



FACT SHEET: Application for a Special Rate Variation

30 September 2022

Dear Resident

Council is committed to delivering our vision to create a vibrant and sustainable environment in which people want to live, work and play over the next decade and beyond.

However, to realise this vision means we must take a pragmatic and honest view of ourselves and our financial ability to deliver against this vision. We can no longer '*kick the can down the road*' and allow our children's children to pay for our inability to address the here and now. In fact this Council will not allow that to continue to happen. With significant external factors such as the seemingly ever-increasing escalation of goods and services, wage increases, inflation against two consecutive Council million-dollar budget deficits which include an existing reserve tightly balanced against any infrastructure or asset failure, the time for action is now.

A Financial Sustainability Review has recently been undertaken and completed by world leading local government professionals and the reality is - we are not financially sustainable.

Financial sustainability can be defined as 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. Walcha Council is not financially sustainable and hasn't been so since at least 2013 when the NSW Treasury Corporation declared it as 'weak' with a 'negative' outlook. More recently a team of three international professors established that matters have deteriorated significantly and now require urgent redress.

Accordingly, Council has resolved that it will apply to the Independent Pricing and Regulatory Tribunal (IPART) for a Special Rate Variation (SRV) for the 2023-24 year. A special rate variation allows Council to increase rates by more than the annual IPART rate cap. Ratepayers can find more information about the SRV process at: <https://www.ipart.nsw.gov.au/Home/Industries/Local-Government/Special-Variations>

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

The cumulative impact of the Special Rate Variation is substantial and sits at 57.74 percent over three years, including the assumed rate peg. This will be a permanent increase to the rate base¹. At the end of this Fact Sheet we provide tables to show the average impact (in both percent and dollar terms) for each of the three main rating categories – residential, farm, and business.

Prior to determining the size of the SRV requested of IPART, Council considered other options, which may have led to a reduction or elimination of some services Council provides. For the 2021/22 budget, Council did significant work to improve efficiency and along with the recent organisational restructure Council has improved its position from the previous year. However, against escalating external costs such as the provision of goods and services, fuel increases, rising staff costs and inflation - whatever internal efficiencies that may have been gained will fall well short of a sustainable future.

Other plans Council have in place is to (i) reduce the number of Councillors to just five, (ii) actively campaign for a fairer grants system, and (iii) take on debt to buy productive assets and thus save considerably on future rental expenditures

¹ This means that after 2025-26 rates will not go down again, but instead be increased by the rate peg set by IPART which Councils are advised to assume to be 2.5% per annum.



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The need for a SRV responds to a structural imbalance in the operating budget that has persisted for at least a decade. Quite simply, Council's required expenditure for staff, materials, and contracts exceeds its revenue in most years (see Table 5 below).

If we don't get the SRV approved then it is unlikely that Walcha Council can become financially sustainable. Indeed, to ensure sufficient sustainable cash flows it would be necessary to reduce expenditure by approximately \$2M, noting some service levels are dependent upon external grant funding. This '*managed decline*' may require Council to reduce or cut services which may include:

- Reducing road maintenance;
- Reducing level of service for parks, gardens, town maintenance and appearance;
- Closing some sporting fields;
- Reduce hours or close our library, swimming pool, gym;
- Reduce activity in our tourism area along with any economic development activation programs;
- Unable to bid for new assets through grants (due to lack of funds to match grants).

We believe that the community would not find the resulting significant decline in infrastructure and services acceptable.

Council is very conscious of the hardship that the Special Rate Variation might cause and is currently reviewing its Hardship Policy, which will soon be out for your feedback.

Accordingly, we have arranged for a number of different kinds of community engagement events:

1. The community is requested to fill in the attached survey and return it to Council in person or by mail to PO Box 2, Walcha, 2354.
2. Council will soon be posting short videos to its website to further elaborate on this Fact Sheet.
3. Council will hold seven (7) public meetings to present the case for an SRV and receive community feedback:
 - Europambela: Monday 10 October 2022 at 11.30 am;
 - Ingleba Hall: Monday 10 October 2022 at 2.30 pm;
 - Yarrowitch Hall: Wednesday 12 October 2022 at 9am;
 - Brockley Park Woolshed: Wednesday 12 October 2022 at 11.30am;
 - Nowendoc Hall: Wednesday 12 October 2022 at 2.30pm;
 - Woolbrook: Wednesday 12 October 2022 at 6pm;
 - Walcha Bowling Club: Wednesday 19 October 2022 at 4pm.
4. Council will conduct two listening posts at the Walcha Street Stall Booth:
 - Monday 17 October 2022 from 10am to 2pm, and
 - Tuesday 18 October 2022 from 10am to 2pm

How will the SRV Impact on Rates?

The following tables outline the average annual changes for each rating category, as well as the overall impact for Council, in both percentage and dollar terms. Cumulative increase is presented for the five years in percentage and dollar terms (note figures are rounded to the nearest dollar).



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Table 1. Impact on Average Farmland Rate of an s508A Permanent 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	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	
Farmland Category							
Average rate under assumed rate peg	4142.75	4246.32	4352.48	4461.29	4572.82	4687.14	544.39
Annual increase under rate peg (%)		2.50	2.50	2.50	2.50	2.50	13.14
Average rate after proposed SRV	4142.75	5654.85	6107.24	6534.75	6698.12	6865.57	2722.82
Annual increase with SRV (%)		36.50	8.00	7.00	2.50	2.50	65.72
Cumulative impact of SRV above Base year levels		1512.10	1964.49	2392.00	2555.37	2722.82	
Difference between SRV and rate peg only scenarios		1408.54	1754.77	2073.46	2125.30	2178.43	

Table 2. Impact on Average Residential Rate of a s508A Permanent 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	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	
Residential Category							
Average rate under assumed rate peg	526.83	540.00	553.50	567.34	581.52	596.06	69.23
Annual increase under rate peg (%)		2.50	2.50	2.50	2.50	2.50	13.14
Average rate after proposed SRV	526.83	719.12	776.65	831.02	851.79	873.09	346.26
Annual increase with SRV (%)		36.50	8.00	7.00	2.50	2.50	65.72
Cumulative impact of SRV above Base year levels		192.29	249.82	304.19	324.96	346.26	
Difference between SRV and rate peg only scenarios		179.12	223.15	263.68	270.27	277.03	



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Table 3. Impact on Average Business Rate of a s508A Permanent 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	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	
Business Category							
Average rate under assumed rate peg	879.82	901.82	924.36	947.47	971.16	995.44	115.62
Annual increase under rate peg (%)		2.50	2.50	2.50	2.50	2.50	13.14
Average rate after proposed SRV	879.82	1200.95	1297.03	1387.82	1422.52	1458.08	578.26
Annual increase with SRV (%)		36.50	8.00	7.00	2.50	2.50	65.72
Cumulative impact of SRV above Base year levels		321.13	417.21	508.00	542.70	578.26	
Difference between SRV and rate peg only scenarios		299.14	372.67	440.35	451.36	462.65	

Table 4. Impact on Total Rate Revenue of a s508A Permanent 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	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	
Baseline Scenario							
Total Notional Rates Income (\$'000) under assumed rate peg (no SRV)	3697.00	3789.43	3884.16	3981.26	4080.80	4182.82	485.82
Annual Increase under rate peg (%)		2.50	2.50	2.50	2.50	2.50	13.14
Proposed SRV							
Total Notional Rate Income (\$'000) after proposed SRV	3697.00	5046.41	5450.12	5831.63	5977.42	6126.85	2429.85
Annual Increase with SRV (%)		36.50	8.00	7.00	2.50	2.50	65.72
Cumulative impact of SRV above Base Year levels		1349.41	1753.12	2134.63	2280.42	2429.85	
Difference between SRV and rate peg only scenarios		1256.98	1565.96	1850.36	1896.62	1944.04	



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Table 5. Walcha Council Operating Results (\$'000)

Financial Year	2018/19	2019/20	2020/21	2021/22
Revenue	18,014	19,985	28,684	26,060
Expenses	16,691	17,441	20,047	19,535
Operating Result Including Capital Grants	1,323	2,544	8,637	6,525
Operating Result Excluding Capital Grants	-1,133	141	-1,100	-276
Unrestricted Cash	1,259	208	-2,459	-2,086
Rates and Annual Charges Revenue	4,660	4,924	5,184	5,279

A handwritten signature in cursive script that reads 'Eric H. Noakes'.

Mayor Eric Noakes