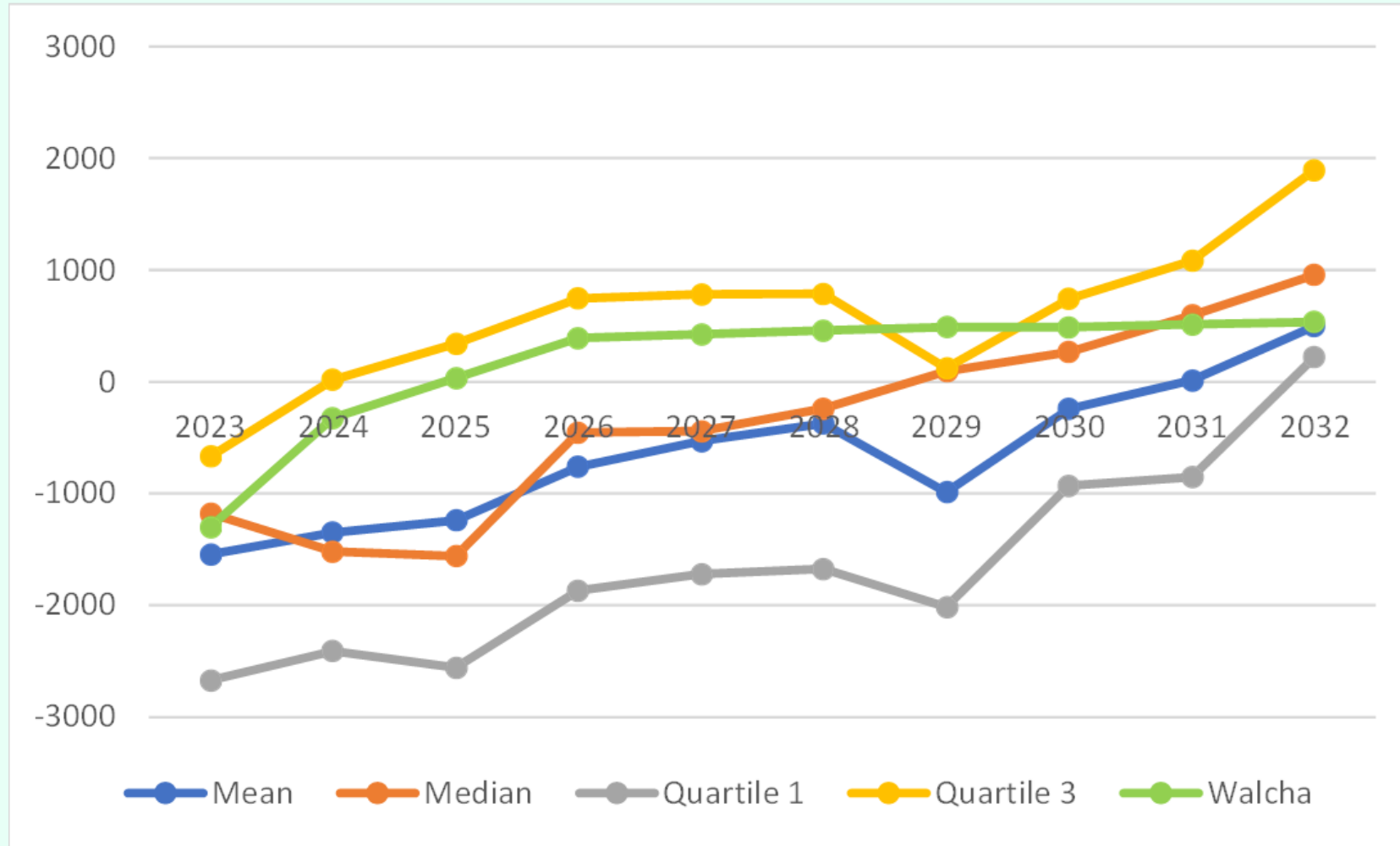


Figure 6. Relative Technical Efficiency, Local Intertemporal, 2013-2021

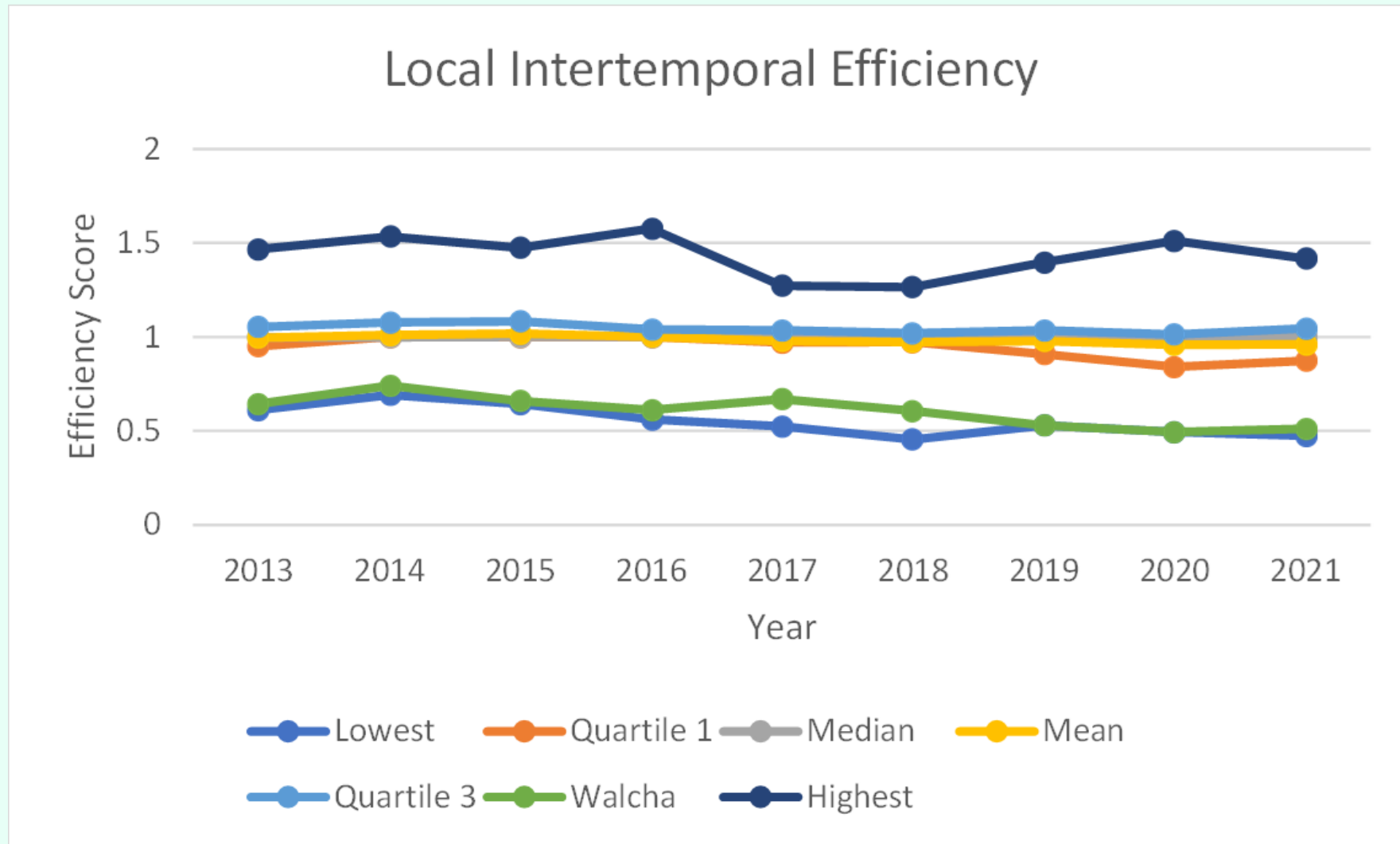


Figure 7. Staff Expenditure per Assessment

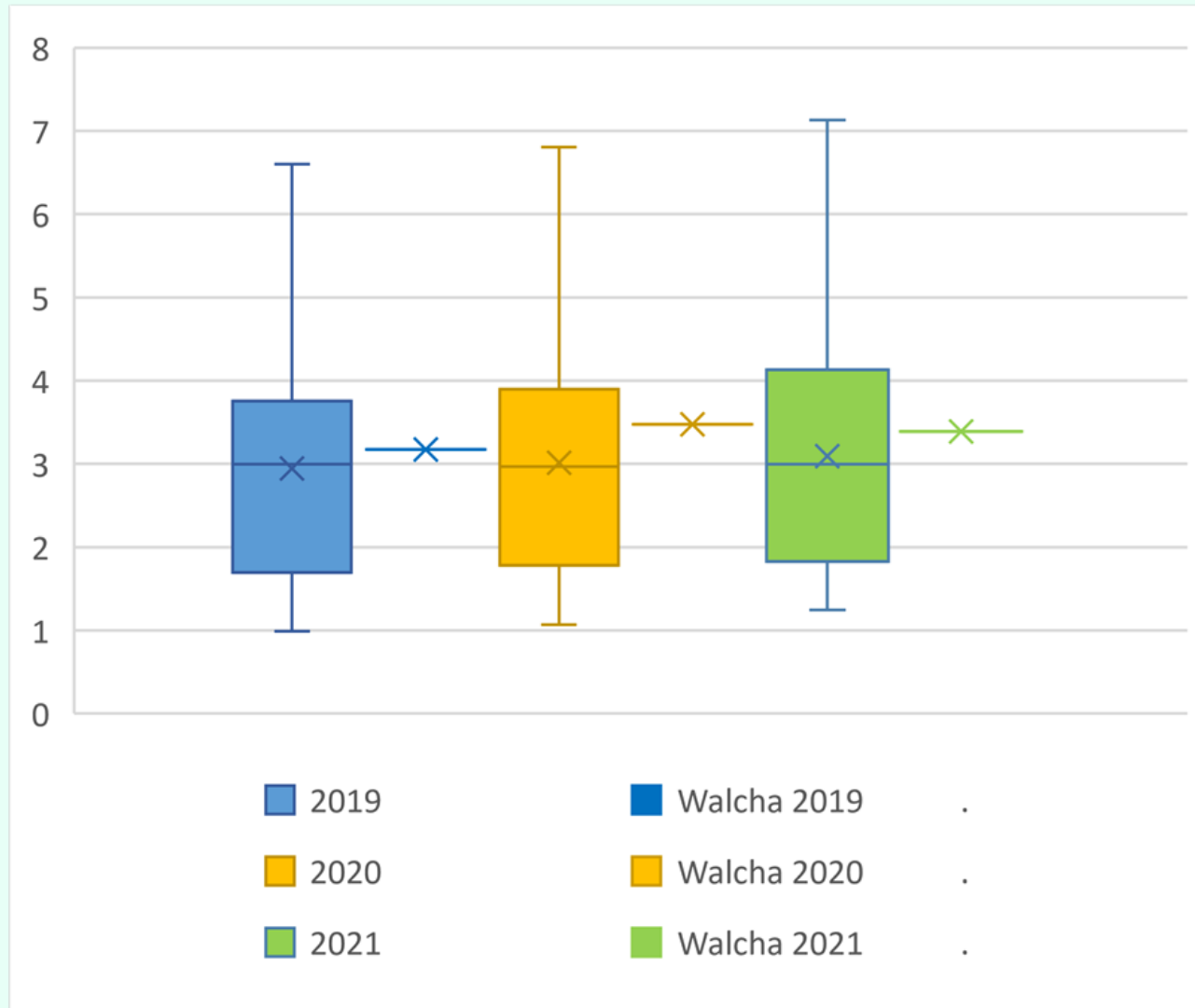
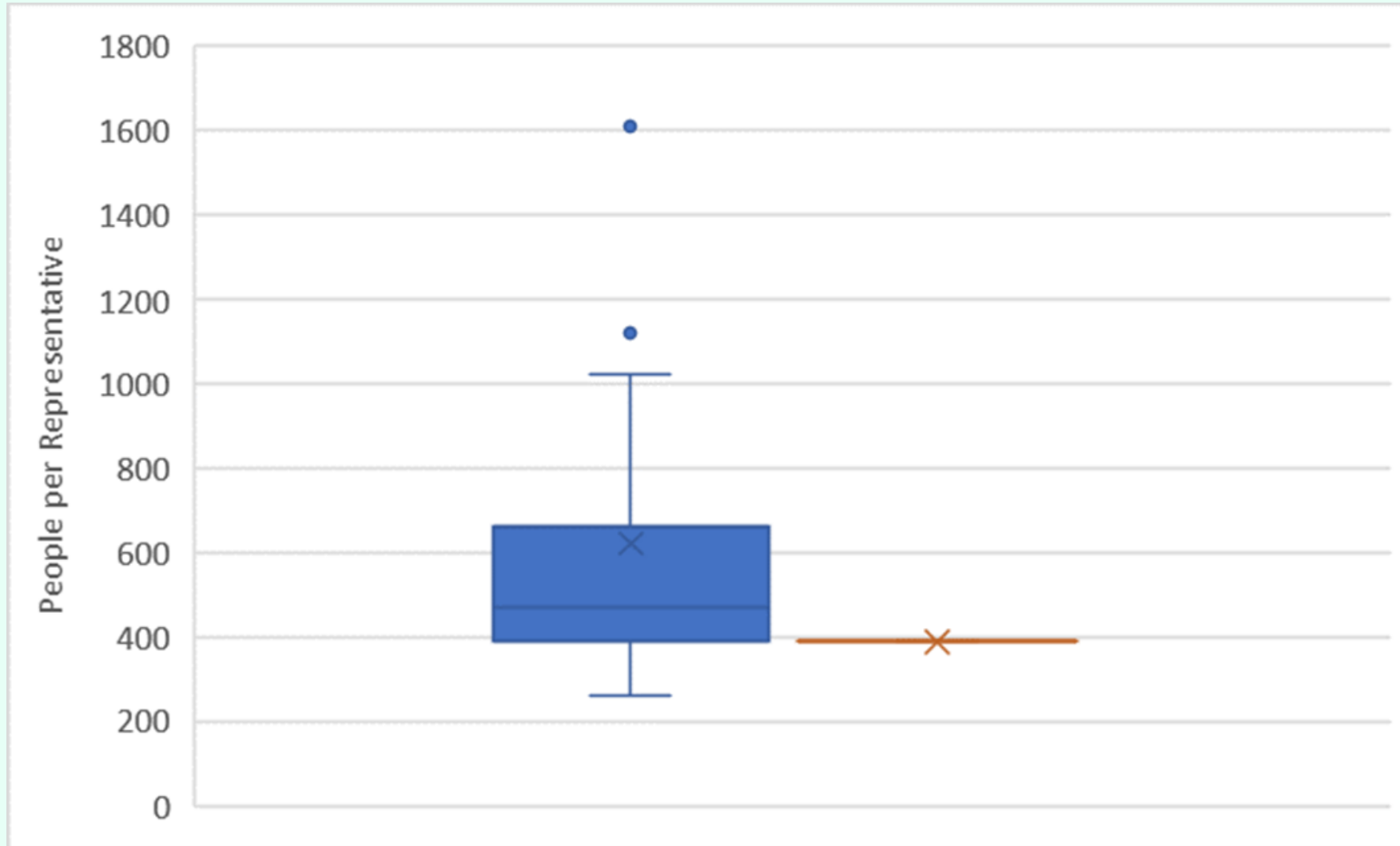


Figure 9. People Per Representative



NSW = 4,411 people/rep

Figure 4. Residential Rates per Assessment (\$)

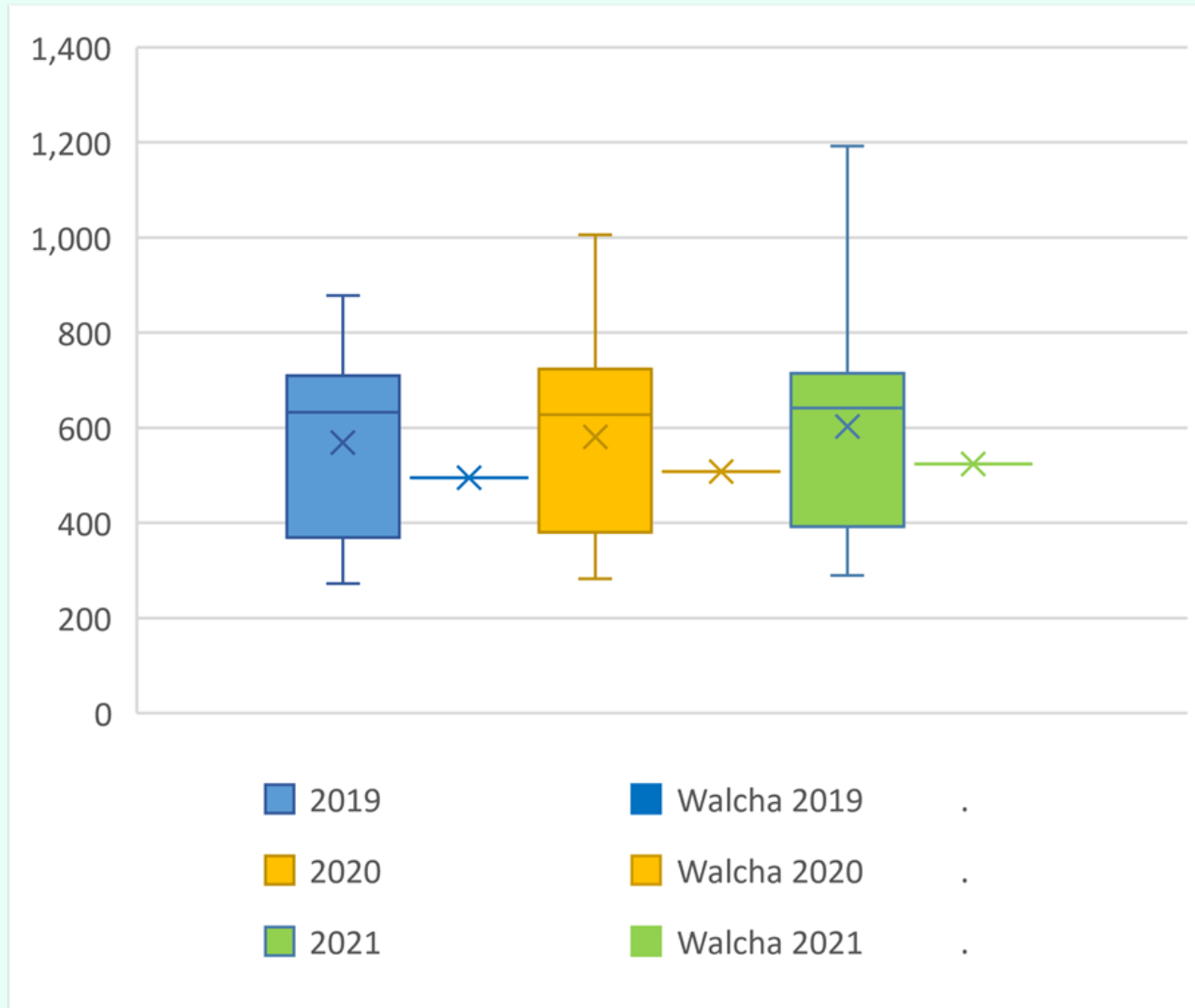


Figure 5. Farm Rates per Assessment (\$)

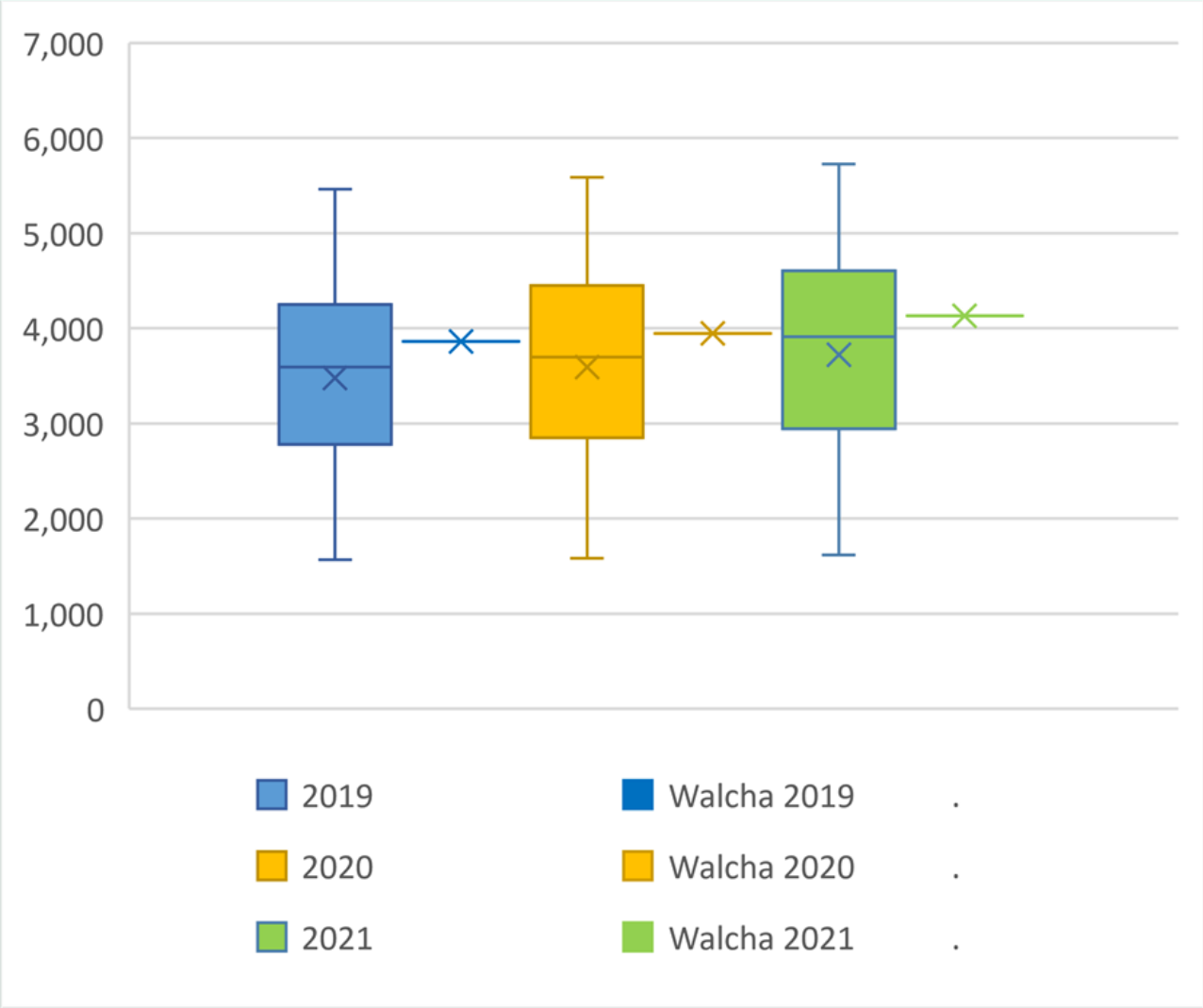
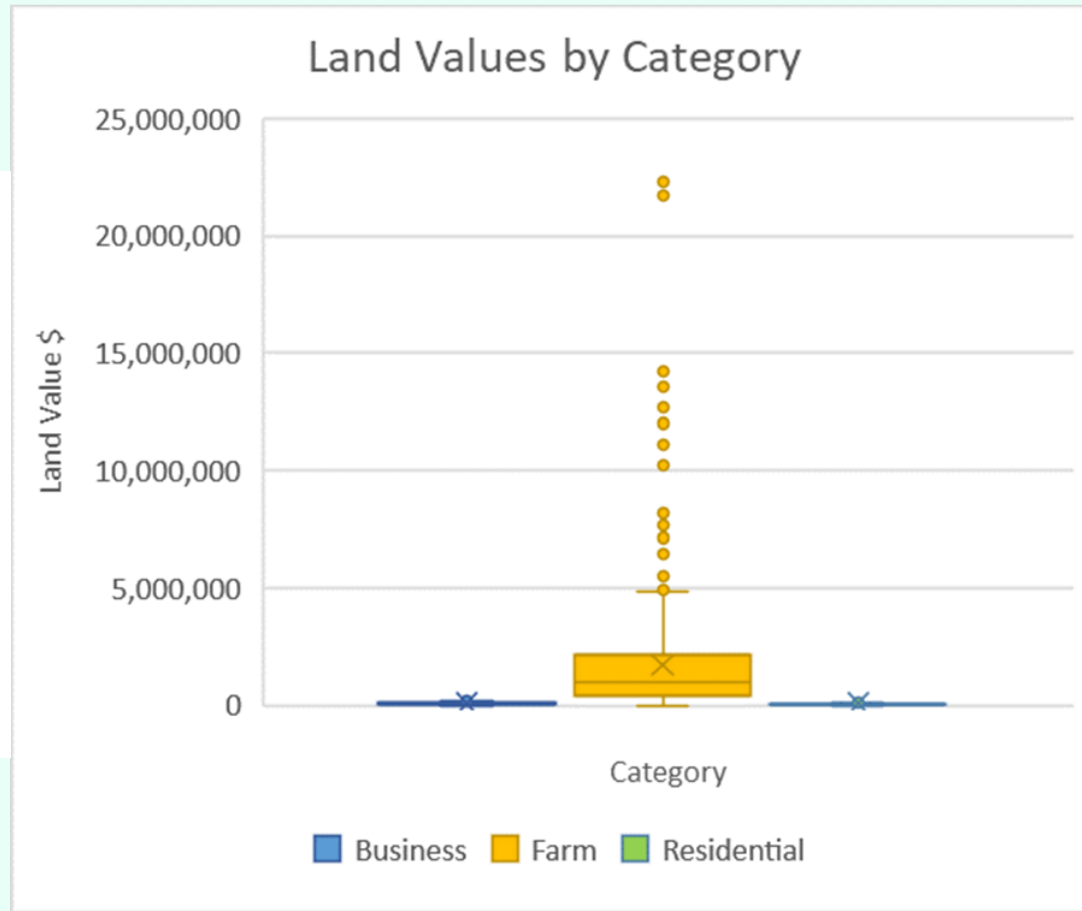


Figure 7. Distribution of Land Values by Category



$$T_{it} = \alpha_i + \beta_1 A_{it} + \beta_2 lit + \mu_{it} \quad t = 1..4$$

Table 6. Multiple Regression Results, 2018-21 inclusive.

	Extended Cohort
Number of residential assessments (ln)	3065.273 ⁺ (1576.636)
Number of farm assessments	-197.311 (781.753)
Number of business assessments (ln)	133.113 (516.845)
Median employee income	65.174* (26.989)
Median unincorporated income	3.349 (10.307)
Welfare receipts?	Yes**
n	232
Coefficient of Determination	0.4277

+p < 0.10, *p < 0.05, **p < 0.01. Standard errors in parentheses

Table 7 Expected Mean Total Tax Take Predicted by the Fixed-Effects Regression, 2018-2021 Inclusive.

Council	Year	Total Tax Take Shortfall	Suggested Increase to Meet Mean Result
	2018	\$149,631	4.54%
	2019	\$329,810	9.73%
	2020	\$476,211	13.72%
	2021	\$557,126	15.55%
TOTAL Foregone Last Four Years		\$1,512,778	

Accordingly, it is recommended that Council apply for a permanent increase of at least 57.74 per cent in a cumulative sense. The first increase needs to be in the order of 36.5 percent. The authors suggest increases of 8 percent, and 7 percent for the two years thereafter.

2021-22

Council	Amount	Purpose
Armidale	10.5% one year permanent	Financial sustainability
CanterburyBankstown	36.34% over 5 years, permanent	Improve services
Central Coast	15% retained for 3 years	To repay loans and restricted funds
Cootamundra-Gundagai	53.5% cumulative over 4 years, permanent	Financial sustainability
Federation	8% one year, permanent	Swimming pool
Georges River	32.6% cumulative over 5 years, permanent	CSP
Liverpool Plains	16.64% cumulative over 2 years, permanent	Financial sustainability
Tweed	4.35% one year, permanent	Management of environmental protection lands

Table 2. Impact on Average Residential Rate of a s508A Special Variation of 36.5% 8% 7%

Proposed Rates	Base Year	Year 1	Year 2	Year 3	Year 4	Year 5	Cumulative Increase
Financial Year	2021/22	2023/24	2024/25	2025/26	2026/27	2027/28	
<i>Residential Category</i>							
Average rate under assumed rate peg	523.82	536.92	550.34	564.10	578.20	592.65	68.83
Annual increase under rate peg (%)		2.5%	2.5%	2.5%	2.5%	2.5%	13.14%
Average rate after proposed SRV	523.82	715.01	772.22	826.27	846.93	868.10	344.28
Annual increase with SRV (%)		36.5%	8%	7%	2.5%	2.5%	65.72%
Cumulative impact of SRV above Base year levels		191.19	248.40	302.45	323.11	344.28	
Difference between SRV and rate peg only scenarios		178.09	221.88	262.17	268.73	275.45	

Table 1. Impact on Average Farmland Rate of an s508A Special Variation of 36.5% 8% 7%

Proposed Rates	Base Year	Year 1	Year 2	Year 3	Year 4	Year 5	Cumulative Increase
Financial Year	2021/22	2023/24	2024/25	2025/26	2026/27	2027/28	
<i>Farmland Category</i>							
Average rate under assumed rate peg	4132.37	4235.68	4341.57	4450.11	4561.36	4675.40	543.03
Annual increase under rate peg (%)		2.5%	2.5%	2.5%	2.5%	2.5%	13.14%
Average rate after proposed SRV	4132.37	5640.69	6091.94	6518.38	6681.34	6848.37	2716.00
Annual increase with SRV (%)		36.5%	8%	7%	2.5%	2.5%	65.72%
Cumulative impact of SRV above Base year levels		1508.32	1959.57	2386.01	2548.97	2716.00	
Difference between SRV and rate peg only scenarios		1405.01	1750.37	2068.27	2119.98	2172.97	

Table 3. Impact on Average Business Rate of a s508A Special Variation of 36.5% 8% 7%

Proposed Rates	Base Year	Year 1	Year 2	Year 3	Year 4	Year 5	Cumulative Increase
Financial Year	2021/22	2023/24	2024/25	2025/26	2026/27	2027/28	
<i>Business Category</i>							
Average rate under assumed rate peg	851.66	872.95	894.78	917.14	940.07	963.58	111.92
Annual increase under rate peg (%)		2.5%	2.5%	2.5%	2.5%	2.5%	13.14%
Average rate after proposed SRV	851.66	1162.52	1255.52	1343.40	1376.99	1411.41	559.75
Annual increase with SRV (%)		36.5%	8%	7%	2.5%	2.5%	65.72%
Cumulative impact of SRV above Base year levels		310.86	403.86	491.74	525.33	559.75	
Difference between SRV and rate peg only scenarios		289.57	360.74	426.26	436.92	447.83	



Want More?

- Read the full reports by our team of international professors
- Read about Special Rate Variations at:
<https://www.ipart.nsw.gov.au/Home/Industries/Local-Government/For-Ratepayers/Special-Variations#:~:text=A%20special%20rate%20variation%20allows,retained%20in%20the%20rates%20base.>
- Watch the videos by Professor Drew on the Council website or his YouTube channel “Professor Joseph Drew”
- Make a submission to IPART.