



**SPECIAL VARIATION APPLICATION FORM
PART B
FOR 2021-22**

**COOTAMUNDRA-GUNDAGAI REGIONAL
COUNCIL**



Application Form

December 2020

Local Government

Enquiries regarding this document should be directed to a staff member:

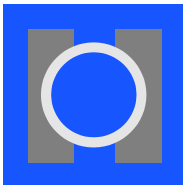
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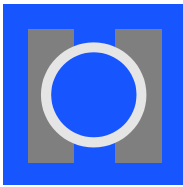
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Council information

Council name	Cootamundra-Gundagai Regional Council
Date submitted to IPART	8th February, 2021
Primary Council contact person	Tim Swan
Primary Council contact phone	1300 459 689
Primary Council contact email	[REDACTED]



About this application form

IPART has revised the Application Form to be completed by councils applying to IPART for a special variation (SV) for 2021-22, either under s 508(2) or s 508A of the *Local Government Act 1993*. The application form is in two parts:

- ▼ Special Variation Application Form Part A (separate Excel spreadsheet)
- ▼ Special Variation Application Form Part B (this MS Word document)

The SV Application Form Part B consists of:

- ▼ Description and Context Questions
- ▼ 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
- ▼ List of attachments

When completing the SV Application Form for 2021-22, councils should refer to the following:

- ▼ [IPART's Application Guide for SV Application Form Part B](#).
- ▼ [OLG's SV Guidelines issued in November 2020](#).



Description and Context

To complete these questions, refer to the discussion in IPART's Application Guide for SV Application Form Part B, Description and Context.

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

Indicate the type of the proposed SV - s 508(2) or 508A the council is requesting, and specify the percentage increases in each of the years in which the SV is to apply, the cumulative increase for a s 508A SV, and whether the SV is to be permanent or temporary.

Provide the information **in the text box**, or alternatively, **complete Table 0.1**.

s508A permanent SV.

53.5 percent over four years, including the assumed rate peg as detailed below:

Table 0.1 The council's proposed special variation

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Percentage increase	20.0%	16.0%	5.0%	5.0%	rate cap	rate cap	rate cap
Cumulative percentage increase for s 508A	53.5%						
Permanent or temporary?							Permanent

Council has resolved to apply for the special variation detailed above, and **that in response to strong community preference the Independent Pricing and Regulatory Tribunal (IPART) considers using its powers under s508A(4) of the Local Government Act, 1993 (the Act) to add a condition to the approval instrument requiring Cootamundra-Gundagai Regional Council to re-engage with the community through a postal survey proximate to May, 2022. This request respects the community's wishes to retain a voice after Council has demonstrated efficiencies and after the Minister has provided advice of the Boundary Commission's decision. The community has made it very clear that they desire a further consultation, however, that they want to avoid the high pecuniary and emotional costs of a further full SRV application. A postal survey therefore appears to be the most efficient way to satisfy the community's wishes.**

With the proposed survey as detailed below:

Now that the community has been able to see the changes to efficiency as well as the outcomes of the Minister's boundary decision, to maintain the optimum level of service to the community, Council needs to pass on the remaining three years of



proposed rate increases as per the 2021 approved Special Rate Variation proposal and instrument.

Do you agree that this must be done?

Yes, Council must pass on the remaining three years of SRV rate increases as approved in the IPART instrument to ensure that service levels are maintained and council remains sustainable.

No, Council must not pass on the remaining three years of the SRV rate increases as approved by the IPART instrument. I understand that this may mean that Council has to conduct a new costly Special Rate Variation, or that this might place Council solvency in jeopardy.

Question 2: What is the key purpose of the requested special variation?

In the text box summarise the key purpose (or purposes) of the SV the council is requesting.

The purpose of the SRV is to try to assure financial sustainability, with a view to maintaining service levels wherever possible, including planned asset renewals, in response to very significant cost pressures imposed by the May 2016 forced amalgamation and subsequent rate path freeze.

Question 3: Is the council proposing to increase minimum rates in conjunction with the special variation?

Refer to OLG's SV Guidelines Attachment 4 – Increasing minimum rates, and OLG's Guidelines for a Minimum Rate Increase.

If the increase applies to an ordinary rate, complete this section

Does the council have an ordinary rate(s) subject to a minimum amount? Yes No

Does the council propose to increase the minimum amount of its ordinary rate(s) above the statutory limit for the first time? Yes No

Which rates will the increases apply to? Residential Business Farmland

If the increase will apply to only some subcategories, specify which _____

Does the council propose to increase the minimum amount of its ordinary rate(s) by:

▼ The rate peg percentage

▼ The special variation percentage

▼ A different percentage _____ (%)



What will the minimum amount of the ordinary rate(s) be after the proposed increase? \$ _____

Has the council submitted an application for a minimum rate increase? Yes No

If the increase applies to a special rate, complete this section

Does the council propose to increase the minimum amount of a special rate above the statutory limit? Yes No

What will the minimum amount of the special rate be after the proposed increase? \$ _____

Has the council submitted an application for minimum rate increase? Yes No

The council must ensure that it has submitted Minimum Rate (MR) Increase Application Form Parts A and Part B, if required.

Question 4: Does the council have an expiring special variation?

Refer to OLG's SV Guidelines Attachment 1 – Calculation of expiring special variations.

Does the council have an SV which is due to expire on 30 June 2021? Yes No

Does the council have an SV which is due to expire at some time during the period for which the new SV is being requested? Yes No

If Yes to either question:

- When does the SV expire? _____ 30 June 2024 _____
- What is the percentage to be removed from the council's general income? ____ The reduction is 5.1% of the proposed permissible yield for 2023/24.
- What is the dollar amount to be removed from the council's general income? _____ \$566,125 _____ *Note Council has not yet received confirmation of this calculation from OLG – Sheridan Rapmund has indicated this can be completed when received.

Does the council have an SV which it proposes to terminate before the date which the instrument specifies as the date on which it expires? Yes No

If Yes:

- When does the council propose it be terminated? _____
- What is the percentage to be removed from the council's general income? _____
- What is the dollar amount to be removed from the council's general income? _____

Has OLG confirmed the calculation of the amount to be removed? Yes No



Attachments required:

- ▼ Copy of the relevant instrument
- ▼ Copy of OLG advice confirming calculation of amount to be removed from the council's general income.



Question 5: Does the council have an existing (ongoing) s 508A special variation which applies in 2021-22?

Refer to:

- ▼ OLG's SV Guidelines Section 5.2.
- ▼ IPART Fact sheet – *The Year Ahead – Special Variations in 2021-22*.

Does the council have a s 508A multi-year SV instrument that applies in 2021-22? Yes No

In the text box:

- ▼ 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 of relevance to the conditions in its instrument since it was issued.

In 2014 the IPART approved a temporary increase to the ordinary rates of Gundagai of 15.12% commencing 2014/15 and expiring 30 June 2024 under section 508(2) of the Act (1993).

In May 2016 Gundagai was amalgamated with Cootamundra local government by Proclamation. The new Cootamundra-Gundagai Regional Council effectively inherited this SRV.

The purpose of the existing SRV was simply financing the ongoing debt servicing costs of the bank loan used to fund the Gundagai main street upgrade.

Council includes summaries of the amounts collected and their use in its Annual Reports, which are lodged with the Office of Local Government.



Attachments required:

- ▼ Copy of the relevant instrument(s)
- ▼ Declaration by the General Manager as to the council's compliance with the conditions applying to the SV included in the instrument of approval issued by IPART
- ▼ Any supporting documents providing evidence of the council's actions to comply with the conditions in the instrument(s).



Question 6: Has IPART approved a special variation for the council in the past five years?

Refer also to OLG's SV Guidelines Section 6.

You do not need to respond to this question if all the relevant information has been provided in council's response to Question 5.

Does the council have a s 508(2) or s 508A SV which IPART has approved in the past five years? Yes No

In the text box, for each SV approved in the past five years, briefly:

- ▼ Specify the type of SV and the increase to general income approved.
- ▼ Outline the council's actions in complying with conditions in the instrument approving the original SV.
- ▼ Describe any *significant* changes of relevance to the conditions in its instrument since it was issued.



Attachments required:

- ▼ Copy of the relevant instrument(s)
- ▼ Declaration by the General Manager as to the council's compliance with the conditions applying to the SV included in the instrument of approval issued by IPART
- ▼ Any supporting documents providing evidence of the council's actions to comply with the conditions in the instrument(s).

Question 7: Does a project to be funded by the special variation require a capital expenditure review?

Does the proposed SV require the council to do a capital expenditure review in accordance with OLG Circular to Councils, Circular No 10-34 dated 20 December 2010? Yes No

If Yes, has a review been done and submitted to OLG? Yes No



Question 8: Is the council a new council created by merger in 2016?

Refer also to OLG's SV Guidelines Section 4.

Is the council a new council created by merger in 2016? Yes No

Question 9: Does the council have deferred rate increases available to it?

Does the council have deferred rate increases available to it from one or more previous years under section 511 of the Local Government Act Yes No

If Yes, has the collection of these additional rates been included in the Council's LTFP Yes No



Criterion 1 Need for the variation

Criterion 1 in the SV Guidelines is:

The need for, and purpose of, a different revenue path for the council's General Fund (as requested through the special variation) is clearly articulated and identified in the council's IP&R documents, in particular its Delivery Program, Long Term Financial Plan and Asset Management Plan where appropriate. In establishing need for the special variation, the relevant IP&R documents should canvass alternatives to the rate rise. In demonstrating this need councils must indicate the financial impact in their Long Term Financial Plan applying the following two scenarios:

- 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 this criterion. This could include evidence of community need /desire for service levels/projects and limited council resourcing alternatives.

Evidence could also include the analysis of the council's financial sustainability conducted by Government agencies.

To complete the questions for Criterion 1: Financial need refer to IPART's Application Guide for SV Application Form Part B.

Refer also to IPART Fact sheet – *The Year Ahead – Special Variations in 2021-22* and Information Paper – *Special Variations in 2021-22* in relation to the interaction of financial need and willingness to pay.

In the response to this criterion, you should include extracts from, or references to, the IP&R document(s) that demonstrate how the council meets this criterion.

1.1 Case for special variation – How did the council establish the need for the special variation?

In the text box explain how the council developed the proposal to apply for the proposed SV in the context of its IP&R processes.

Council engaged Professor Joseph Drew (please see appended CV for a record of his world-leading expertise in this field) to conduct a thorough review of its financial sustainability in early 2020. The review concluded that Council was not sustainable and would require a significant SRV to assure solvency. The full report, as well as Professor



Drew's 2021 addendum (reflecting 2019/20 FY data), are provided as attachments to this application.

On the basis of the Drew report Council, with the assistance of Prof Drew, did a complete review of its operations in April 2020 to ensure that all charges were calculated and applied correctly and that all areas of its operations were as efficient as possible. Savings in excess of \$2 million have thus far been realised, although these savings won't be reflected in financial statements until 2020/21. A complete report on the efficiency of Council has been prepared by Prof Drew and is appended to this application. Further detail is provided in response to Criterion 5.

Late in 2020 the Boundaries Commission engaged Deloitte to do a 'financial analysis' and published a summary of same, under the Local Government Boundaries Commission authority dated 13 November, 2020. This report confirmed the need for a SRV of at least 52% in aggregate (LGBC, 2020, p. 5). It also noted the 'urgency of improvement actions' (LGBC, 2020, p. 5). Indeed, Deloitte's 'assumed that a 52% SRV is applied to all to (sic) ratepayers, and an aggregate annual operating cost savings of \$3.1m are to be achieved from FY21' (LGBC, 2020, p. 8). However, they note that 'even with these financial improvements in place, other General Fund initiatives may be required to ensure it is financially sustainable' including *inter alia* 'securing additional operating grants' and 'more aggressive cost reductions' (LGBC, 2020, p. 8).

In November 2020 Council prepared an Addendum to its Delivery Plan and Long Term Financial Plan to reflect all of the aforementioned material including audited financial results for 2019/20. The draft was passed by Council on 3 December, 2020 and placed on exhibition for public comment. Following community consultation Council adopted both documents with some amendments on 3 February 2021.

In calculating the SRV required Council took cognisance of need, capacity to pay, other options such as debt, and efficiency. Reports on all of these matters are appended. As will be described later, Council also undertook extensive community consultation and faithfully incorporated the essence of community feedback into its final submission to IPART. Moreover, Council was very conscious of its perilously low levels of unrestricted cash as well as the failure to come even close to the operating ratio benchmark since amalgamation.

Both Council and Professor Drew have made numerous direct approaches to the Hon Minister for Local Government and the Premier to seek assistance with the financial situation that CGRC is faced with. Neither party from the government has been willing to meet to discuss the proposed SRV, nor potential alternatives.

The most important objective of the SRV is to ensure that there is sufficient unrestricted cash so that Council can stay solvent – especially in view of likely forthcoming shocks outside of council's control (see the aforementioned financial sustainability report and its addendum).

The original proposed SRV was communicated to all ratepayers through a post out which included a comprehensive four-page Fact Sheet, a two-page survey, and an Expression of Interest for the Citizen Jury. Videos were made to support these documents and these



are available on the Council website. Media releases and advertisements were also released as appended.

Two Community Meetings, two Citizen Juries, and two Listening Posts were also established to receive community feedback on the proposal. Council was most adamant that the final proposal submitted should incorporate as much community feedback as possible within the constraints established by the need to ensure fiscal viability.

1.2 Financial sustainability of the council – What will be the impact of the proposed special variation?

In the text box explain how the proposed SV will:

a) Improve the council's underlying financial position for the General Fund

The status quo Long Term Financial Plan (LTFP) sets out a story of parlous finances. Without the proposed SRV annual deficits of \$3.4 million in 2021/22 rise to \$5.6 million by 2029/30. This LTFP includes capital grants and uses key assumptions regarding the level of FAGs that may yet prove inaccurate given the introduction of new formulas and the potential for another FAG freeze.

The proposed SRV will bring in an additional \$1.378 million in 2021/22 rising to \$3.764 million by 2024/25 when compared with the status quo. The increases are large but need to be understood in terms of three key points. First, since amalgamation, operating results excluding capital grants have not met the OLG benchmark and indeed have all been deficits (ranging from \$2.9 million in 2018/19 to \$9.4 million in 2017/18). Second, in FY2020 taxation contributed just 17.24 percent to CGRC's total revenue. Because rates are such a small component of revenue it is a mathematical fact that increases to rates would need to be substantial to mitigate extant budget imbalance. Third, average rate levels at CGRC are considerably lower than OLG11 levels. Indeed, even after the substantial SRV, average rate levels for business and residential ratepayers will still be lower than the OLG11 average. It is notable that rate levels in the former categories OLG 9 (for former Gundagai) and OLG10 (for former Cootamundra) are generally far lower than OLG11. This provides clear evidence that larger councils seem to require a larger average level of taxation, *ceteris paribus*. Thus, it is not surprising that significant adjustments to rate levels based on the former OLG9 and OLG10 Councils would be required to support an amalgamated OLG11 local government.

Even with the substantial increase to rates embodied in this SRV proposal, CGRC will not be able to meet several financial sustainability benchmarks. However, Council did not feel that the community could bear more taxation than currently proposed. Indeed, Council has committed to a number of future savings measures, as outlined in our engagement response below.

**b) Fund specific projects or programs of expenditure, or**

This SRV request seeks to *try to assure financial sustainability, with a view to maintaining service levels wherever possible, including planned asset renewals, in response to very significant cost pressures imposed by the May 2016 forced amalgamation and subsequent rate path freeze*. Clearly, given the perilous state of CGRC finances, it will not be possible to carry out all planned asset renewals and maintenance. This SRV does not relate to a new project or program, but merely seeks to raise sufficient funds to mitigate, as much as possible, reductions to services and asset work that are necessary in light of the cost pressures experienced subsequent to the 2016 amalgamations.

c) Achieve both outcomes

N/A

1.3 Financial indicators – What will be the impact of the proposed special variation on key financial indicators over the 10-year planning period?

- ▼ **In the text box** provide details on the council's key financial indicators and indicate if the proposed SV has been included in the Long Term Financial Plan.
- ▼ You may **also/alternatively** provide the information for part a) by **populating Table 1.1**, for as many years as relevant for the council's proposed SV.

a) Explain how the proposed SV would affect the council's key financial indicators (General Fund) over the 10-year planning period.

The significant changes to general fund financial indicators are:

	2019/20 Actual	Status quo projection 2029/30	SRV projection 2029/30
Operating Performance Ratio	-25.61%	-19.65%	-4.89%
Debt Service Cover Ratio	2.81x	33.94x	68.83x
Infrastructure Renewal Ratio	98.87%	73.84%	91.72%



Unrestricted Current Ratio	2.91	-0.96	1.52
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The operating performance ratio improves significantly as a result of the SRV, and although it remains negative, the situation is far more manageable.

The additional funds allocated to much-needed asset renewal, particularly buildings and property, improves both the infrastructure renewal and infrastructure backlog ratios. While data is not available for the full projection period for the backlog ratio, it is improved in 2027/28 from 2.46% to 1.63%.

The most significant improvement is the unrestricted current ratio. The SRV scenario improves this figure to 1.68, whereas the status quo scenario puts it at -0.96.

b) Indicate if this information has been included in the council's Long Term Financial Plan. Relevant key indicators could include those listed in Question 1.1.

The proposed SRV has been fully reflected in the LTFP.

Table 1.1 Council's key financial indicators

Ratio	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Operating performance ratio excluding capital items	-25.61%	-13.88	-14.66	-7.54	-6.39	-5.24
Own source revenue ratio	55.81	59.01	67.56	69.31	69.85	70.39
Building and asset renewal ratio	98.87	160.68	77.93	76.25	83.12	92.64
Infrastructure backlog ratio	0.98%	0.28%	0.42%	0.65%	0.73%	0.60%
Debt service cover ratio (note 'cover')	2.81x	8.66x	7.67x	9.6x	14.11x	14.83x
Unrestricted current ratio	2.91	1.24	1.28	1.37	1.46	1.55

1.4 Deferred rate increases available under section 511 of the Local Government Act

In the text box explain: There have been no deferred rate increases over the relevant period.



a) The quantum, rationale and timing of any deferred rates the council has incurred.

Click here to enter text.

b) When council plans to include these deferred rates through the catch up provisions and whether this been included in the LTFP.

Click here to enter text.

c) How do these deferred rates impact on the council's need for the special variation and its cumulative impact on ratepayers' capacity to pay

Click here to enter text.

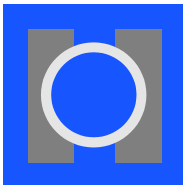


Attachments for Criterion 1

List attachments relevant to your response for Criterion 1 **in Table 1.2**. Use the council assigned number shown in Table 8.1.

Table 1.2 Attachments relevant to response for Criterion 1

Council- assigned number	Name of document	Page references ^a
1	Financial Sustainability report (establishes need)	all
2	Addendum to the Financial Sustainability report	all
3	Capacity to Pay report	all
4	Debt Capacity report	all
5	Efficiency report	all
6	Fact Sheet	all
7	First survey	all
8	Summary of First Survey responses	all
9	Survey after Community Meeting	all
10	Summary of surveys completed after Community Meetings	all
11	Citizen Jury Cootamundra – minutes	all
12	Citizen Jury verdict – Cootamundra	all



13	Citizen Jury Gundagai – minutes	all
14	Citizen Jury verdict – Gundagai	all
15	Community Meeting and Citizen Jury Power Points	all
16	Community Meetings Gundagai and Cootamundra - minutes	all
18	Register of SRV contacts	all
19	Media Release: We Listened	all

a If document only relevant in part.



Criterion 2

Community engagement and awareness

Criterion 2 in the SV Guidelines is:

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 special variation in percentage terms, and the total increase in dollar terms for the average ratepayer, by rating category. The 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.

To complete the questions for Criterion 2: Community awareness and engagement refer to IPART's Application Guide for SV Application Form Part B.

Refer also to the IPART publications:

- ▼ *The Year Ahead – Special Variations in 2021-22* – Fact sheet
- ▼ *Special Variations in 2021-22* – Information Paper
- ▼ *Community awareness and engagement for special variations* – Fact sheet

Provide relevant extracts of the IP&R documents that set out the rate rises under the proposed SV and **attach** relevant samples of the council's consultation material.

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

Council conducted the following engagement exercises as suggested in the IPART (2020) Community Awareness and Engagement Guidelines: (i) a mail-out to all ratepayers, (ii) a four-page Fact Sheet, (iii) a media release, (iv) a two page pre-meeting survey, (v) a one page survey post Community Meeting, (vi) two listening posts, (vii) two citizen juries (workshops), (viii) several detailed information videos, and (ix) four comprehensive and rigorous reports on various matters salient to the SRV, posted on the Council website. According to the ABS (2020) just 69.3% of the community has access to the internet – thus online surveys and discussion groups would not have been inclusive. Moreover, there is currently a good deal of division in the community subsequent to the Boundaries Commission and contentious rate and fee harmonisation. Therefore it was not deemed prudent to contact special interest groups given that it might unwittingly provide further fuel for current community controversies. Instead it was judged best that all ratepayers, residents and groups be provided with the same information as well as the same opportunities to express opinions and gain further information. It should also be noted that amendments to the IP&R were also publicly available over this period.

**a) Outline the council's consultation strategy and timing.**

The following is a list of key engagements, the timing of the engagement and the extent of same:

Date	Engagement	Target Audience
18/12/20	Mail-out to all ratepayers with reply paid envelope.	All ratepayers (approximately 6,500).
18/12/20	Comprehensive Fact Sheet.	Included in aforementioned mail-out and also posted to the Council website.
18/12/20	First Survey.	Included in mail-out to all ratepayers. Also available at Council offices and online. Return date set at Tuesday 12 th January, 2021, however late surveys accepted. 534 surveys returned to Council which is a return rate of around 8.3%.
16/12/20	Media Release.	All consumers of regional media communications.
11/12/20	Piece in Council Christ-mass newsletter.	All residents.
11/12/20	Paid Advertising.	Readers of major local newspapers – Cootamundra Times, and Gundagai Independent.
18 and 19/1/21	Community Meetings. One held in each of the major towns as detailed in the Fact Sheet.	All ratepayers, residents and interested parties.
18 and 19/1/21	Citizen Juries. One in each of the major towns as detailed in the Fact Sheet.	Twelve people selected at random from each of 46 and 19 Expressions of Interest completed by Cootamundra and Gundagai residents respectively. Workshop duration of over 5 hours, culminating in a written jury verdict. These verdicts are appended to this application and uploaded on the Council website.



20 and 21/1/21	All day listening posts in each major town as detailed in the Fact Sheet.	All people able to travel to town. Record of all interactions including in Register of SRV contacts.
16/12/20	Information Videos to accompany Fact Sheet and Survey.	All people able to access the internet. Videos were also available for viewing at Council offices and the listening posts.
18 and 19/1/21	Post Community Meeting survey.	All attendees at the open invitation Community Meetings.
From 18/12/20 Onwards	Comprehensive reports on financial sustainability ('need'), capacity to pay, debt capacity, and efficiency.	Available on the Council website, at Council Offices and at the listening posts. Referred to in the Community Meetings and Citizen Juries.

b) Indicate the different methods the council employed to make the community aware of the proposed SV and seek their feedback, and why these were selected.

Almost all of the methods outlined in the IPART (2020, p. 4) Community Awareness and Engagement Guide were employed in cognisance of the instruction that 'councils should choose methods that reflect the magnitude and impact of the proposed rate increase'. The exception is the eschewing of online surveys and forums – these were not employed in response to the fact that residents have rather low access to internet according to the aforementioned ABS (2020) statistics.

In sum, all media were employed (via the media release), post-outs were conducted, videos were produced, town meetings were conducted, listening posts established, and citizen juries selected for deliberation. In addition, residents had access to comprehensive reports and other documents, either available online or through the Council offices. Notably, the verdicts of both juries unanimously confirmed that Council had taken appropriate measures to ensure good community awareness.



2.2 How did the council present the impact of the proposed special variation in the consultation material?

- ▼ **In the text box** provide details of the information made available to the community during consultation about the proposed rate increases.
 - ▼ **Attach** representative examples of the consultation material.
-

Council presented the impact of the proposed special variation in the exact form specified in Table 3.2 in the IPART (2020) Community Awareness and Engagement Guide. Moreover, Council emailed a copy of the Tables to Sheridan Rapmund, to check on compliance, on the 30th November, 2020.

Representative examples of the Tables can be found in the appended Fact Sheet.

Indeed, all of the information used for consultation is included in the appended items detailed in Table 1.2 of this application.

2.3 How effectively did the council's various consultation strategies engage the community about the proposed special variation?

- ▼ **In the text box** provide details on the level of community involvement, consultation strategies used and feedback from the community.
 - ▼ **Attach** survey results and other examples of feedback from the community.
-

a) Indicate the level of community involvement in, and response to, the various consultation strategies the council used, eg, number of participants in meetings, number of submissions received.

All ratepayers were sent a copy of the Fact Sheet, Survey and Expression of Interest for the Citizen Jury. 534 surveys were returned to Council over the relevant period. A total of 65 EOIs for the citizen jury were also submitted and a total of 24 people attended the two jury sessions (1 person had to leave the first jury shortly after it commenced, due to medical needs).

Seventy-six people returned surveys from the community meetings in total (attendees at the citizen juries were advised that they did not need to attend the community meeting because the juries were a much longer version of the same presentation).

80 additional people made contact with Council regarding the SRV as indicated in the Contact Register.

In sum, the relatively large number of attendees and respondents confirms that the engagement and awareness activities were very effective. This judgement regarding effectiveness is also confirmed in the jury verdicts as previously noted. Indeed, jury

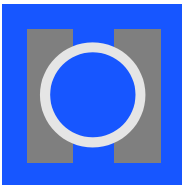


members stated that it would be almost impossible for anyone living in Cootamundra or Gundagai to not be aware of the proposed SRV.

b) Outline the nature of the feedback the community provided on the proposed SV.

A summary of the responses from the first survey is appended as detailed in Table 1.2 of this application. The main outcomes to note from this first survey are: (i) strong community awareness of the various options to obtain further information (94%), (ii) strong awareness of the effect of the proposed SRV (90%), (iii) good awareness of need (76%), (iv) dissatisfaction with amalgamation which was essentially the purpose of the SRV (only 7% satisfied or very satisfied), and (v) an even split in the preferences for the various options. A large number of survey responses indicated a preference to demerge. It is acknowledged that the SRV process is largely independent of the Boundaries Commission process currently being undertaken. However, most of the people in Cootamundra-Gundagai feel that the only way to address diseconomies of scale (and thus avoid future large SRV) is to reverse the deleterious decision from May 2016. In view of the uncompleted Boundaries Commission review, and reflective of community feedback, Council resolved to ask IPART to consider a mechanism for a review process to be undertaken in 12 months' time following a determination of the Minister for Local Government in response to a proposal to demerge Cootamundra Gundagai Regional Council (CGRC) without either CGRC or demerged Gundagai and Cootamundra Council having to undergo another costly and emotionally challenging full application process. The full Council resolution is attached to the application.

We also provide a summary of the second survey as detailed in Table 1.2 of this application. These particular surveys were only available to people who attended the community meetings. The first question of this post-meeting survey repeated the preferred option question from the original mail-out survey. We then asked whether receiving the information presented in the two hour community meeting had resulted in a change from their previous position. After listening to the presentation 85 percent of respondents preferred the 'accept SRV' response. Moreover, 68 percent of respondents told us that their preference had changed since completion of the first survey. This tells us a few very important things. First, it highlights that when people are provided with more comprehensive information, as well as the chance to ask questions, that their decision-making alters to something akin to that of the Council. Second, the proportion of people who changed their responses is clear testament to the effectiveness of the Community Meetings. Unfortunately, attendance numbers were lower than expected due to continuing concerns regarding matters such as COVID, however, we do feel that the people who did attend are now having important conversations in the community which is driving a shift in public opinion. An additional important question posed in the post-meeting survey related to possible changes people might like to see to the SRV application. The options were constrained and therefore did not really reflect a lot of the discussion and questions that



occurred after the meeting (please refer to the minutes of the meeting). However, it seems that the majority of people (58%) felt that the proposed timing and duration of the SRV was 'about right' notwithstanding the advice that they received that Council would undoubtedly adjust the SRV a little from the original proposal in their final submission.

We also conducted two citizen juries and their verdicts and minutes are appended to this application as detailed in Table 1.2. These citizen juries were selected randomly and are thus representative of the people who expressed an interest in attending (see appended video of the execution of the random selection). Citizens attending the juries were provided with comprehensive, open and transparent information regarding the need for an SRV, capacity to pay, other options and efficiency over periods exceeding five hours each. In addition, the jurors were able to call up witnesses for questioning, which they did with enthusiasm.

Jury 1 (Cootamundra) did not agree with the size and timing of the SRV as proposed. Instead they proposed a 53.5% SRV over four years. They wanted to see more accountability and efficiency gains from Council, better culture and harmonisation, and the use of technology to reduce costs. They indicated that willingness to pay would be greater if there was de amalgamation. Detailed minutes and the jury finding are attached to this application.

Jury 2 (Gundagai) did not agree with the size and timing of the SRV as proposed. Instead they proposed a one-off increase of 25% for 12 months only, dependent on the Minister deciding to approve demerger. There was an expectation that Council continue to pursue further efficiencies. Detailed minutes and the jury finding are attached to this application.

Two listening posts were also conducted following the other engagement events and casual contacts with individual councillors were also recorded. The Register of SRV contacts attached details the nature of exchanges that occurred.

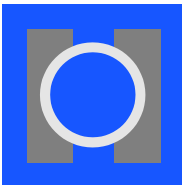
2.4 How did the council respond to feedback from community consultation?

In the text box explain the action, if any, the council took in response to feedback from the community.

The original SRV proposal was for a five year permanent increase of 19%, 18%, 5%, 5% and 5%, which was a cumulative SRV of 62.6% including the assumed rate cap.

Professor Drew and Council were adamant throughout the engagement that they would genuinely listen to community feedback and respond accordingly. Indeed, Professor Drew stated on a number of occasions that he expected the final proposal would differ from the original proposition.

The main feedback from the initial survey was: (i) that the community expected to see further efficiencies (indicated both in the comments and the selection of the second option



of Question 8), and (ii) that the community believed that the SRV was due to a failed amalgamation and wished to be de-amalgamated (see comments as well as Questions 3, 6, and 8).

The main results from the Community Meetings were: (i) a clear message from the community that their willingness to pay was strongly contingent on a prompt decision to allow de-amalgamation, (ii) a desire to hold Council to account for further and more aggressive efficiencies, and (iii) a desire to be re-engaged with when there was more clarity regarding both the ability for Council to deliver on promised efficiencies as well as the de-amalgamation matter.

The main result from Jury 1 was a recommendation for a reduced SRV of 20%, 16%, 5%, and 5% which is 53.5%, including the assumed rate cap, over four years. As the minutes of the jury meeting attest, jurors were desirous to keep pressure on Council executive to deliver even more savings than promised, and also do whatever they could to further the de-amalgamation agenda.

The main result from Jury 2 was a recommendation for a single year *temporary* SRV of 25%. Jury 2 made it pretty clear that their position was a way of trying to encourage the Minister into granting the de-amalgamation without further delay – in essence, a statement that unless they received a de-amalgamation that they would try to force a financial collapse. The Facilitator of this Jury made a number of important matters very clear to the jury: (i) that the Boundaries Commission was a separate process outside of the control of the Council and IPART, (ii) that their position would not result in a financially viable local government and would place solvency at significant risk, and (iii) the need to pause and reflect carefully on their group decision prior to finalising their verdict. However, this was a genuine process and at the end of the day the Facilitator did not feel it appropriate to intervene any more strongly in the jury's deliberations.

It was emphasised at all meetings and juries that the final position of Council would need to be a compromise designed to reflect, as far as possible, the main ideas from the six disparate types of feedback produced from the various engagement efforts – that it was not reasonable for any one group to expect that the final proposal would fully endorse their position to the neglect of other groups.

Councillors and senior executives had two rather lengthy meetings regarding the feedback from the community. At these meetings Professor Drew reminded Council of their commitment to genuine engagement with the community and his personal promise to all four groups that had heard him speak that Council would not ignore what the people had to say. According to Professor Drew, there were four main themes to the community feedback that needed to be responded to. First, there was a strong feeling from the community that Council needed to become more efficient. Second, there were some serious doubts in the community that Council would be able to deliver on savings and continue to strive ardently to do so once the entire SRV was approved. Third, the community did not want to go to the cost, stress and inconvenience of a SRV again if it could be avoided. Fourth, it was very clear that many people in the community were only providing their consent to the SRV on the basis that a prompt decision for de-amalgamation would prove forthcoming.



Jury 1's idea of a reduced four year cumulative SRV of 53.5% was discussed. Professor Drew noted that the size of this proposal was (coincidentally) consistent with his advice in the Financial Sustainability report dated March 2020 and appended to this application. The Jury 2 idea of only pursuing a single permanent one-year increase of 25% was also put forward and received strong support from some Councillors. It was felt that this was also consistent with the feedback of the relatively large Community Meeting of Cootamundra, in particular. It was also noted that the Community Meetings had clearly signalled that citizen willingness to pay was contingent on both more aggressive efficiencies as well as de-amalgamation. However, it was also highlighted that Council could not afford to go through a second SRV process in 2022 – from both a pecuniary and citizen fatigue perspective. It was observed that Jury 2's position was unanticipated and that the most reasonable thing to do was to re-consult with both Jury 1 and some Jury 2 members via telephone and see if a compromise position could be discovered.

Subsequent to the first meeting Professor Drew telephoned all Jury 1 members and many of the Jury 2 members. Of the eleven Jury 1 members contacted (one member had left very early on in the jury session due to medical issues) seven agreed with the proposition that there should be a mechanism enshrined in the IPART approval instrument to require Council to re-engage with the community sometime shortly before the final three SRV increases were applied. It was felt that this timeframe would allow Council executive sufficient time to show that they could carry-through with even more aggressive efficiency measures, and also allow the Minister sufficient time for her to make a decision on the Boundaries Commission deliberations. Two other jury members would not countenance any amendment to their proposal. One jury member agreed with Jury 2 – changing his position to a 1 year temporary increase of 25%. The final member, somewhat surprisingly, changed their position to 'no SRV' and 'immediate de-amalgamation'.

Professor Drew, the Councillors and Senior Executive then conducted a second lengthy meeting to discuss outcomes from community consultation. It was discussed at this meeting that a cumulative SRV of 53.5% over four years including the rate cap would reflect community feedback if, and only if, the IPART instrument conditions and the Council resolutions included a mandatory condition that the Council return to the community for their consent before May 2022, prior to passing on the final three instalments of the SRV. This would be consistent with s508A(4) of the Local Government Act (1993). It was discussed that a failure to include and abide by such a condition would not be consistent with the spirit of Jury 2's verdict (and also most people from Jury 1), nor the overwhelming position of citizens at both community meetings. Indeed, it was noted that a failure to include such a condition would cast strong doubt over the legitimacy of the community engagement process as articulated by the IPART (2020).

This position was put to Council at an Extraordinary Meeting held on 3rd February 2021 and endorsed by resolution.

The compromise position agreed by Council essentially allowed every party to have their position furthered. The many who had called for more aggressive savings were being responded to with a smaller SRV which would put even more pressure on Council to cut costs. Those who doubted the ability of Council to follow through on savings were being given an opportunity to censure Council after a year or so, should they fail to do so (through the proposed survey instrument condition). To those who wished to avoid the



large costs and disruption of a future SRV, the survey mechanism provided an inexpensive and effective avenue to do so providing the community's wishes were honoured over the ensuing sixteen months. Finally, those who wished to push for more clarity regarding the de-amalgamation were able to send a signal that they wished to have a better understanding of their fate before they provided consent to the final three years of planned SRV increases.

In sum, the Council faithfully followed the letter of the law, rules and guidelines for SRV, as well as the spirit of same. They listened to the feedback of the community and adjusted their proposal significantly in response. Council now calls on IPART to also reflect the main points arising from the citizen engagement by including a condition in the instrument to force Council (or emerging de-amalgamated Councils) to re-engage with the community sometime around May 2022, through a written survey per the Council resolution attached to this report.

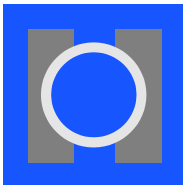


Attachments for Criterion 2

List attachments relevant to your response for Criterion 2 in **Table 2.1**. Use the council assigned number shown in Table 8.1.

Table 2.11 Attachments relevant to response for Criterion 2

Council- assigned number	Name of document	Page references
1	Financial Sustainability report	all
2	Addendum to the Financial Sustainability report	all
3	Capacity to Pay	all
4	Debt Capacity	all
5	Efficiency report	all
6	Fact Sheet	all
7	First Survey	all
8	Summary of First Survey responses	all
9	Second Survey	all
10	Summary of Second Survey responses	all
11	Citizen Jury Cootamundra – minutes	all
12	Citizen Jury verdict – Cootamundra	all
13	Citizen Jury Gundagai – minutes	all
14	Citizen Jury verdict – Gundagai	all
15	Community Meeting power points	all
16	Community Meeting Cootamundra – minutes	all
17	Community Meeting Gundagai – minutes	all
18	Register of SRV contacts	all
19	Media release	all



20	Copies of media articles	all
21	Council newsletter articles	all
22	Videos to accompany Fact Sheet and Survey	all
23	Video of random selection of jurors (CONFIDENTIAL)	all
24	CV of Professor Joseph Drew	all
25	PowerPoint slides used in the Community Meeting and Citizen Juries	all
27	Media Release: We Listened!	all
28	Revised and Abridged Fact Sheet	all
29	Video regarding community engagement	all

a If document only relevant in part.



Criterion 3

Impact on ratepayers

Criterion 3 in the SV Guidelines is:

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

- clearly show the impact of any 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.

To complete the questions for Criterion 3: Impact on ratepayers refer to IPART's Application Guide for SV Application Form Part B.

Refer also to the IPART publications:

- ▼ *The Year Ahead – Special Variations in 2021-22* – Fact sheet
- ▼ *Special Variations in 2021-22* – Information Paper
- ▼ *Community awareness and engagement for special variations* – Information Paper

3.1 What is the impact on rates of the proposed special variation?

In the text box provide information about the impact on rates of all affected ratepayer categories.

The cumulative impact of the Special Rate Variation is 53.5 percent over four years, including the assumed rate peg.

Council has decided that in the interest of equity all categories will be increased by the same percentage. Rates were harmonised for the 2020/21 year and significant work was done at this time to negotiate rate levels for each category that were consistent with both community expectations and taxation theory.

The SRV will certainly have a large impact on all ratepayers. This is partly mitigated by the pensioner discounts and the recent stimulus cheques provided by the Federal government to welfare recipients. However, there is simply no other viable alternative to assure both financial sustainability and solvency. Indeed, even with the proposed SRV Council must do more good work at containing costs to ensure that it remains fiscally viable. Thus, in the context of need, the proposed SRV is reasonable.



Moreover, as the comprehensive report on capacity to pay clearly shows existing rates at CGRC are far lower than OLG11 averages. Notably the proposed SRV would still result in residential and business rates being lower than the OLG11 average in four years' time.

The reason why a large SRV still results in rates being lower than peer averages is that there is a clear and positive association between average rate magnitude and Council size. Otherwise stated extant rates are a reflection of OLG9 and OLG10 categories that applied prior to amalgamation, which have far lower mean rates.

Sophisticated econometric modelling shows clearly that the proposed tax take is well under the mean response expected for a council with CGRC's socio-demographic and ratepayer profile. Thus, if we consider that rate levels at all of the other rural councils in NSW are within taxpayer capacity, then we must also acknowledge that the present SRV proposal is within capacity.

A thorough study of the comprehensive Capacity to Pay report should be made to fully understand that CGRC residents do indeed have sufficient capacity when compared to other NSW rural councils.

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

In the text box explain how the council considered whether the rate increases would be affordable for the community, including any socioeconomic data referred to in making its assessment.

Council engaged Professor Joseph Drew to assess capacity to pay (please see appended report authored by Prof Joseph Drew). This ensured that Council had robust and sophisticated evidence for decision making.

The full aforementioned report makes use of ABS, Australian Department of Agriculture Water and Environment (ABARES), OLG, Meat and Livestock Association (MLA), as well as data drawn directly from the financial statements of all rural NSW local governments.

Econometric modelling was a feature of the appended Capacity to Pay report. Econometrics is the most sophisticated and rigorous method to assess capacity. Professor Drew is a highly published and respected econometrician, of international standing, and his report refers to the peer-reviewed scholarly literature regarding his choice of methodology.

In addition, Council took cognisance of the community feedback gained from its extensive engagement campaign as detailed elsewhere in this application. This included a reduction to the cumulative size of the SRV as detailed earlier.

When given face to face information and an opportunity to ask questions, it is clear that the majority of people are willing to pay the SRV. However, it is also clear that many people would be much happier about the proposed SRV if the Minister approves the



proposal to de-amalgamate in the near future. Should the Minister decide not to approve a de-amalgamation then Council has resolved to ask IPART to apply a condition under S508A(4) requiring Council to survey the community to seek their consent for the levying of the final three years of the SRV).

3.3 How does the council intend to address hardship?

Does the council have a Hardship Policy? Yes No

If Yes, is an interest charge applied to late rate payments? Yes No

In the text box:

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.

Measures used to reduce the impact on vulnerable ratepayers include the pensioner discounts already applied and the extant hardship policy devices.

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 hardship policy is referenced on page 13 of the Addendum to Delivery Program 2018-2021

Reference is also made to the hardship policy on page 2 of the Fact Sheet, and on the SRV page of the Council website.



Attachments for Criterion 3

List attachments relevant to your response for Criterion 3 in **Table 3.1**. Use the council assigned number shown in Table 8.1.

Table 3.11 Attachments relevant to response for Criterion 3

Council-assigned number	Name of document	Page references ^a
3	Capacity to Pay	all
6	Fact Sheet	all
7	First Survey	all
8	Summary of First Survey responses	all



11	Citizen Jury minutes – Cootamundra	all
12	Citizen Jury verdict – Cootamundra	all
13	Citizen Jury minutes – Gundagai	all
14	Citizen Jury verdict – Gundagai	all
15	Community Meeting Power Point	all
16	Community Meeting Cootamundra – minutes	all
17	Community Meeting Gundagai – minutes	all

a If document only relevant in part.



Criterion 4 Exhibition of IP&R documents

Criterion 4 in the SV Guidelines is:

The relevant IP&R documents must be exhibited (where required), approved and adopted by the council before the council applies to IPART for a special variation to its general revenue.

To complete the questions for Criterion 4: Exhibition of IP&R documents refer to IPART's Application Guide for SV Application Form Part B.

Refer also to the IPART Information Paper – *Special Variations in 2021-22*.

4.1 What IP&R processes did the council use in determining to apply for a special variation?

In the text box outline the council's IP&R processes as they relate to public exhibition and adoption of the IP&R documents relevant to the council's application for the SV.

Council prepared an Addendum to its Delivery Plan and Long Term Financial Plan specifically in relation to the proposed SV and placed these on public exhibition by Council resolution on 3 December 2020. They were amended to incorporate feedback from the community, and adopted by Council at an Extraordinary Meeting held on 3 February 2021.

4.2 When did the council meet the formal requirements for all relevant IP&R documents?

Complete Table 4.1 for the mandatory IP&R documents. If other IP&R documents are relevant to the council's application, also complete Table 4.2.

As required by Section 7 of the SV Guidelines, councils should provide web links to all relevant IP&R documents in Table 4.3.

**Table 4.1 Mandatory IP&R documents**

Document	Date(s)
Community Strategic Plan	
Exhibition	27 February 2018
Adoption by council	10 April 2018
Placed on council website	17 April 2018
Revised Addendum to Delivery Program	
Exhibition	3 December 2020
Adoption by council	3 February 2021
Placed on council website	8 February 2021
Long Term Financial Plan	
Revised LTFP endorsed by council	3 February 2021
Placed on council website	8 February 2021

Table 4.1 Other IP&R documents (if relevant)

Document	Date(s)
Buildings Parks Waste Asset Management Plan	
Exhibition	31 July 2018
Adoption by Council	25 September 2018
	27 September 2018
Operational Plan for 2020-21	
Endorsed by council	30 June 2020
Placed on council website	19 August 2020
Maloney Report following the Survey of Road Assets	June, 2020
Endorsed by council	
Placed on council website	

Table 4.2 Website links for council's IP&R documents

Document	Website link
Community Strategic Plan	https://www.cgrc.nsw.gov.au/council-plans-and-reports/community-strategic-plan/
Delivery Program	https://www.cgrc.nsw.gov.au/council-plans-and-reports/delivery-program-and-operational-plan/



Long Term Financial Plan	https://www.cgrc.nsw.gov.au/council-plans-and-reports/delivery-program-and-operational-plan/
Asset Management Strategy / Plan(s)	https://www.cgrc.nsw.gov.au/wp-content/uploads/2018/09/RS-3.-Asset-Management-Plan-18-28-adopted.pdf

4.3 What, if any, relevant issues arose in the public exhibition of the IP&R documents?

In the text box explain any issues arising from the council's IP&R processes and documentation associated with the proposed SV which you consider are relevant factors for IPART to take into account in assessing the council's application, including responses to public exhibition.

As documented throughout this application, during the community consultation process, a great many people commented that they wanted Council to demonstrate a commitment to achieving greater savings than currently contained in the Long Term Financial Plan.

Council recognises and accepts this need and is committed to pursuing savings on an ongoing basis. The current SRV contains known and achievable savings identified to date. With approval of the proposed SRV, these savings will secure Council's short term cash position, but will not allow Council to undertake planned asset replacement in the longer term without additional income or further savings. It is fortunate that the very significant capital works program that has been undertaken supported by grant funding since the merger means the General Fund Infrastructure Backlog Ratio at 30 June 2020 is only 0.98%, allowing Council time to improve its operating position in order to fund required asset renewals in the future.

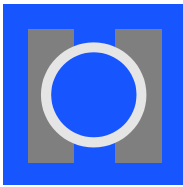
During community consultation it was impossible to separate the SRV application process from the Boundaries Commission review into the proposal to demerge CGRC into its former entities. The Draft LTFP placed on public exhibition contained proposed increases of only 1% per annum to employee costs following recurrent \$500K savings commencing 2022/23. After reviewing the sensitivity analysis contained in the LTFP and the factors that are likely to impact on employee costs in the future, it was considered this target was too ambitious. It was therefore changed to 2% in the adopted document, still less than anticipated award increases of 2.5%. To meet this target will require ongoing review of the structure through natural attrition.

4.4 Where is the proposed special variation referred to in the council's IP&R documents?

Complete Table 4.4 with all relevant page (or section) references in the mandatory IP&R documents for material related to each criterion. Add rows for other IP&R documents if necessary.



IP&R document	Page reference(s)
Criterion 1: Financial need	
31. Long term financial plan	all
30. Addendum to Delivery Program	pp 6-12
15. CGRC AM Plan – Buildings Parks Waste	all
35. Moloney Report Following the Survey of Road Assets	P9
Criterion 2: Community awareness and engagement	
30. Addendum to Delivery Program	all
Also separate fact sheets on the SRV website. Link referenced in the Addendum to Delivery Program	p4
Criterion 3: Impact on ratepayers	
30. Addendum to Delivery Program	all plus link to SRV page on Council's website at p4



Attachments for Criterion 4

List attachments relevant to your response for Criterion 4 in **Table 4.5**. Use the council assigned number shown in Table 8.1.

Table 4.35 Attachments relevant to response for Criterion 4

Council- assigned number	Name of document	Page references ^a
30	Addendum to Delivery Program	all
31	Addendum to Long Term Financial Plan	all
	<u>Other documents referenced by web link in Addendum to Delivery Program:</u>	Also referenced in response to other criteria
15	CGRC Buildings Parks Waste Asset Management Plan	all
35	Maloney Report following the Survey of Road Assets	all

^a If document only relevant in part.



Criterion 5

Productivity improvements and cost containment strategies

Criterion 5 in the SV Guidelines is:

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

To complete the questions for Criterion 5: Productivity improvements and cost containment strategies refer to IPART's Application Guide for SV Application Form Part B.

Refer also to the IPART publication *Special Variations in 2021-22 – Information Paper*

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

In the text box explain the council's overall approach to improving productivity, containing costs, increasing own source revenue in the context of its operations and IP&R resource planning.

Council is a new council formed by merger in 2016. Ongoing efficiency measures are in early development, as Council achieves greater understanding of its business. With limited capacity to conduct major strategic reviews internally, council commissioned a full financial sustainability review through the University of Technology Sydney (UTS).

Council has resolved that reports on operational efficiencies are to be presented on a quarterly basis.

In the period since amalgamation council has established excellent data on most of its major asset classes, and arrangements have been made to improve upon council's processes. It is intended that staffing resources be allocated to the maintenance of this data and application to capital works activities. This will allow council assets to be managed much more efficiently, with reliable long-term projections.

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

In the text box:



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

In May 2018 the project to merge the corporate software systems of the two former councils was completed. It is believed that council was the first of the 19 new councils to achieve this milestone. Completion of this project allowed the implementation of a monthly financial reporting programme to track budget performance by business area. As valuable historic data has accumulated it has been applied to ongoing productivity measures.

In 2019 council appointed a finance committee of councillors and senior staff. Part of the development of the 2019/20 and 2020/21 Operational Plan included presentations of proposed budgets by each department manager.

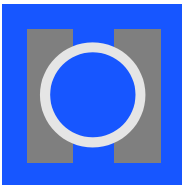
The review performed by UTS in 2020 identified the need for:

- Significant operational savings
- The harmonisation of legacy rating structures
- An overhaul of user fees and charges.
- A Special Rate Variation.

Each of these recommendations has been actioned.

b) Outline the outcomes which have been achieved.

- Harmonisation of user fees & charges, including Waste, Cemeteries and Saleyards.
 - New commercial waste disposal partnership with business near Gundagai.
 - Improvements in monitoring of plant hire income.
 - Termination of consultants as internal skills lost through amalgamation are re-acquired.
 - Contracting out the operations of the Cootamundra swimming pool and sports stadium.
 - Conversion from landline telephone system to VOIP.
 - Rationalisation of IT subscriptions.
 - Reduction in funding to some community organisations.
 - Significant reduction in costs of saleyard operations.
-



c) Where possible, quantify the gains these past initiatives have realised.

While some of these measures are impossible to quantify in isolation, the reduction to operating expenses (net of depreciation and internal charges) is \$5.9m. Excluding expenditure on grant-funded community projects (\$3.7m) and a budgeted expense from 2019/20 that did not proceed (\$1.4m), the reduction as a result of efficiency measures is \$0.8m. This represents 3% of total budgeted operating expenditure.

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

In the text box summarise the council's ongoing efficiency measures.

a) Explain the initiatives which the council intends to implement.

The new council formed by merger in 2016. Ongoing efficiency measures are in early development, as council achieves a greater understanding of its business.

Council is targeting review of its organisational structure and reduction in employee costs in 2022/23 of \$500,000 followed by ongoing increases of 2%. This is below likely award increases of 2.5%, in anticipation of ongoing savings by natural attrition. Council is currently constrained from reviewing its employee structure because it is the subject of a boundaries commission review, hence proposed savings are built in from 2022/23. Employee costs have increased by approximately 18% since merger. The proposed savings in 2022/23 will reduce post-merger employee costs to a level consistent with other merged councils. The projected savings from 2022/23 represent 1.8% of total budgeted operating expenditure.

Council introduced increased charges in 2020/21 to ensure greater cost-recovery for council-provided services. The increased charges totalled \$318,000, representing an 8.5% increase, or 1.1% of total budgeted operating expenditure.

Council has targeted savings of \$2.1 million in materials and contracts in 2020/21 and \$2.4 million thereafter. Council is on track to achieve these savings in the current year. The further \$300,000p.a. from 2021/22 represents 1.1% of total budgeted operating expenditure.



Council held a series of workshops with its finance committee and managers in the lead up to the 2020/21 budget preparation, leading to the substantial materials and contracts savings identified above.

Council has proactively secured substantial grants for timber haulage route renewal and bridge replacement, totalling \$2.7m over 2020/22 or an average of \$1.35m per annum. A matching grant amount of \$1 million will be funded by new borrowings, taking advantage of the current very low interest rates.

Council reviewed its waste management operations in 2019/2020, including tendering for provision of recycling services, taking over operation of green and putrescible waste disposal and implementing a new fee structure. Council anticipates increased income from these operations of \$156,000, or 0.6% of total budgeted operating expenditure.

Similar workshops are planned for the current year with a more comprehensive focus. It is planned to identify specific services for targeted review as part of Council's community consultation and review of its Community Strategic Plan and Delivery Program and for incorporation into the Operational Plan 2021/22. In the current environment of uncertainty around the merger, it is difficult to hold such consultation, as demonstrated by the feedback to consultation for the SV.

Council has resolved to continue to pursue operational efficiencies through the General Manager and Council management, through continuing implementation of regular service reviews with progress reports to be made available to Council on a quarterly basis.

b) Estimate their financial impact.

The savings already achieved and planned are quantified above.

As stated in Council's Addendum to LTFP, the proposed SV only secures Council's cash position in the short term. There is a need to find further significant savings in the longer term in order to undertake planned asset renewals.

c) Indicate whether these have been incorporated in the council's Long Term Financial Plan.

These measures have been incorporated in council's revised Long Term Financial Plan.

5.4 How have the council's levels of productivity and efficiency changed over time, and compare with those of similar councils?

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



Cootamundra Gundagai Regional Council was created by merger of the Cootamundra and Gundagai Shire Councils in 2016. There have been three General Managers since merger and two Administrators before election of the current Council in September 2017. Of the two pre-merger General Managers (x2) and six directors, only one remains, so there has been considerable loss of corporate knowledge. Some stability returned with election of the Council and staff turnover since that time has reduced. Because of all these factors, there has been only a relatively short time period in which efficiency gains have been sought and achieved.

In the following discussion an assumption is made that the OLG and IPART are referring to relative technical efficiency rather than dynamic or allocative efficiency. Local intertemporal data envelopment analysis (DEA), with two year windows, has been employed to measure relative technical efficiency over the period FY2012 to FY2020 inclusive and thus establish the efficiency context. The methodology and references to other DEA conducted in the literature are laid out in the Efficiency report produced for CGRC by Prof Joseph Drew.

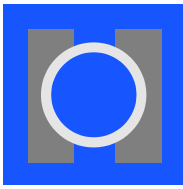
As the comprehensive report on relative efficiency demonstrates efficiency was reduced considerably as a result of the forced amalgamation. Over the course of the year the combined relative technical efficiency deteriorated from the highest quartile to a point barely above the first quartile. This is the case whether one examines the whole cohort of rural NSW Councils or just OLG11 local governments.

Between 2017 and 2019 relative technical efficiency improved at a rate faster than Quartile 1 for OLG11 Councils, as per Figure 3 of the efficiency report. Notably, the tangent of the line changed to negative between FY2019 and FY2020, although as the efficiency report sets out, FY2020 is a boundary year and hence subject to a little uncertainty.

As outlined in the report, from 1 July 2020 CGRC commenced an efficiency drive which is expected to result in savings that exceed \$2 million. These savings are not reflected in the DEA presented in the report because they are yet to be confirmed in the 2020/21 financial year audited statements. It is expected that relative technical efficiency will improve to the bottom of the third quartile as a result of recent measures implemented.

The results subsequent to amalgamation are consistent with the peer reviewed studies of Prof Drew and various colleagues. There can thus be no reasonable doubt that the amalgamation configuration for Cootamundra-Gundagai did indeed result in very large diseconomies of scale as predicted by Dr Drew in his work submitted as part of the Gundagai Boundaries Commission submission in 2016. Moreover, Deloitte makes reference to the diseconomies attendant upon amalgamation in their work produced for the Boundaries Commission (2020).

The panel regression conducted by Prof Drew in the aforementioned efficiency report also confirms that the most significant and material variable affecting technical efficiency was the dummy variable for whether or not a local government was subjected to the 2016 forced amalgamations. This was a negative coefficient significant at the five percent level as indicated on Table 2 of the report.



In further econometric exercises Professor Drew used the coefficients derived in his model to predict the constant returns to scale efficiency score for a Council with CGRC's socio-demographic and Council characteristics. The score predicted by the model was 0.559 which is around 6.49% *lower* than the actual CRS relative technical efficiency achieved by CGRC. Because econometrics reports on the mean response, this result confirms that Council is doing better than average.

Council acknowledges that merely doing better than average, as confirmed by the econometric evidence, would not repair the direct and indirect financial damage that arose as a result of the amalgamation and subsequent four year rate path freeze. Therefore, CGRC has committed to further aggressive improvements to efficiency as outlined in our earlier responses.



Attachments for Criterion 5

List attachments relevant to your response for Criterion 5 in **Table 5.1**. Use the council assigned number shown in Table 8.1.

Table 5.11 Attachments relevant to response for Criterion 5

Council- assigned number	Name of document	Page references ^a
5	Efficiency report	all
1	Financial Sustainability report	all
2	Addendum to the Financial Sustainability report	all
11	Citizen Jury Cootamundra – minutes	all
12	Citizen Jury verdict – Cootamundra	all
13	Citizen Jury Gundagai – minutes	all
14	Citizen Jury verdict – Gundagai	all
15	Community Meeting and Citizen Jury Power Points	all
16	Community Meetings Gundagai and Cootamundra – minutes	all
18	Register of SRV contacts	all

^a If document only relevant in part.



Criterion 6 Other relevant matters

Criterion 6 in the SV Guidelines is:

Any other matter that IPART considers relevant.

6.1 Reporting requirements SV compliance

In the text box propose additional SV compliance community awareness in addition to the requirements in the IP&R documentation.

[Click here to enter text.](#)

The Guidelines provide further that:

IPART will assess each application based on its merits against the assessment criteria. In doing so, IPART may consider:

- size of the council
- resources of a council
- size (both actual \$ and %) of increase requested
- current rate levels and previous rate rises
- purpose of the special variation
- compliance with this or any other applicable guideline
- compliance with the conditions of any previous special variations, and
- any other matter considered relevant in the assessment of a special variation application.

To complete the question for Criterion 6: Other relevant matters refer to IPART's Application Guide for SV Application Form Part B.

In the text box the council **may** provide information in addition to that provided elsewhere in the Application Form which it would like IPART to consider when assessing its proposed SV.

Council was subject to a forced amalgamation in May 2016. This amalgamation was very unpopular and strenuously opposed by the Gundagai Council and many of the residents.



The Boundaries Commission is currently considering a proposal to de-amalgamate CGRC. The Council's position is to de-amalgamate and most of the ratepayers also support this position.

The community and Council would both like a condition to be set on the SRV instrument to reflect the unique circumstances faced by Cootamundra-Gundagai. The condition should require Council or the de-amalgamated Councils to survey, by mail-out, the community prior to May 2022 in order to receive their consent for the remainder of the SRV (that is, the subsequent 16%, 5% and 5% components). Doing so allows the community to hold the Council to account over planned efficiencies. It also provides the opportunity for the community to reassess matters in light of the Minister's decision on de-amalgamation which is likely to have been made by that time. Council's decision to apply to IPART for an SRV including request for this condition is attached to the application.

Even in a de-amalgamation scenario an SRV would be required to repair the damage done to local government finances over the last five years. Indeed, it would be reasonable for IPART to expect emerging de-amalgamated Councils to subsequently apply for a variation to the SRV, should it be granted.

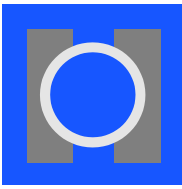
Council is in a rather desperate financial position and this has affected the way that CGRC has approached this SRV and community engagement. For instance, monitoring an online discussion forum would have been beyond the resources of Council. It should also be acknowledged that concern surrounding COVID may have reduced attendance numbers at the Community Meetings as well as impacting on EOI numbers for the Citizen Jury.

Council is committed to further cost savings. If further savings can be found then this will be used to delay or reduce the SRV passed on to ratepayers. However, in view of the significant savings already made, and incorporated into the SRV, it is unlikely that sufficient savings will be found to further soften the impact of the SRV.

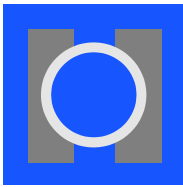
Council has perilously low levels of unrestricted cash. There is a real concern that cash flow disruptions (as a result of COVID impacts), planned changes to financial assistance grants (including new formulas currently being introduced by the Grants Commission and the potential for another FAG freeze), or contingencies such as a superannuation calls, increased superannuation guarantee or lower levels of TfNSW work could tip the finances over the edge.

The comprehensive reports produced by Professor Joseph Drew should be seriously considered by IPART, as should the Deloitte summary produced by the Boundaries Commission.

It might also be noted that the community has been aware of the likely SRV for some time. For instance, during the work conducted for Council in March, 2020, Professor Drew raised the strong likelihood of an SRV in the order of 52% and this was contained in Council's Long Term Financial Plan adopted in June, 2020. Similarly in the Boundaries Commission report it was noted that a SRV of at least 52% would be required.



Professor Drew is willing to be contacted by the IPART should they wish to gain additional insights into the need for the proposed SV. Council is able to provide IPART with his contact details.



Attachments for Criterion 6

List attachments relevant to your response for Criterion 6 in **Table 6.1**. Use the council assigned number shown in Table 8.1.

Table 6.11 Attachments relevant to response for Criterion 6

Council- assigned number	Name of document	Page references ^a

^a If document only relevant in part.



Council certification and contact information

To prepare the Council certification and provide council information refer to IPART's Application Guide for SV Application Form Part B.

Certification of application

Application for a Special Rate Variation

To be completed by General Manager and Responsible Accounting Office

Name of council:	Cootamundra-Gundagai Regional Council
We certify that to the best of our knowledge the information provided in this application is correct and complete.	
General Manager (name):	Phillip McMurray
Signature and Date:	[Redacted]
Responsible Accounting Officer (name):	Tim Swan
Signature and Date:	[Redacted]

Council contact information

Complete Table 7.1.

Table 6.2 Council contact information

General Manager	
General Manager contact phone	1300 459 689
General Manager contact email	[Redacted]
Primary council contact	
Council contact phone	1300 459 689
Council contact email	[Redacted]
Council email for inquiries about the SV application	[Redacted]



List of attachments

To prepare the List of attachments refer to IPART's Application Guide for SV Application Form Part B.

Table 8.1 is the list of all attachments to the council's SV Application Form Part B.

To complete Table 8.1 (adding rows as necessary):

1. Assign an identifying number and/or letter to each document.
2. Name each document.
3. Check the box to indicate that it is being submitted with the application.

Table 6.2 List of Attachments to the council's application

Council-assigned number	Name of Attachment	Is the document included in the application as submitted?
Mandatory forms/attachments		
	Application Form Part A (Excel spreadsheet)	<input checked="" type="checkbox"/>
	Application Form Part B (this Word document)	<input checked="" type="checkbox"/>
36	Council resolution to apply for the proposed special variation (Minutes)	<input checked="" type="checkbox"/>
	Certification	
If applicable for Description and Context Question 4		
17	Instrument for expiring special variation	<input checked="" type="checkbox"/>
	OLG advice confirming calculation of amount to be removed from the council's general income	<input type="checkbox"/>
If applicable for Description and Context Questions 5 and 6		
37	Declaration of compliance with conditions in past instruments (if applicable)	<input checked="" type="checkbox"/>
17	Relevant instrument(s) for past special variations (if applicable)	<input checked="" type="checkbox"/>
20	Evidence of compliance with conditions in past instruments (if applicable)	<input checked="" type="checkbox"/>
Mandatory public supporting material (ie, to be published on IPART's website)		
	Community Strategic Plan – Relevant extracts – link provided	<input type="checkbox"/>
30	Delivery Program – Relevant extracts	<input checked="" type="checkbox"/>
31	Long Term Financial Plan with projected (General Fund) financial statements (Income, Cash Flow and Financial Position) in Excel format	<input checked="" type="checkbox"/>



Council-assigned number	Name of Attachment	Is the document included in the application as submitted?
Various – refer application	Consultation material, eg copies of media releases, notices of public meetings, newspaper articles, fact sheets used to consult on rate increase and proposed special variation	<input checked="" type="checkbox"/>
Various – refer application	Community feedback (including surveys and results if applicable)	<input checked="" type="checkbox"/>
3	Willingness to pay study (if applicable)	<input checked="" type="checkbox"/>
32	Rates and Charges Financial Hardship Policy	<input checked="" type="checkbox"/>
Other public supporting material		
15 35	CGRC - Buildings Parks and Waste Asset Management Plan/ Maloney Report following the Survey of Road Assets	<input checked="" type="checkbox"/>
	Operational Plan for 2020-21 (ie, not for 2021-22) (if applicable) link included in application	<input type="checkbox"/>
	NSW Treasury Corporation report on financial sustainability (if applicable). Not applicable. Other financial sustainability reports included.	<input type="checkbox"/>
	List all other attachments hereunder	<input type="checkbox"/>
1	22.12.20 Financial Sustainability Report 30.3.20	<input checked="" type="checkbox"/>
2	22.12.20 Financial Sustainability Report - Addendum	<input checked="" type="checkbox"/>
3	7.1.21 Capacity to Pay	<input checked="" type="checkbox"/>
4	8.1.21 Debt Capacity	<input checked="" type="checkbox"/>
5	7.1.21 Efficiency Report Final	<input checked="" type="checkbox"/>
6	15.12.20 Fact Sheet	<input checked="" type="checkbox"/>
7	15.12.20 Survey	<input checked="" type="checkbox"/>
8	23.1.2021 Pre Meeting survey Final	<input checked="" type="checkbox"/>
9	6.1.21 Survey for Community Meeting	<input checked="" type="checkbox"/>
10	23.1.21 Post Meeting Survey Results Final	<input checked="" type="checkbox"/>
11	20.01.21 Citizen Jury Cootamundra Minutes	<input checked="" type="checkbox"/>
12	26.01.22 Jury 1 Verdict	<input checked="" type="checkbox"/>
13	20.01.21 Citizen Jury Gundagai Minutes	<input checked="" type="checkbox"/>
14	25.01.21 Jury 2 Verdict	<input checked="" type="checkbox"/>
15	07.18 CGRC - Buildings Parks and Waste Asset Management Plan V1.2	<input checked="" type="checkbox"/>
16	Community Meeting and Citizen Jury Power Point Presentation	<input checked="" type="checkbox"/>



Council-assigned number	Name of Attachment	Is the document included in the application as submitted?
17	Gundagai Shire Council's Application for a Special Rate Variation and to increase the minimum special rate for 2014-15 – Local Government Determination June 2014	<input checked="" type="checkbox"/>
18	SRV Public Interaction Register - Redacted	<input checked="" type="checkbox"/>
19	16.12.20 Media Release - Community Urged to Consult Over SRV	<input checked="" type="checkbox"/>
20	Annual Report 2019-2020	<input checked="" type="checkbox"/>
21	Special Rate Variation 21-22 - wmv	<input checked="" type="checkbox"/>
22	Survey and Eol - wmv	<input checked="" type="checkbox"/>
23	Confidential – See below	<input checked="" type="checkbox"/>
24	27.01.21 – CV – Prof. Joseph Drew	<input checked="" type="checkbox"/>
25	22.01.21 Presentations for Community Meetings and Citizen Juries	<input checked="" type="checkbox"/>
26	26.01.21 Report on Community Engagement	<input checked="" type="checkbox"/>
27	4.02.21 CGRC Media Release – We Listened	<input checked="" type="checkbox"/>
28	28.01.21 Fact Sheet - Revised Proposed Special Rate Variation	<input checked="" type="checkbox"/>
29	Community Engagement Video - wmv	<input checked="" type="checkbox"/>
30	Delivery Plan Addendum 2021 v2	<input checked="" type="checkbox"/>
31	Long Term Financial Plan Addendum February 2021	<input checked="" type="checkbox"/>
32	Rates and Charges Financial Hardship Policy	<input checked="" type="checkbox"/>
33	Debt Recovery Policy	<input checked="" type="checkbox"/>
34	Local Government Boundaries Commission: Key Findings from the Deloitte's Financial Analysis	<input checked="" type="checkbox"/>
35	Maloney report following survey of road assets	<input checked="" type="checkbox"/>
36	Extraordinary Meeting 3 February 2020 Minutes	<input checked="" type="checkbox"/>
37	Declaration by the General Manager as to Council's compliance with Gundagai Main Street SRV	<input checked="" type="checkbox"/>
Confidential supporting material (ie, not to be published on IPART's website)		
23	Random Selection of Jurors – Confidential.wmv	<input checked="" type="checkbox"/>
		<input type="checkbox"/>
		<input type="checkbox"/>
		<input type="checkbox"/>



Important information for completing and submitting Special Variation Application Form Part B for 2021-22

Submitting the application online

Applications must be submitted through the Council portal by Monday, 8 February 2021.

- ▼ A file size limit of 10MB applies to the Part B Application Form.
- ▼ For supporting documents (Attachments) a file size limit of 70MB applies to public documents, and another 50MB to confidential documents.

Confidential content in applications

IPART will post all applications (excluding confidential content) on the IPART website. Examples of confidential content are those parts of a document which disclose the personal identity or other personal information pertaining to a member of the public, a document such as a council working document that does not have formal status, or document which includes commercial-in-confidence content.

Councils should ensure supporting documents are redacted to remove confidential content where possible, or clearly marked as CONFIDENTIAL.

Publishing the council's application

Councils should also post their application on their own website for the community to access.