Goulburn Mulwaree Council
Special Variation and Minimum Rate Application 2024-25

Final Report

May 2024

Local Government

Acknowledgment of Country

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

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

Tribunal Members

The Tribunal members for this review are:

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Jonathan Coppel
Mike Smart

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The Independent Pricing and Regulatory Tribunal

IPART's independence is underpinned by an Act of Parliament. Further information on IPART can be obtained from IPART's website.

Contents

1 Executive summary

Goulburn Mulwaree Council applied to permanently increase its general income and its business minimum rate by 51.2% over the 3 years from 2024-25 to 2026-27 (inclusive).

We did not approve this application in full, but instead approved a 22.5% increase to its general income in 2024-25.

We have also approved an increase in its business minimum rate to $722 (a 22.5% increase) in 2024-25.

Goulburn Mulwaree Council (the council) applied to IPART[a] to increase its general income through a permanent special variation (SV) of 51.2% over 3 years. This included a larger increase in 2024-25 and smaller increases in 2025-26 and 2026-27 (Table 1.1).[1] It told us it intended to apply the increases across all rating categories. Table 1.1 sets out the percentage increases that the council applied for.

Table 1.1 Annual general income increases under Goulburn Mulwaree Council's application

	2024-25	2025-26	2026-27
Annual increase (%)	22.5	16.0	6.4
Cumulative increase (%)		42.1	51.2
Additional annual income ($'000)	5,370.9	4,678.7	2,170.9

The council sought the special variation to:[2]

- cover its increasing costs which are currently outpacing revenue growth
- continue providing services and assets to meet the growing demand of a regional city
- improve the infrastructure network, namely roads and parking.

The council also applied to increase its minimum rate (MR) for business ratepayers by the same percentage as the SV over 3 years (Table 1.2). This would mean that the MR would increase from $590 in 2023-34 to $890 in 2026-27.[3]

[a] The Minister for Local Government delegated the power to grant SVs to IPART. By delegation dated 6 September 2010, the then Minister for Local Government delegated to the Tribunal all functions under sections 506, 507, 508(2), 508(6), 508(7), 508A, 548(3) and 548(8) of the Local Government Act 1993 (NSW), pursuant to section 744 of that Act.

Table 1.2 Annual minimum rates for business ratepayers under Goulburn Mulwaree Council's application ($)

	2023-24	2024-25	2025-26	2026-27
Business General	590	722	837	890
Business Goulburn	590	722	837	890
Business Goulburn Town Centre	590	722	837	890
Business Marulan	590	722	837	890

1.1 IPART's decision

We have not approved the council's proposed SV or MR increase. Instead, we have approved a 1-year permanent SV of 22.5% in 2024-25 (Table 1.3) and a minimum rate for business ratepayers of $722 from 2024-25 (Table 1.4).

Table 1.3 Maximum income increases under the approved SV

	2024-25
Annual increase (%)	22.5
Additional annual income ($'000)	5,370.9

a. The annual revenue may vary slightly if the council in future received other adjustments such as crownland adjustments. These are typically very minor adjustments.

Table 1.4 Approved minimum rates for business ratepayers ($)

	2024-25
Business General	722
Business Goulburn	722
Business Goulburn Town Centre	722
Business Marulan	722

Our decision aligns with the first year of the council's proposed SV and MR increases. It means the council can raise an additional $5.4 million in general income (in total) in 2024-25 and retain this income permanently in its rate base.

Our approval is subject to certain conditions, including that the council:

- use the additional income for the purpose outlined in its application
- report in its annual report for 2024-25 until 2030-31 the actual program of expenditure funded by the additional income and the outcomes achieved.

The full conditions are set out in Chapter 11.

Our:

- *Instrument Under Section 508(2) of the Local Government Act 1993 - Special Variation Instrument - 2024-25 - Goulburn Mulwaree Council*, and
- *Instrument Under Section 548(3)(a) of the Local Government Act 1993 – Minimum Rates Instrument - 2024-25 - Goulburn Mulwaree Council*

give legal effect to this decision and set out the conditions of approval.

1.2 IPART's assessment of the council's SV application

To make our decision on the council's SV application, we assessed the application and supporting materials against the 6 criteria set by the Office of Local Government (OLG) in its *Guidelines for the preparation of an application for an SV to general income* (OLG Guidelines). We found the council's application had significant deficiencies.

While it broadly met criterion 1 (financial need), it did not meet criteria 2, 3 or 5 (community awareness, impact on ratepayers, and productivity and cost containment strategies).

- **The council demonstrated it has a financial need for an SV to address the operating deficit it forecasts over the next 10 years.** However, it failed to show that it requires a 51.2% SV as it proposed, or that it has investigated alternatives to this SV, such as service level reductions.
- **The council did not demonstrate the community is aware of the need for and extent of the proposed rate increase.** The information it provided to ratepayers was neither clear nor sufficient. For example, its community consultation materials included incorrect information on the impact of the SV on average rates. In addition, the process it used to consult the community did not allow enough time for meaningful consultation, particularly given the size of the proposed SV.
- **The council did not demonstrate that the impact on ratepayers is reasonable.** For example, its own capacity to pay analysis suggests the impact of its proposed rate rises on residential ratepayers in the Urban-North and Urban-South East areas is not reasonable, given it found these ratepayers have higher levels of disadvantage and may have reduced or limited capacity to pay. The council provided no evidence that the impact on business ratepayers is reasonable.[4]
- **The council did not adequately explain and quantify its past and future productivity improvement and cost containment strategies.** It did outline some minor historical and proposed productivity gains. However, it provided no evidence that it has implemented a continuous improvement framework to identify and implement ongoing productivity and cost containment strategies.

Our decision to approve a 1-year SV of 22.5%, rather than a 3-year SV of 51.2%, balances the council's clear financial need for additional income with the impact on ratepayers. This decision will allow the council to move towards a more stable financial position by reducing its operating deficit, while it undertakes the work required to establish whether it needs a further SV to achieve financial sustainability and to demonstrate that it meets the criteria for such an SV. This work will need to include better consulting on the levels of service its community needs, and quantifying and implementing further cost containment strategies which may reduce the size of any further SV that may be required. In doing this, the council will also need to consider impacts of further increases on ratepayers.

We consider the impact of the approved 1-year SV of 22.5% on ratepayers is reasonable. With this SV, the council's average residential rates will still be lower than the average for its neighbouring councils, and broadly in line with the average for comparable councils. However, we acknowledge that there are some ratepayers that are more vulnerable to increases in rates, even at the lesser amount of the approved SV.

We note that the council has a hardship policy in place to assist ratepayers who have difficulty paying their rates. The assistance may take the form of a payment plan or writing off any accrued interest. The council's hardship policy also indicates eligible pensioners are entitled to an additional concession of up to $75 per year on their ordinary rates. This is in addition to the concessions councils must provide to eligible pensioners, which is half of the total ordinary rates and domestic waste management service charge, up to a maximum of $250 each year.[5]

We have attached reporting conditions to this SV approval and we expect the council to fully comply. IPART will consider whether a council has complied with its SV conditions in assessing future SV applications. The OLG is the body responsible for enforcing compliance with the conditions attached to SVs.

Summary of our assessment of the council's SV application against OLG criteria

Our assessment against each criterion is summarised below. Chapters 4 – 9 provide our complete assessment, and the full criteria are set out in Appendix A.

Criteria	Grading	Assessment
01	Demonstrated	**Financial need** On balance, the council broadly demonstrated a financial need for the SV to improve its financial sustainability and address its significant and ongoing operating deficits. However, it did not show that it had canvassed alternatives to the SV such as carrying out a service level review or consulting with ratepayers regarding the appropriate level of services and assets.
02	Not demonstrated	**Community awareness** The council engaged with and consulted its community, but the consultation material provided was not sufficiently clear and contained minimal information to allow ratepayers to be aware of the need for the rate increases. In particular, it contained incorrect information on average rate increases. The consultation process was not comprehensive and did not provide sufficient time for ratepayers to engage meaningfully, particularly given the size of the proposed SV.
03	Not demonstrated	**Reasonable impact on ratepayers** On balance, the council's analysis of the community's capacity to pay indicated there is a substantial portion of residential ratepayers that have reduced or limited capacity to pay the proposed rate increases. Its report on this analysis did not provide evidence to show that the impact on business ratepayers is reasonable.
04	Demonstrated	**Integrated Planning and Reporting documentation** The council exhibited and adopted all necessary Integrated Planning and Reporting (IP&R) documents before preparing its SV application.
05	Not demonstrated	**Productivity improvement and cost containment** On balance, the council listed and quantified minor productivity improvement and cost containment initiatives to date of approximately $639,000 per year and identified $1.405 million of future savings. The council has not established a continuous improvement framework to identify and implement productivity and cost containment strategies.
06	Demonstrated	**Other matters IPART considers relevant** In the past 10 years, the council was granted one SV – a permanent additional special variation (ASV) of 2.5% in 2022-23.[6] The council complied with the conditions of this past SV.

1.3 IPART's assessment of the council's minimum rate application

To make our decision on the council's MR application, we assessed the council's proposed MR increase against the 3 criteria set in the *Guidelines for the preparation of an application to increase Minimum Rates above the statutory limit* (OLG MR Guidelines). We found that the proposed increase met these criteria.

The proposed MR increase in percentage terms is the same as the council's proposed SV. The council stated that its rationale for seeking this MR increase is to maintain a fair and equitable distribution of rates.

Given this rationale, we decided to approve a 22.5% increase in 2024-25, in line with our decision to approve a 1-year permanent SV. Increasing the minimum rates for business ratepayers in line with the average increase in business rates will maintain the current business rate distribution and avoid placing an unfair burden on business ratepayers paying minimum rates.

Our assessment of the council's MR application against OLG criteria is summarised below.

Criteria	Grading	Assessment
01	✔ Demonstrated	**Rationale for increasing minimum rates** The council explained that the proposed increase in its MR for business ratepayers would maintain a fair and equitable distribution of rates. It also explained that this MR increase would not make fundamental changes to the current rating structure. The percentage increases for minimum rates are in line with the SV increases the council applied for.
02	✔ Demonstrated	**Impact on ratepayers** The council identified the cumulative increase by 2025-26 would be $300 for business ratepayers. It indicated that around 80 ratepayers would be subject to this minimum rate increase.
03	✔ Demonstrated	**Community awareness** The council showed it had made the community aware of the proposed increase in minimum rates for business ratepayers and provided the reasoning for this increase. The council did not receive community feedback specific to minimum rates as part of its broader SV community consultation.

1.4 Stakeholders' feedback

Councils are required to consult with their communities as part of the IP&R framework. The OLG criteria that we assess SV applications against requires us to look at the consultation the council has undertaken as part of our assessment.

Goulburn Mulwaree Council consulted on its proposed SV with its community using a variety of engagement methods. The council received 1,855 written submissions, held public meetings attended by 455 participants, and distributed a flyer to 13,722 rateable properties.[7]

The council has 16,500 rateable properties.[8]

As a further input to our assessment, we published the council's application on our website for a 3-week consultation period and invited stakeholders to provide feedback directly to IPART.

Through this process, we received 799 responses to our feedback form, and 132 submissions on Goulburn Mulwaree Council's proposed SV. These submissions and responses raised concerns about the:

- affordability of the proposed rate increases
- council's consultation with the community
- council's financial management
- council's spending priorities and accountability
- current service levels and infrastructure
- impact of recent land valuations on the council's income
- council's existing financial resources
- council's productivity and cost containment efforts.

We consider stakeholder feedback in more detail in Chapter 3 and throughout this report as relevant to our assessment.

1.5 Next steps for the council

Our determination sets the maximum amount by which the council can increase its general income in 2024-25. The council can defer rate increases up to this maximum amount for up to 10 years.[9]

The council has proposed to increase rates as set out in Table 1.5. It retains the discretion to revise how it raises its general income across the rating categories. We encourage the council to consult with its community to decide how best to implement the increase and any changes to the rating structure.

We also encourage the council to consider conducting a service level review, and to work with its community to establish the level of services and assets that the community supports. The council should also pursue cost containment and efficiency measures, which along with the approved SV would assist with improving its ongoing financial sustainability.

Table 1.5 Average rate increases under the approved SV

		2024-25
	Residential	22.50%
	Business	22.50%
	Farmland	22.50%

Note: These figures have been rounded in calculation. These are the council's proposed increases, but it retains the discretion to apply the general income across the rating categories.
Source: IPART Calculations

Table 1.6 Approved Minimum Rate ($)

		2024-25
	Business General	722
	Business Goulburn	722
	Business Goulburn Town Centre	722
	Business Marulan	722

Source: IPART Calculations

The rest of this report explains how and why we reached our decision on Goulburn Mulwaree Council's special variation and minimum rate application in more detail.

2 The council's special variation and minimum rate application

This section of our report sets out the council's proposal and summarises the information that the council provided to support its application. The full application and all non-confidential supporting documents are available on our website.

The council applied for a multi-year SV with a cumulative increase of 51.2% over the 3 years from 2024-25 to 2026-27. Table 2.1 sets out the percentage by which the council proposed to increase its general income, and the expected annual revenue this would raise.

Table 2.1 Proposed Special Variation

	2024-25	2025-26	2026-27
Annual increase (%)	22.50	16.00	6.40
Cumulative increase (%)		42.10	51.19
Additional annual income ($)	5,370.9	4,678.7	2,170.9

Source: Goulburn Mulwaree Council Application Part A, WS 2 and WS 6

The proposed SV is permanent. This means that the increases would remain in the rate base permanently. The council's general income would not be reduced in 2026-27.

The council sought the special variation to:[10]

- cover its increasing costs which are currently outpacing revenue growth
- continue providing services and assets to meet the growing demand of a regional city
- improve the infrastructure network, namely roads and parking.

Error! Reference source not found. sets out councils proposed increases to the minimum rates.

Table 2.2 Proposed Minimum Rates

	2023-24	2024-25	2025-26	2026-27
Business General	$590	$722	$837	$890
Business Goulburn	$590	$722	$837	$890
Business Goulburn Town Centre	$590	$722	$837	$890
Business Marulan	$590	$722	$837	$890

2.1 Impact of the proposed special variation on ratepayers

The council proposed that rates would increase for all rating categories over the 3-years the SV is in place.[11] It proposed that, on average:

- **residential rates** by 2026-27 would increase by $578.95 or 51.19%
- **business rates** by 2026-27 would increase by $2917.30 or 51.19%
- **farmland rates** by 2026-27 would increase by $943.38 or 51.19%.

The council provided the number of rate notices that it expects to issue for 2024-25. See Table 2.3.

Table 2.3 Number of ratepayers per category in 2024-25

Ratepayer category	Number of rate notices
Residential	14,355
Business	921
Farmland	1,297
Total	**16,573**

Source: Goulburn Mulwaree Council, Part A application Worksheet 4.

2.2 The council's assessment of affordability and capacity to pay

The council's Capacity to Pay report, an attachment to its 2023 Long-Term Financial Plan, assessed whether the community had capacity to pay the proposed special variation.[12]

The Capacity to Pay report concluded that there is socio-economic diversity within its LGA. Key considerations of the analysis included regions of social disadvantage, vulnerable groups of individuals, patterns of household expenditure, and mortgage and rental payments.[13]

The region is situated towards the lower end on SEIFA rankings, with a placement in the 27th percentile for the Index of Relative Socio-economic Disadvantage (IRSD) and 28th percentile for the Index of Relative Socio-economic Advantage and Disadvantage (IRSAD).[14]

For the three proposed SV Scenarios (of 1, 2 and 3 years) and ratepayer categories, the capacity to pay report conducted separate scenario analysis and benchmarking for each option.

The capacity to pay report assessed that:

- Current average residential rates in Goulburn Mulwaree are below those of comparable regional councils. With the proposed SRV, residential rates are expected to align closer to the upper range of those comparative councils by 2026-27.
- Within the "Urban-South East" area, despite facing higher rates compared to other regions with similar disadvantage levels, the proposed SV increases are deemed proportionate when considering the average residential land values and socio-economic status across the LGA.
- The "Urban-West" region, with higher socio-economic standings (56th percentile in IRSAD), faces the most significant proposed rate increase, ranging from $185 to $522 above the baseline scenario by 2026-27.
- Conversely, the "Rural" region is projected to experience the lowest rate increase, from $142 to $400 above the baseline scenario by 2026-27, reflective of its socio-economic composition, including a high proportion of fully owned households and a lower need for social assistance.
- "CBD-Central" and "Urban-North" areas, with their own distinct socio-economic challenges, are slated for moderate rate increases, reflecting a careful consideration of the community's varied capacity to pay across different regions of the LGA.
- Hardship policies and pensioners concessions should be reviewed.

- Under the proposed SV options, average farmland and business rates may move into the top ten amongst those comparable councils.

The report does not provide a recommendation of which SV option to take and assessed there is varying capacity to pay the proposed SV across the different regions. The report recommended that there be appropriate support for vulnerable ratepayers within the CBD-Central, and Urban-South East, and Urban-North regions.

The council updated its pensioner rebate policy to provide an additional concession to eligible pensioners of $75 in 2024-25, and a further $25 in 2025-26, if the SV is approved.[15]

2.3 Impact of the proposed SV on the council's general income

The council estimated that its proposed SV, with a cumulative increase of 51.2%, would increase its permissible general income from $23.9 million to $36.1 million after the 3 years, which would remain permanently.[16]

2.4 Further information provided

Following our preliminary assessment of the council's application, we asked the council to provide further clarification on:

- LTFP and General Purpose Financial Statement reconciliations
- Hardship policy details
- Savings resulting from the SV
- Outstanding rates calculations.

The council provided correspondence to clarify the items above. We have considered this additional information in our assessment.

3 Stakeholders' feedback to IPART

We expect the council to engage with its community so that ratepayers are fully aware of any proposed special variation and the full impact on them. This is one of the criteria we use to assess the council's application (see chapter 5 for our assessment, and Appendix A for the full criterion).

As a further input to our assessment, we published the council's application on our website for a 3-week consultation period from 27 February 2024 to 18 March 2024, inclusive. Stakeholders could complete a survey-style feedback form and make submissions directly to us.

The Tribunal has taken all stakeholder feedback into account in making its decision in accordance with our Submissions Policy, including the responses to our feedback form and any confidential submissions. In this section, we summarise the key issues raised in the feedback form and all published (non-confidential) submissions.

3.1 Summary of feedback we received

We received 799 responses to our feedback form, and 132 public submissions from stakeholders. Submissions have indicated that there are at least 2 community petitions (2,300 and 8,000 signatories), which we have not been provided, that are against the proposed SV.

There are approximately 16,500 rateable properties in the council's local government area.[17] There are 14,355 residential assessments, 921 business assessments, and 1,297 farming assessments.

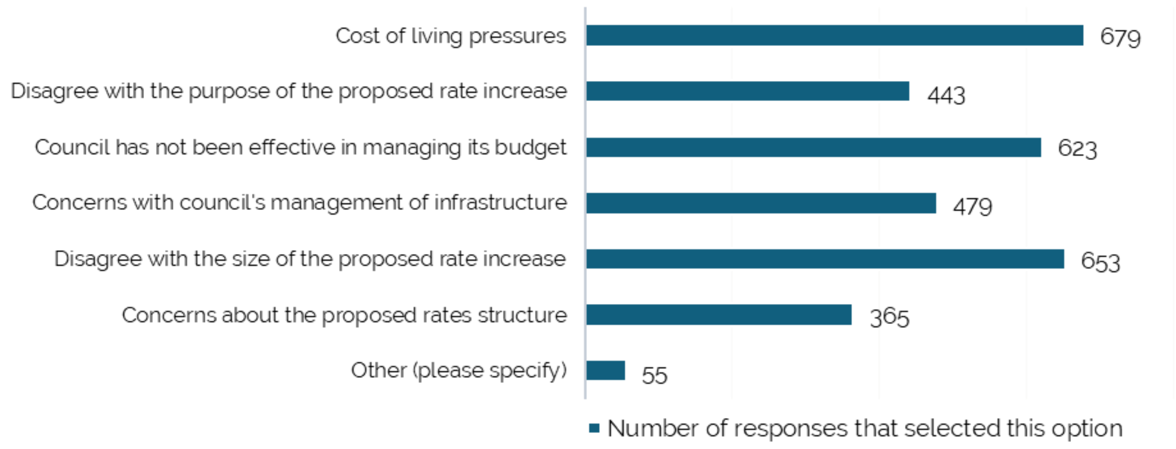
3.1.1 Response to the feedback form

We published a feedback form to assist stakeholders to provide information to IPART. This sought stakeholders' sentiments on the proposed SV generally, and specifically on the topics of affordability, the council's consultation, and council financial management. We note that while this was a survey-style feedback form, it was not a statistically representative survey and participants self-selected to provide feedback.

Through this feedback form, 92.2% respondents were opposed to the proposed SV, 4.8% partly supported it, and 3.0% supported it.

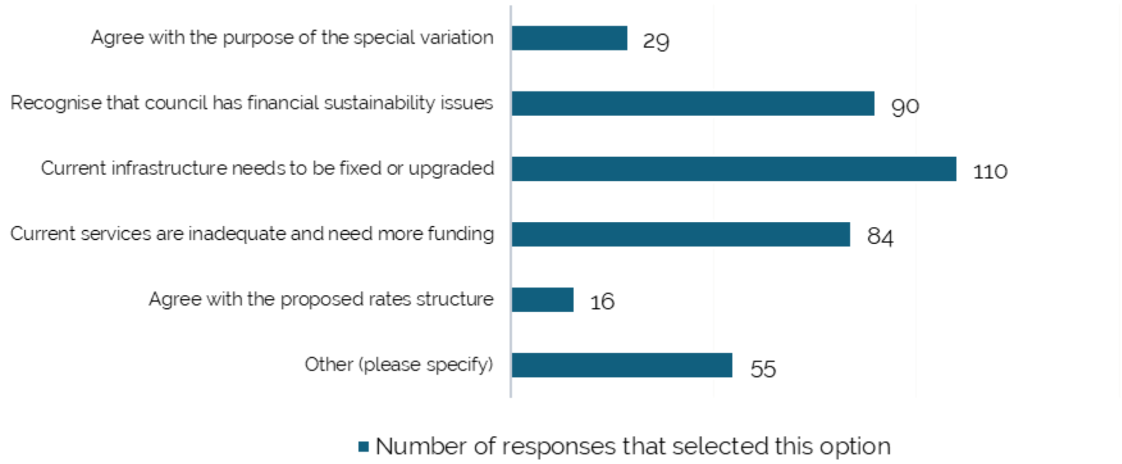
Figure 3.1 and Figure 3.2 show the main reasons that stakeholders said they said they might oppose or might support the proposed rate increase.

Figure 3.1 Reasons that respondents said they oppose the proposed SV



Note: We received 799 responses. For this question, respondents could select more than one option. This was a self-selected survey and we cannot guarantee that each response was a unique user. These results may not be representative of the whole community's views.
Source: IPART

Figure 3.2 Reasons that respondents said they support the proposed SV



Note: We received 799 responses. For this question, respondents could select more than one option. This was a self-selected survey and we cannot guarantee that each response was a unique user. These results may not be representative of the whole community's views.
Source: IPART

The other responses to the feedback are considered in Chapters 5, 6 and 8. The full results are available in Appendix C.

3.2 Summary of issues raised

The key issues and views raised in these submissions and the feedback form and our responses to them, are summarised below.

3.2.1 Affordability of proposed rates increases

Concerns regarding the affordability of the SV were raised as an issue by the majority of feedback responses and submissions.

Some submissions stated that the timing of the proposed SV would be particularly burdensome amidst a cost-of-living crisis and have will a negative effect on the financial well-being of Goulburn residents. Concerns were raised of increased financial hardship, potential business closures, and would exacerbate challenges to farming ratepayers.

We have considered these concerns and outlined our conclusion in Chapter 6.

3.2.2 The council's financial management

Around 80% of feedback form and submissions raised concerns regarding council's inefficiencies and inability to cut costs, with some blaming financial mismanagement.

Some stakeholders also said that to address the financial deficit, the council needs to explore alternative solutions such as appealing to state government for funding or improving council's financial management and efficiency.

Submissions also noted that the council was recently able to complete capital projects because the Minister for Local Government allowed the council to borrow funds internally, and T-Corp loaned the council funds. The submitters concluded that these approvals suggest that the council was in a sound financial position.

Submissions also stated that the council has completed many large capital projects but had failed to account for on-going costs suggesting poor financial management. A few submissions also noted that the council operates a profitable tip but historically failed to account for remediation costs, linking this to poor financial management.

As the council is responsible for managing its finances, IPART's ability to assess the council's financial decisions outside of the SV assessment is limited.

We have considered these concerns and outlined our conclusion in Chapter 8.

3.2.3 The council's spending priorities and accountability

Many submissions urged the council to reassess its spending priorities, focus on essential services, and improve its budget management. Suggestions include deferring lower-priority projects, exploring new revenue sources, and ensuring that any rate increases are genuinely needed and justifiable.

Feedback also calls for greater transparency from the council regarding its financial management and decision-making processes. Submissions demand a clearer explanation of how the additional funds from the SV would be used. They also questioned accountability of past financial decisions and expressed doubts about the accuracy and consistency of the financial figures provided by the council to justify the proposed rate increase.

We have considered these concerns and outlined our conclusion in Chapter 4.

3.2.4 The council's current services and infrastructure

Many submissions also raised frustrations with the council's allocation of funds, particularly the focus on aesthetic improvements in the main street while neglecting essential infrastructure like roads. This is seen as mismanagement by some, with the council prioritising non-essential projects over necessary services and maintenance.

A few submissions also suggested that council should review sewer and infrastructure development contributions to ensure it achieves the user pays principle.

Rural ratepayers express that they receive minimal services for their rates, noting a lack of garbage collection, water, and sewage services, and poor road maintenance. The proposed rate increase is viewed as unreasonable given these service gaps.

Box 3.1 What is and is not funded by councils' 'general income'?

Councils set different rates and annual charges for different services.

Most landowners pay 'ordinary rates' which cover facilities to which most customers typically have access and the council's day-to-day activities. This includes roads and transport, open space and recreation, building maintenance, and community services including libraries and swimming pools. Other council responsibilities can include planning work, food safety inspections, weed management, disability and seniors support programs, amongst others.

A council's special variation application only applies to general income, which is typically made up of 'ordinary rates' and some special rates. This could be shown as environmental or town-centre levies on a rates notice.

However, some other major services are funded by separate charges. These charges may appear as a separate line on rates notices, including:

- a domestic waste charge
- water and sewer charges and/or
- stormwater management and coastal protection services.

Not all ratepayers receive these services from their council. This is particularly the case in regional and rural areas, especially those living outside of a township. In most cases, if ratepayers do not have these services available to them, they do not pay these charges.

The revenue collected from these fees are typically kept separate by the council to ensure they are used on the purpose for which they were collected.

We have considered these concerns and outlined our conclusion in Chapter 8.

3.2.5 The council's consultation with the community

A vast majority of feedback form and submissions to IPART expressed concerns over the poor community consultations conducted by the council. This included late notification of information sessions, insufficient information provided to the community, and not addressing concerns identified in community feedback.

Council's engagement process is perceived by many as insufficient and unresponsive. Submissions also noted that the consultation was conducted over school holidays and a long weekend, limiting participation. Submissions raised concerns that the council were proceeding with the SV application despite substantial community opposition indicated by its own survey and community petitions.

We have considered these concerns and outlined our conclusion in Chapter 5.

3.2.6 The community's willingness to pay for a special variation

Around 70% of the stakeholders who responded to the feedback form or made submissions to IPART indicated they were unwilling to pay for some of the council's proposed projects. For example, some expressed the view that the council should spend on more essential infrastructure such as roads rather than use the SV to fund non-essential projects, including the Goulburn Performing Arts Centre and Aquatic Centre.

We have considered these concerns and outlined our conclusion in Chapter 6.

3.2.7 Sufficiency of existing financial resources

A couple of stakeholders suggest that the council already has sufficient financial resources to maintain services and infrastructure, and the general condition of roads and the pool does not justify the need for the SV. They said that the council already has $100 million in funds that could be used for the purpose of the SV.

Our assessment of the council's net cash reserves is discussed in Chapter 4.

3.2.8 Council productivity and cost containment

Several submissions noted that council's identified productivity and cost containment items were insufficient and indicated limited organisational priority.

Our assessment of the council's productivity and cost containment is discussed in Chapter 8.

4 Our assessment: OLG Criterion 1 – Financial need

We assess the council's SV application against the 6 criteria set out in the OLG Special Variations Guidelines.

On balance, we found that the council met Criterion 1, as it demonstrated that it needs an SV to maintain its financial sustainability while continuing to provide existing services and service levels to the community. However, we also found it did not demonstrate that it needs the full 51.2% increase it proposed over 3 years. This is because it has not fully explored alternatives to this proposed increase, which could reduce the total size of the rate increase required.

However, we have approved a different SV based on our assessment of this, and other criteria which is discussed in Chapter 11.

> Criterion 1 requires the council to clearly articulate and identify the need for, and purpose of, the proposed SV in its IP&R documents. It also requires the council to demonstrate the financial need for the SV by assessing the impact of the SV on its financial performance and position, and to canvass alternatives to the SV to meet the financial need.

Note: See Appendix A for the full criterion.

To assess whether the council met this criterion, we reviewed the council's IP&R documents and the information in its application. We undertook our own analysis of the council's financial performance and position. We also considered stakeholders' comments on financial need received via feedback form and submissions. We do not audit council finances, as this is not part of our delegated authority.

The sections below discuss our assessment, and why we found that the council met this criterion.

4.1 Stakeholder comments on financial need

In their submissions to us, many stakeholders raised a range of concerns related to the financial need criterion. In particular, they said:

- non-essential projects should be deferred to avoid an SV
- the need for rate increases results from poor financial management and oversight
- council does not require the SV as it is in a sound financial position
- council has large cash reserves
- council should review sewer and infrastructure contributions to ensure that only users of those services pay
- council has not factored in the ongoing cost of new capital projects.

We considered these concerns, taking account of all the information available to us.

4.2 The council's IP&R documents

We found that the council's IP&R documents, including its Long-Term Financial Plan (LTFP), Delivery Program and Asset Management Strategy, broadly identify and articulate the need for and purpose of the SV.

The documents state that the proposed SV of 51.2% over 3 years is needed to address problems including:[18]

- The average operating deficit for the 10-year forecast period in the general fund is estimated at $10.7 million per annum.
- The general fund has insufficient money to maintain service levels or asset renewals at levels the community requires.
- Inadequate infrastructure renewal will result in the degradation of community infrastructure.
- Under funding for expected growth and expanded services required for the growing population.

However, we found that the documents could have provided greater detail and transparency about the required infrastructure maintenance spend. This includes outlining the key drivers of such costs, listing out specific assets and services that are being provided to the community.

Several submissions raised concerns regarding poor financial management. We heard that the council did not account for ongoing costs as part of the business case for capital projects. Council's SRV Background Paper describes operation, maintenance, renewal and depreciation of new assets as "hidden costs".[19] This has been nominated as one of the factors that have contributed to council's financial unsustainability. We do not agree that these are hidden costs. Council needs to incorporate whole-of-life project costs when undertaking project assessments to understand future operation costs, as identified under of the council's Organisation Development Plan Actions.[20] The inclusion of these costs within council's LTFP will ensure it is more reliable and ensure that the community have a better understanding of the ongoing financial position of the council.

The Delivery Program only mentioned the need for an independent organisational review to identify financial improvements and value for ratepayers. The specifics of these alternatives are not detailed in the Delivery Program.[21] The other relevant document, the LTFP, lists future cost-saving initiatives. However, it is not clearly state whether the council canvassed these initiatives as an alternative to the proposed SV or proposes to implement them in conjunction with the SV.

The documents have not clearly canvassed alternatives to the SV, such as exploration of long-term borrowings or consideration of specific service level reductions. Furthermore, several assumptions in the baseline and SV scenarios are inadequately explained or substantiated, raising questions about the reliability of the conclusion drawn about the extent of the operational deficit.

4.3 Our analysis of the council's financial performance and position

We used information provided by the council in its application and IP&R documents to analyse the council's financial performance and financial position and the impact the proposed SV would have on these. This involved calculating financial forecasts under 3 scenarios:

1. **Baseline Scenario** – which does not include the council's proposed SV revenue or expenditure.
2. **Proposed SV Scenario** – which includes the council's proposed SV revenue and expenditure.
3. **Baseline with SV Expenditure Scenario** – which includes the council's full expenditure from its proposed SV, without the additional revenue from the proposed SV. This scenario is a guide to the council's financial sustainability if it still went ahead with its full expenditure program included in its application but could only increase general income by the rate peg.

We then used these forecasts to examine the impact of the SV on key indicators of its financial performance and position – namely its operating performance ratio, net cash (or net debt) and infrastructure ratios.

Impact on Operating Performance Ratio

The Operating Performance Ratio (OPR) is a measure of a council's ongoing financial performance or sustainability. In general, a council with an OPR consistently greater than zero is considered to be financially sustainable because the OPR measures a council's ability to contain operating expenditure within operating revenue.[22] The OLG has set a benchmark for the OPR of greater than zero (see Box 4.1 for more information).

Box 4.1 Operating Performance Ratio

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

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

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

The OLG has set a benchmark for the ratio of greater than 0%.

The ratio measures net operating results against operating revenue and does not include capital expenditure. That is, a positive ratio indicates that an operating surplus is available for capital expenditure.

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

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

Source: Office of Local Government, *Performance Benchmarks* and *Assets*.

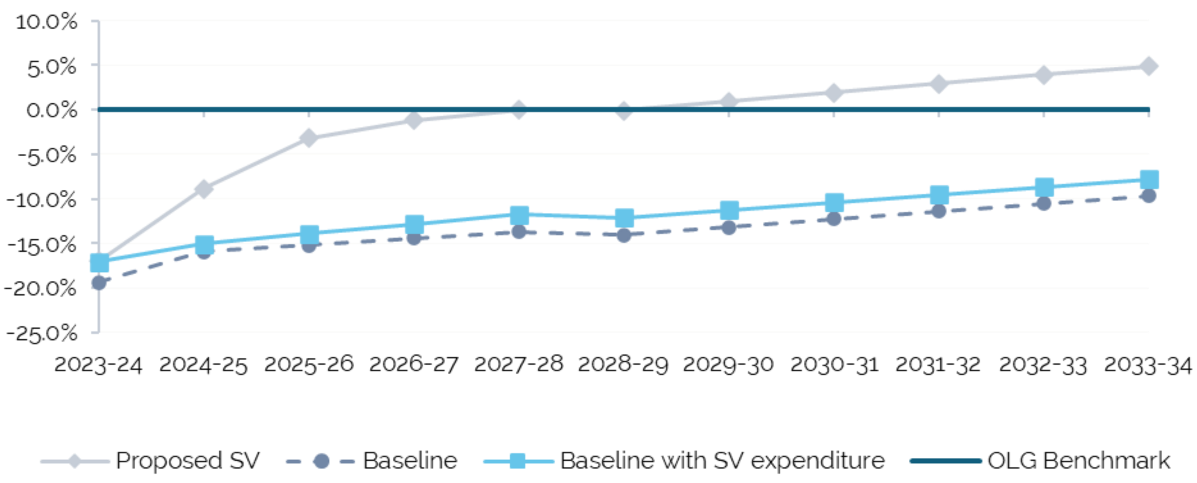
As set out in Figure 4.1 and Table 4.1, we found that, over the next 5 years:

- **Under the Proposed SV Scenario**, the council's OPR would approach the OLG benchmark over the next 5 years. Its average OPR over the five-year period would be -2.7%.
- **Under the Baseline Scenario**, the council's OPR would remain below zero for the next ten years. Its average OPR over this five-year period would be -14.7%.
- **Under the Baseline with SV Expenditure Scenario**, the council's OPR would remain below zero for the next ten years. Its average OPR over this five-year period would be -13.1%.

Through a Request for Information (RFI), council has explained that the Baseline with SV Expenditure Scenario includes expense savings from reduced depreciation from a "review of useful lives" of long-term assets. This would in turn reduce the overall operating expenses and slightly improve the OPR under the baseline with SV expenditure scenario. However, they have not explained why this would not be possible under the baseline scenario or why this review was not completed prior to applying for the SV. We do not agree with the classification of "review of useful lives" as an SV benefit item as it is not contingent on the council receiving an SV.

In the RFI, council has explained that the Proposed SV Scenario provides further cost savings through reduced asset maintenance costs. Minimal details have been provided on actual SV expenditure assumptions under "additional positions to cater for growth". Council's application suggests that without the SV applied for, the council's operating expenses would exceed its operating revenue and its finances would remain below the OLG benchmark for the next ten years. We have low confidence in the OPR forecasts as council hasn't finalised the review of transport assets, depreciation costs of long-term assets, or an extensive efficiency and productivity analysis.

Figure 4.1 The council's projected OPR



Note: OPR shown excludes capital grants and contributions.
Source: Goulburn Mulwaree Council, Application Part A.

Table 4.1 The council's projected OPR under 3 scenarios (%)

	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34
Proposed SV	-8.8	-3.2	-1.1	-0.0	-0.1	0.9	1.9	2.9	3.9	4.9
Baseline	-15.9	-15.2	-14.4	-13.7	-14.1	-13.2	-12.3	-11.4	-10.5	-9.7
Baseline with SV expenditure	-15.0	-13.9	-12.8	-11.7	-12.1	-11.2	-10.4	-9.5	-8.7	-7.8
IPART decision	-8.8	-8.4	-7.9	-6.6	-6.5	-5.4	-4.2	-3.1	-2.0	-0.9

Source: Goulburn Mulwaree Council, Application Part A.

Impact on net cash

A council's net cash (or net debt) position is an indicator of its financial position. For example, it indicates whether a council has significant cash reserves that could be used to fund the purpose of the proposed SV. In this section, we consider the council's cash and investments, and its net cash (debt) to income ratio. Box 4.2 explains these further.

Box 4.2 Cash and investments and Net cash (debt) to income ratio

Cash and investments

Councils hold cash and investments for a variety of purposes, but the use of these can be restricted in one of 2 ways:

- **Externally restricted**. These funds are subject to external legislative or contractual obligations.
- **Internally restricted.** These are subject to a council resolution to cover commitments and obligations expected to arise in the future and where it is prudent to hold cash in restrictions to cover those obligations.

Unrestricted funds can be used to fund the council's day to day operations and may be able to be used for the same purpose as the SV. In some cases, this may be enough to avoid, delay or reduce the magnitude of an SV. However, this metric does not account for any borrowings or payables that need to be settled.

Net cash (debt) to income ratio

The net cash (debt) to income ratio can show whether a council has sufficient cash reserves left over that could be used to fund the purpose of the proposed SV, *after* taking out its payables and borrowing obligations.

$$Net\ cash\ (debt)\ to\ income\ ratio\ = \frac{(Cash + Investments + Receivables) - (Payables + Borrowings)}{Total\ operating\ revenue\ (excluding\ capital\ grants)}$$

The cash and investments in this formula includes *external* and *internal* restrictions.

A positive ratio shows that a council may have access to cash reserves to help address its financial need. A negative ratio shows that a council may not have reserves to rely on to address financial sustainability issues.

For instance, a ratio of 10% means that an entity has 10 cents of net cash per $1 of operating revenue. Conversely, a ratio of -10% means that an organisation has 10 cents of net debt (i.e. -10 cents net cash) per $1 of operating revenue.

Cash and investments

On 30 June 2023, the council held a total of $36.6 million in cash and investments with:[23]

- **$13.4 million externally restricted funds.** These funds are subject to external legislative or contractual obligations. For Goulburn Mulwaree Council, this includes development contributions.[24]
- **$19.3 million internally restricted funds.** These are subject to a council resolution to cover commitments and obligations expected to arise in the future and where it is prudent to hold cash in restrictions to cover those obligations. For Goulburn Mulwaree Council, internal allocations include plant and vehicles replacement, and employee leave entitlements.[25]
- **$3.9 million unrestricted funds.** These funds can be used to fund the council's day to day operations.

The special variation only applies to ordinary rates, and certain types of special rates and charges. It does not affect the charges councils can levy for providing water supply and sewerage services. Internally and externally restricted funds have allocated purposes.[26]

Goulburn Mulwaree Council's balance of 3.9 million in unrestricted funds indicate some degree of short-term necessity to increase rates to remain operational.

Net cash (debt) to income ratio

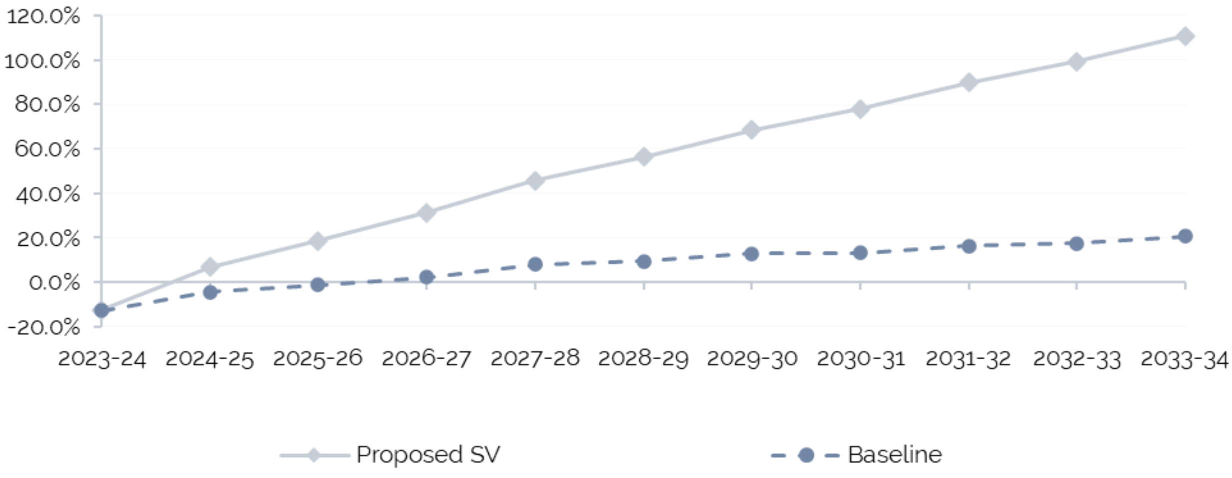
We calculated that as of 30 June 2024, the council would have net cash of -$8.59 million (or a net debt of $8.59 million). The council would have a net cash (debt) to income ratio of -12.4%.

As Figure 4.2 shows, over the next 10 years:

- **under the Baseline Scenario**, the council's net cash (debt) to income ratio would slowly increase, with an average net cash to income ratio of 2.9%.
- **under the Proposed SV Scenario**, the council's net cash to income ratio would be 31.8%.

Taking into account the council's OPR and net cash position, we found that the net cash to income ratio would have a greater buffer with an SV.

Figure 4.2 The council's net cash (debt) to income ratio (%)



Source: Goulburn Mulwaree Council, Application Part A.

Impact on infrastructure ratios

Managing infrastructure assets is an important council function. A council's ability to maintain and renew these assets as they depreciate is an indicator of its financial position, and its capacity to provide services to the community. To measure this indicator, we used information provided by the council to assess its infrastructure backlog and infrastructure renewals ratios, and compared them to OLG's benchmarks:

- **The infrastructure backlog ratio** indicates whether the council has a need for additional revenue to maintain its infrastructure assets. It shows the infrastructure backlog as a proportion of the total value of a council's infrastructure. OLG's benchmark for the infrastructure backlog ratio is less than 2%.
- **The infrastructure renewals ratio** measures the rate at which infrastructure assets are being renewed against the rate at which they are depreciating. OLG's benchmark for the infrastructure renewals ratio is greater than 100%.

See for more information on these ratios.

Box 4.3 Infrastructure ratios for councils

Infrastructure backlog ratio

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

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

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

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

Infrastructure renewals ratio

Where relevant, we may also consider the council's infrastructure renewals ratio, which assesses the rate at which infrastructure assets are being renewed against the rate at which they are depreciating. It is defined as:

$$Infrastructure\ renewals\ ratio = \frac{Infrastructure\ asset\ renewals}{Depreciation, amortisation\ and\ impairment}$$

The OLG has set a benchmark for the ratio of greater than 100%.

Source: Office of Local Government, *Performance Benchmarks* and *Assets*.

Impact on infrastructure backlog ratio

As set out in Figure 4.3, we found that over the next 5 years[b], the council's infrastructure backlog ratio would be:

- 1.8% under the Baseline Scenario
- 1.3% under the Proposed SV Scenario.

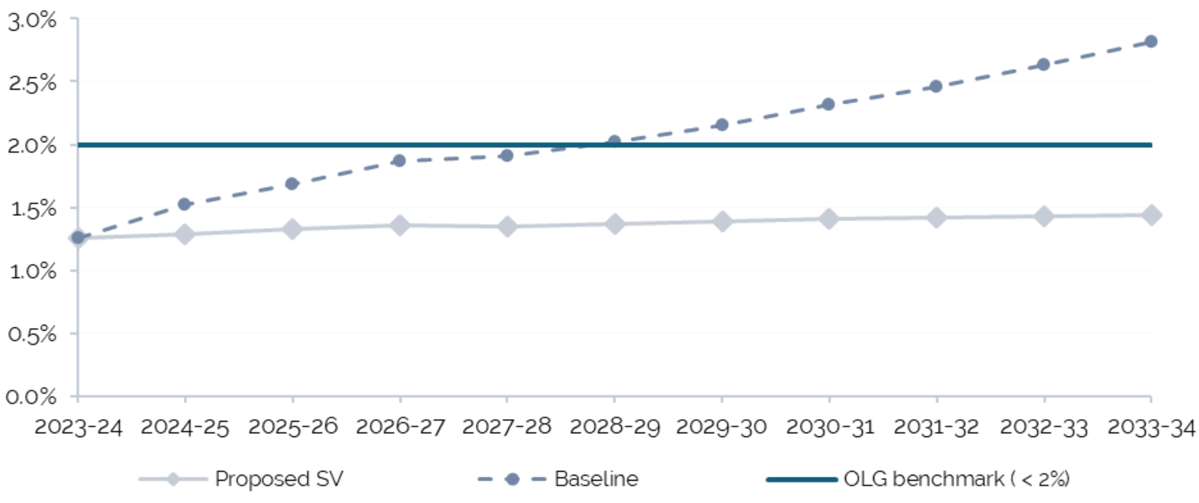
Under the proposed SV, the backlog would remain around $13 million over the next five years.

Our analysis shows that without the proposed SV, the council's infrastructure backlog ratio would steadily increase and exceed the OLG benchmark of 2.0% in 2028-29 (Figure 4.3).

Although this may seem like a small difference, our analysis shows that a 0.4% improvement in the council's infrastructure backlog ratio could mean an extra $2-5 million could be spent on bringing assets to a satisfactory standard each year.[27]

[b] We considered the 5-year average to smooth annual variability. Data beyond 5 years is subject to greater variability.

Figure 4.3 The council's infrastructure backlog ratio



Source: Goulburn Mulwaree Council, Application Part A.

Impact on infrastructure renewals ratio

As set out in Figure 4.4, we found that over the next 5 years[c], the council's infrastructure renewal ratio would be:

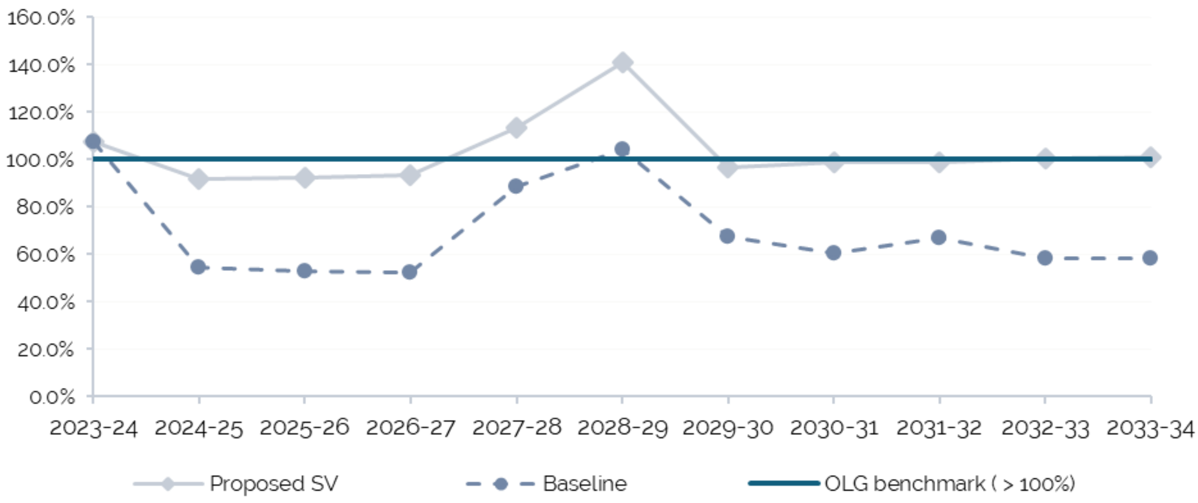
- 106.4% under the Proposed SV Scenario
- 70.5% under the Baseline Scenario.

We found that with the proposed SV, the council's infrastructure renewals ratio would be around the OLG benchmark of 100% over the next 10 years (Figure 4.4). Without the SV, the ratio would remain around 60%, with major spends planned for 2027-28 and 2028-29.

As Figure 4.4 shows, the Baseline Scenario would be well below 100% and not meet the OLG benchmark.

[c] We considered the 5-year average to smooth annual variability. Data beyond 5 years is subject to greater variability.

Figure 4.4 The council's infrastructure renewal ratio (%)



Source: Goulburn Mulwaree Council, Application Part A.

4.4 Alternatives to the rate rise

We assessed whether, in establishing the need for the SV, the council's relevant IP&R documents canvassed alternatives to the rate rise to meet the financial need.

In reviewing the council's funding strategies for infrastructure maintenance and service improvements, we have found insufficient exploration of long-term borrowings or consideration of service level reductions. This is especially the case given the council acknowledges that level of service has increased over time leading to additional costs.[28]

Similarly, working with the community to come up with a detailed asset review and prioritisation strategy would also present clearer options that align with the community's needs and priorities.

Specific alternatives include:

- Undertaking community and stakeholder consultation to establish that the service levels set in the Strategy Asset Management Plan is what is desired by the community, given the associated costs.[29]
- Completing a condition assessment of transport infrastructure that is scheduled for 2024.[30]
- Assessing which key categories of assets in the Asset Management Plan are the main cost drivers and how they will be prioritised.
- Assessing alternative financing options are being considered to fund the budget deficit.
- Assessing which key services could potentially be removed or deferred and which critical assets would risk further degradation and cost more to repair if not addressed in the short term.

We acknowledge that these alternatives in themselves would not ensure the council long term financial sustainability, however their implementation would have reduced the size of the proposed SV.

We also investigated whether and to what extent the council has any available deferred rate increases. We found that it does not have any available deferred rate increases.

5 Our assessment: OLG Criterion 2 - Community awareness

We assess the council's SV application against the 6 criteria set out in the OLG Special Variations Guidelines.

For this criterion, we found that the council did not demonstrate it had engaged with ratepayers on its SV application and that its community is aware of the need for and purpose of the SV. Its consultation materials did not include key information that ratepayers required to be sufficiently aware of the need for and purpose of the proposed SV, including the consequences of not getting an SV. In particular, it contained incorrect information on average rate increases. The consultation process was not comprehensive and did not provide sufficient time for ratepayers to engage meaningfully, particularly given the size of the proposed SV.

We have approved a different SV based on our assessment of this, and other criteria, as discussed in Chapter 11.

Criterion 2 requires the council to provide evidence that the community is aware of the need for and extent of the proposed rate increase. It requires the council to:

- communicate the full cumulative increase of the proposed SV in percentage terms and in dollar terms for the average ratepayer, by rating category
- outline its ongoing efficiency measures and performance
- use a variety of engagement methods to ensure community awareness and provide opportunities for community input.

The criterion does not require the council to demonstrate community support for the SV application.

Note: See Appendix A for the full criterion.

To assess this criterion, we considered stakeholder comments about community awareness that we received through our feedback form and submissions, and we analysed the council's community engagement on the proposed SV.

The sections below discuss our assessment, and why we found that the council did not meet this criterion.

5.1 Stakeholder comments on community awareness

In submissions to IPART and responses to our feedback form, many stakeholders raised concerns relating to the council's community consultation, including about the council's:

- lack of comprehensive information and transparency from the council
- poor community engagement, with questions left unanswered
- contradictory communication
- inadequate response to community feedback and concerns
- perceived disregard of overwhelming opposition to the SRV.

In response to the feedback form, most respondents indicated that council had conducted community consultations poorly. Additionally, most respondents to the council's own survey nominated the Baseline scenario (No SRV) as their preferred scenario.

Further, in our feedback form, we asked respondents how much they agree or disagree with 4 statements about the community's awareness and understanding of the rate increase proposed by the council.

We received 799 responses. There were mixed views about whether the council had adequately communicated and provided opportunity for feedback, but the majority did not agree that the council considered the community feedback in its decision making. The full results are presented in Figure C.2 in Appendix C.

We considered these concerns, taking account of all the information available to us. Our assessment is discussed below.

5.2 Our assessment of council's engagement and consultation

To assess the effectiveness of the council's community engagement and consultation on the proposed SV, we considered whether:

- the information provided to ratepayers was generally sufficient and clear
- the variety of engagement methods used were effective
- the process used to consult the community provided timely opportunities for ratepayers to provide input and feedback on the proposed SV
- the outcomes from the consultation were considered in preparing the SV application.

Information provided to ratepayers

We found that the materials the council provided to ratepayers about the proposed SV was insufficiently clear and did not contain the information needed to allow ratepayers to be aware of the need for, and extent of, the rate increases.

The council's consultation materials set out:

- a brief outline of the need for the SV[31]
- the full cumulative percentage increase of the proposed SV and the projected average rates in dollar terms for residential and business rating categories for the original 1- and 2-year options
- the broad purpose of the additional income from the proposed SV is for financial sustainability
- a brief description of the productivity and cost containment strategies.

However, the council's IP&R documents and consultation materials had the following shortcomings:

- council used incorrect average rates in its consultation material which understated the impact on farmland ratepayers, overstated the impact on business ratepayers, and resulted in minor discrepancies for residential rate payers[32]
- there was no rate calculator for ratepayers to determine the impact of the SV on their individual rates. While this is not essential, it is good practice, so ratepayers can determine the impact of the SV given their circumstances
- did not clearly convey the main cost drivers and alternatives to an SV.[33]

On balance, we found that the council did not provide sufficient information to its community about its SV application.

Engagement methods used

We found the council used a variety of engagement methods to promote awareness of its proposed rate increase and provided opportunities for ratepayers to provide feedback. For example, its engagement activities throughout the consultation period included:

- Submissions: 1,855 submissions received via council website
- Drop-in information sessions: 455 attendees across 11 sessions
- Self-initiated feedback: 9 emails received providing feedback
- Print: Ads in Goulburn Post newspaper editions
- Radio: Radio ads on local stations
- Facebook posts: Posts on council's Facebook page to raise awareness and promote participation
- Flyer (Letter from Mayor): Letter distributed to 13,722 properties informing about the SRV proposal
- Media interviews: Mayor interviewed on local radio stations to encourage community feedback
- Media releases: Releases distributed to regional media about the SRV engagement process
- Newsletter: Newsletter with SRV details made available online, libraries, and community halls
- Website: Dedicated website page as central information hub for SRV engagement.

Process for community consultation

We found the process the council used to engage with and consult the community about the proposed SV was limited and flawed. The council consulted with the community between 20 September and 3 November 2023.

Despite utilising a range of engagement mechanisms listed above, the council's consultation efforts have faced criticism identified in ratepayer submissions to IPART. The concerns raised suggest that the activities prioritise compliance over meaningful collaboration with the community. Key issues highlighted include a lack of transparency, poor engagement leaving questions unanswered, contradictory communication, insufficient response to feedback, and an apparent disregard for the widespread opposition to the SV proposal. However, we also note that the criterion does not require the council to demonstrate community support for the SV application.

Many submissions indicated that the notification of the SV came after the community forums or did not arrive. There were only 2 business days between the start of the of the consultation process and the first of the ratepayer forums. The forums were also held over the school and public holidays which limited ratepayers' capacity to be informed and engaged with the process.

We have assessed that the community was not provided enough time to be consulted and engage on the purpose of the SV.

Outcomes of community consultation

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

We found that while Goulburn Mulwaree Council considered the issues raised in the community engagement process on 21 Nov 2023,[34] the responses in the Community Awareness and Engagement Strategy Outcomes Report were vague and did not address community concerns.[35] The report provides council responses to key themes identified in the consultation: affordability and hardship; cost of living pressures; council efficiencies and cost savings; extent or timing of proposed SRV; service levels and major projects review; and social and economic impact.

The report stated that the assessment of affordability and hardship determined that the community had capacity to pay for the proposed SRV.[36] This is incorrect, as the capacity to pay report states that residents within Urban-South East and Urban-North may have reduced or limited capacity to pay.[37]

In response to the outcomes of community consultation, the council resolved to apply the SV over 3-years which spreads the impact of the SV, rather than the original 1- or 2-year SV it consulted on.[38]

6 Our assessment: OLG Criterion 3 - Impact on ratepayers

We assess the council's SV application against the 6 criteria set out in the OLG Special Variations Guidelines.

On balance, for this criterion, we found that the council has not demonstrated that the impact of its proposed special variation on ratepayers is reasonable. While it did evaluate the relative wealth and financial capacity to pay across the Goulburn Mulwaree area, it did not show that the impact of its proposed SV of 51.2% over 3 years is reasonable.

We have approved a different SV based on our assessment of this, and other criteria which is discussed in Chapter 11.

> Criterion 3 requires the council to show that the impact on ratepayers is reasonable considering current rates, the community's capacity to pay and the proposed purpose of the special variation.

Note: See Appendix A for the full criterion.

To assess this criterion, we considered stakeholder comments on the SV's impact on ratepayers received through the feedback form and submissions and analysed the council's assessment of the impact of its proposed SV on ratepayers.

We then compared the current and proposed rate levels to similar councils along with the community socio-economic indicators, and balanced this with any measures the council has in place to mitigate impacts.

The sections below discuss our assessment, and why we found that the council did not meet this criterion.

6.1 Impact of the proposed SV on average rates

The council calculated the average impact on ratepayers. Table 6.1 sets out its expected increase in average rates in each main ratepayer category under the proposed 3-year permanent SV. It shows that from 2024-25 to 2026-27:

- the average residential rate would increase by $579 or 51.2% in total
- the average business rate would increase by $2917 or 51.2% in total
- the average farmland rate would increase by $943 or 51.2% in total.

Table 6.1 Impact of the proposed special variation on average rates

	2023-24	2024-25	2025-26	2026-27	Cumulative increase
Residential average rates ($)	1,131	1,385	1,607	1,710	
$ increase		254	222	103	579
% increase		22.5	16.0	6.4	51.2
Business average rates ($)	5,698	6,981	8,098	8,616	
$ increase		1,282	1,117	518	2,917
% increase		22.5	16.0	6.4	51.2
Farmland average rates ($)	1,843	2,257	2,619	2,786	
$ increase		415	361	168	943
% increase		22.5	16.0	6.4	51.2

Note: These figures have been rounded in calculation and therefore summations on a whole may not appear to be correct.
Source: Goulburn Mulwaree Council, Application Part A and IPART calculations.

6.2 Stakeholder comments on impact on ratepayers

Affordability was a key concern among the responses received in both the feedback form and submissions. Concerns were raised about the impact of the proposed SV on the affordability of rates, particularly for those experiencing financial hardship. Some commented that the SV would:

- be excessive amid the current cost of living crisis
- have a significant impact on pensioners
- be unaffordable for businesses and commercial ratepayers
- be unaffordable for pensioners, single-income households, and those on fixed incomes
- force residents into bankruptcy or require selling their properties
- compound the impact after recent significant valuation-based rate increases.

The number of overdue rates have averaged 15% on an increasing trend over the last 5 years, although the outstanding rate by dollar value is relatively low, at 2.8% of rates collectable.

In our feedback form, we asked respondents how much they agree or disagree with 4 statements about the affordability of the rate increase proposed by council.

We received 799 responses. The vast majority of responses did not agree that the rate increase was affordable (disagreed or strongly disagreed). A similar proportion did not agree that the application considers financial constraints of ratepayers, considers different options to reduce the financial impact on ratepayers, or balances the community's need for services and its impact on ratepayers. The full results are presented in in Appendix C.

We have considered this feedback as part of our assessment of this criterion, alongside other available information. We acknowledge that ratepayers are experiencing cost-of-living pressures, and the rate increases associated with the SV will add to those.

On balance, we consider the impact of the increases is not reasonable, due to the overwhelming cost of living concerns raised by the community and the council's failure to demonstrate the rate increase is reasonable given the community's capacity to pay.

6.3 The council's assessment of the proposed SV's impact on ratepayers

The criterion requires that the Delivery Program and LTFP show the impact of any rate rises upon the community, demonstrate 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.

The council's IP&R documents

We found that the council's revised LTFP communicates the average rates per category, as per the proposed 3-year SV of 22.5% in year 1, 16% in year 2 and 6.4% in year 3. The revised LTFP also shows the total (cumulative) dollar increase per rating category after the SV, although as previously noted that there are material differences between advertised and actual rates.

The council's Delivery Program also briefly outlines the proposed SV.

The council's consideration of capacity to pay

The council's capacity to pay analysis provides an analysis and evaluation of relative wealth and financial capacity to pay the proposed rate increase within the Goulburn Mulwaree LGA. It also examines the financial vulnerability and exposure of different community groups within the LGA.

The report concluded:

- There are both levels of advantage and disadvantage within the Goulburn Mulwaree LGA based on socio-economic indexes, with the LGA scoring relatively low compared to Regional NSW and Canberra region averages.
  - The Urban-South East Urban-North areas have higher disadvantage and may have reduced or limited capacity to pay increased rates.
  - The CBD-Central area has some disadvantage but may have some capacity to pay.
  - The Urban-West and Rural areas are considered to have the highest capacity to absorb rate increases due to higher socioeconomic status.
  - Farmland and business rate increases appear manageable.
- There needs to be support for vulnerable groups such as property owners, persons who have or need core assistance, individuals who are currently unemployed, households under housing stress, and pensioners.

6.4 Our analysis of the proposed SV's impact on ratepayers

To assess the reasonableness of the impact on ratepayers, we considered:

- how the council's rates have changed over time
- how current and proposed rates compare to councils in similar circumstances
- the community's capacity to pay based on census data and hardship data from the council
- what hardship provisions the council has in place to mitigate the impact.

We also considered the context of the SV application and the level of consideration the council has given to alternatives to the SV and productivity and cost containment strategies.

While the rates (after the SV) might align with those of similar councils, the disparity between overdue rates by count and the number of approved hardship claims warrant further consideration.

Despite the availability of a financial hardship policy, its accessibility to vulnerable groups may be limited, with zero hardship applications over the past five years. The number of overdue notices range from 8.4% to 16.9% over that period. The average size of overdue notices is 2.8% by dollar value according to published council data. This suggests that most of those overdue are just not paid in full, rather than the inability to pay altogether. In response to our request for information, the council largely attributed this discrepancy to the exclusion of low value balances (under $2) from the count as well as other accounting technicalities.

When compared to neighbouring councils, Goulburn's outstanding rates ratio of 2.8% is notably lower, indicating a lower degree of affordability concern. Council's capacity to pay report concludes that a low outstanding rates and charges ratio is an indicator for willingness to pay rates but does not provide an argument to support this. While a low outstanding rates and charges ratio may indicate the community generally has *capacity* to pay, it does not meet the definition of *willingness* to pay as described in the OLG guidelines.

We assessed that the council did not provide sufficient evidence that the proposed SV would have a reasonable impact on vulnerable or business ratepayers.

How the council's rates have changed over time

Over the past 5 years, the average annual growth in the council's residential rates has been higher than the rate peg. As Table 6.2 shows, residential rates have increased at an annual average rate of 3.08%, compared to the average rate peg of 2.44% over the same period. This may be due the Additional Special Variation of 2.5% in 2022-23.

Table 6.2 Historical average rates in Goulburn Mulwaree Council ($ nominal)

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	Average annual growth (%)
Residential	972	991	1,024	1,057	1,084	1,131	3.1
Business	5,102	5,158	5,213	5,294	5,426	5,698	2.2
Farmland	1,711	1,899	1,838	1,831	1,876	1,843	1.5

Note: 022-23 rates are an estimate based on 2021-22 rates escalated by the rate peg or the council's SV.
Source: OLG, Time Series Data 2021-22, Goulburn Mulwaree Council, application Part A, IPART calculations

How the council's rates compare to other councils

We compared the council's average rates currently, and what they would be with the SV, with those of similar and nearby councils. We have considered this together with the socio-economic data comparisons set out below to help us assess the reasonableness of the proposed rate increase.

Box 6.1 provides more information about how we compared councils.

Box 6.1 Comparable councils

In our analysis of rate level and capacity to pay indicators, we have compared Goulburn Mulwaree Council to other councils in several ways.

Other councils with similar Socio-Economic Indexes for Areas (SEIFA) rank

SEIFA ranks areas in Australia according to relative socio-economic factors. It is developed by the Australian Bureau of Statistics using 2021 census results. We considered the 'Index of Relative Socio-economic Advantage and Disadvantage' which includes 23 variables covering income, household make-up, housing, education levels and employment.

Goulburn Mulwaree Council has a SEIFA rank of 48 out of 128 NSW councils. A lower number means more relative disadvantage.

We have compared the council's average rates with those of other regional councils with a similar SEIFA rank to help us assess how reasonable they are. The 4 regional councils with the closest SEIFA rank are Eurobodalla, Mid-Western Regional, Lismore and Tamworth Regional.

Office of Local Government (OLG) groups

The OLG groups similar councils together for comparison purposes. This is based on broad measures such as level of development, typical land use and population.

Councils in each group may have some similarities in service levels and costs, although there can be some broad differences within each OLG Group.

Goulburn Mulwaree Council is in OLG Group 4 which is considered a 'regional area with population of less than 70,000'.[39] Group 4 has 26 councils in total, including Goulburn Mulwaree Council.

Neighbouring councils

Comparing to neighbouring and nearby council areas can help ratepayers assess the level of rates they pay as they may be better able to also see differing service levels across councils.

The councils we have used for this comparison to Goulburn Mulwaree Council are Yass Valley, Queanbeyan-Palerang Regional, Shoalhaven City and Wingecarribee Shire Councils. We consider these councils are geographically close to, but do not necessarily share a common border.

As Table 6.3 and Table 6.4 show, in 2023-24:

- Goulburn Mulwaree Council's average residential rates are currently lower than the average of its geographic neighbouring councils and will remain lower after the proposed SV. However, there is a large variance between the higher rates of Queanbeyan-Palerang Regional and Wingecarribee and the lower rates of Yass Valley and Shoalhaven. Based on SEIFA ranking and median household income in Table 6.5, it is evident that the latter are more comparatively similar to Goulburn Mulwaree Council.
- Compared to socio-economically comparable councils (based on SEIFA indexes) like Eurobodalla and Lismore, Goulburn's current rates are slightly lower but will also exceed the SEIFA council average in 2024-25 due to the proposed SV.
- While council's residential rates are currently below the Group 4 council average (excluding itself), with the proposed SV it will be higher than the average in 2025-26.
- Council's current business rate average is higher than most geographic neighbours except Queanbeyan-Palerang Regional Council. However, council's proposed special rate variation will see its business rates higher than all neighbouring councils by 2026-27.
- Council's business rates are higher when compared to SEIFA socio-economic peer councils. With the proposed special variation business rates will almost be double the average by 2026-27.
- Goulburn's current farming rates are half of the average when compared to geographic neighbours. With the proposed SV, farming rates will remain lower than neighbouring councils with the exception of Shoalhaven council by 2026-27.
- Current average farming rates are below SEIFA peers like Lismore and Tamworth Regional. The proposed special rate variation will result farming rates inline with SEIFA council averages by 2026-27.
- While average farming rates are lower than the OLG Group 4 average currently and will remain below the average with the proposed SV.

Table 6.3 Comparison of the council's average residential rates under the proposed SV

Council	Average residential rate ($)			
	Current	2024-25	2025-26	2026-27
Goulburn Mulwaree Council (OLG Group 4)	1,131	1,385	1,607	1,710
Neighbouring councils				
Yass Valley	1,119	1,170	1,199	1,229
Queanbeyan-Palerang Regional	1,466	1,729	2,041	2,092
Shoalhaven	1,400	1,463	1,500	1,537
Wingecarribee	1,988	2,080	2,132	2,185
Average	**1,520**	**1,635**	**1,738**	**1,782**
Comparable councils (SEIFA)				
Eurobodalla	1,184	1,249	1,280	1,312
Mid-Western Regional	1,035	1,081	1,108	1,136
Lismore	1,421	1,488	1,525	1,563
Tamworth Regional	1,184	1,403	1,614	1,654
Average	**1,211**	**1,322**	**1,410**	**1,445**
Group 4 average (excl. Goulburn Mulwaree Council)	**1,332**	**1,431**	**1,509**	**1,564**

a. The average rate is calculated by dividing total Ordinary Rates revenue by the number of assessments in the category.

b. To derive the 2023-24 average rates for comparable councils, we used OLG's time series data as at 2021-22 (latest available) and escalated this by its 2022-23 and 2023-24 rate peg, or if applicable, its approved SV.

c. To derive the 2024-25 average rates for comparable councils, we used OLG's time series data as at 2021-22 (latest available) and escalated this by its 2022-23, 2023-24, 2024-25 rate peg, or if applicable, its approved SV.

d. To derive the average rates beyond 2024-25 for comparable councils, we used OLG's time series data as at 2021-22 (latest available) and escalated this by its 2022-23, 2023-24, 2024-25 rate peg then an assumed rate peg of 2.5%, or if applicable, its approved SV.

Source: OLG, Time Series Data 2021-22; ABS, 2021 Census DataPacks, General Community Profile, Local Government Areas, NSW and IPART calculations.

Table 6.4 Comparison of the council's average business and farmland rates under the proposed SV

Council	Average business rate ($)				Average farming rate ($)			
	Current	2024-25	2025-26	2026-27	Current	2024-25	2025-26	2026-27
Goulburn Mulwaree Council (OLG Group 4)	**5,698**	**6,981**	**8,098**	**8,616**	**1,843**	**2,257**	**2,619**	**2,786**
Neighbouring councils								
Yass Valley	3,160	3,303	3,385	3,470	3,283	3,431	3,516	3,604
Queanbeyan-Palerang Regional	6,024	7,109	8,388	8,598	3,103	3,662	4,321	4,429
Shoalhaven	2,322	2,427	2,488	2,550	2,824	2,951	3,024	3,100
Wingecarribee	4,856	5,079	5,206	5,337	4,229	4,424	4,534	4,647
Average	**3,957**	**4,340**	**4,726**	**4,844**	**3,417**	**3,670**	**3,895**	**3,992**
Comparable councils (SEIFA)								
Eurobodalla	3,974	4,192	4,297	4,404	1,778	1,876	1,923	1,971
Mid-Western Regional	2,301	2,405	2,465	2,527	2,694	2,815	2,885	2,957
Lismore	4,774	4,999	5,124	5,252	2,673	2,799	2,869	2,941
Tamworth Regional	3,907	4,630	5,324	5,457	2,160	2,560	2,944	3,018
Average	**3,911**	**4,293**	**4,606**	**4,721**	**2,426**	**2,666**	**2,868**	**2,940**
Group 4 average (excl. Goulburn Mulwaree Council)	**4,314**	**4,631**	**4,876**	**5,034**	**2,739**	**2,954**	**3,126**	**3,243**

a. The average rate is calculated by dividing total Ordinary Rates revenue by the number of assessments in the category.
b. To derive the 2023-24 average rates for comparable councils, we used OLG's time series data as at 2021-22 (latest available) and escalated this by its 2022-23 and 2023-24 rate peg, or if applicable, its approved SV.
c. To derive the 2024-25 average rates for comparable councils, we used OLG's time series data as at 2021-22 (latest available) and escalated this by its 2022-23, 2023-24, 2024-25 rate peg, or if applicable, its approved SV.
d. To derive the average rates beyond 2024-25 for comparable councils, we used OLG's time series data as at 2021-22 (latest available) and escalated this by its 2022-23, 2023-24, 2024-25 rate peg then an assumed rate peg of 2.5%, or if applicable, its approved SV.

Source: OLG, Time Series Data 2021-22; ABS, 2021 Census DataPacks, General Community Profile, Local Government Areas, NSW and IPART calculations.

Socio-economic indicators, hardship, and outstanding rates data

We considered some socio-economic indicators to understand the community's capacity to pay and levels of vulnerability in the community. We considered these together with the average rate levels set out above, and the hardship assistance available to vulnerable ratepayers.

This assessment focusses on residential rates. Residential ratepayers represent the majority of ratepayers.[d]

Our approach is explained in Box 6.2 and our analysis is presented below.

[d] Note that our assessment looks at the community as a whole and does not distinguish between those that directly pay rates and those that may indirectly be impacted.

Box 6.2 How we assessed capacity to pay

To help us understand the impact on residential ratepayers, we have considered select socio-economic indicators and compared these to the councils outlined in Box 6.1. We also collected historical hardship and outstanding rates data from the council. These provide an indication of the ability to pay additional increases and are useful to consider together with the rate comparison.

Socio-economic indicators from 2021 census

We considered:

- The median income levels, and the ratio of average residential rates to median household income, which are indicators of capacity to absorb cost increases
- the proportion of people on select Government payments[e], which could be an indicator of levels of vulnerability as recipients may generally be on lower and fixed incomes
- the level of outright home ownership, where higher home ownership may indicate that a household may have more capacity to pay, as mortgage or rent payments do not need to be covered
- the proportion of occupied private dwellings where 30% or more of the household's imputed income is put towards housing costs can be an indicator of cost-of-living pressures. However, putting 30% or more of a household's imputed income towards housing may not always be a sign of financial stress. A household may choose to make more mortgage repayments or reside in a more expensive area and have a sufficiently high income.

We also note that interest rates and cost of living have increased since this data was collected in the 2021 census.

Hardship applications and outstanding rates

We collected 5 years of historical data related to ability to pay rates to understand trends in the area. This was:

- how many hardship applications were made
- how many ratepayers were on a hardship policy
- the value of rates ($) that were outstanding as at 30 June.

We note these indicators can apply to very small proportions of the population.

[e] These are the Age Pension, Disability Support Pension, and JobSeeker Payment.

Table 6.5 below shows that, socio-economically, the residents of Goulburn Mulwaree Council are in a similar position to the comparable councils, with some indicators suggesting an ability to pay rates and others indicating potential hardship. In particular:

- Median income in Goulburn Mulwaree Council ($76,232) is lower than neighbouring councils ($97,591 average), Group 4 average excluding Goulburn ($77,571), but higher than SEIFA comparable councils ($70,044).
- Currently, the average household within the LGA would spend around 1.5% of income on residential rates. This is less than neighbouring councils (1.7%), SEIFA comparable councils (1.7%), and the Group 4 average (1.7%).
- Only 2.8% of Goulburn's rates were outstanding, which is well below the 10% benchmark and lower than all council averages shown with the exception of Eurobodalla.
- 13.9% of council households pay more than 30% of income towards housing costs. This is higher than neighbouring councils (13.0%) and the Group 4 average (13.4%), and SEIFA comparable councils (13.5%).
- 35.3% of dwellings in Goulburn are owned outright, which is lower than neighbouring councils (38%) and SEIFA comparable councils (39.9%), and Group 4 average (37.9%).

Table 6.5 Comparison of the council's socio-economic indicators

	Median annual household income ($)[a]	Current average residential rates to median household income ratio (%)[b]	Outstanding rates ratio and annual charges ratio (%)[c]	Proportion of population in receipt of select Government payments (%)[d]	Proportion of households that pay more than 30% of income towards housing costs[e]	Dwelling owned outright (%)[f]
Goulburn Mulwaree Council (OLG Group 4)	76,232	1.5	2.8	20.2	13.9%	35.3
Neighbouring councils						
Yass Valley	119,028	0.9	7.1	11.5	9.1%	34.6
Queanbeyan-Palerang Regional	119,340	1.2	7.7	10.1	10.6%	27.9
Shoalhaven	65,000	2.2	5.7	25.2	14.7%	44.7
Wingecarribee	86,996	2.3	6.8	17.2	13.5%	44.6
Average	**97,591**	**1.7**	**6.8**	**18.5**	**13.0%**	**38.0**
Comparable councils (SEIFA)						
Eurobodalla	60,684	2.0	2.5	29.2	13.0%	49.3
Mid-Western Regional	77,272	1.3	2.9	19.6	12.0%	38.9
Lismore	68,588	2.1	9.0	25.6	15.6%	37.6
Tamworth Regional	73,632	1.6	6.8	20.4	13.5%	33.6
Average	**70,044**	**1.7**	**5.3**	**23.6**	**13.7%**	**39.9**
Group 4 average (excl. Goulburn Mulwaree Council)	**77,572**	**1.7**	**6.8**	**20.2**	**13.4%**	**37.9**

a. Median annual household income is based on 2021 ABS Census data.
b. The 2023-24 average rates for comparable councils are calculated based on the OLG's time series data as at 2021-22 (latest available data) escalated by a Council's 2022-23 and 2023-24 rate pe or approved SV, as relevant.
c. The Outstanding rates ratio (%) is derived from the OLG's Rates & Annual Charges Outstanding Percentage for the General Fund as at 2021-22 (latest available data). The formula is 'rates and annual charges outstanding ($) divided by 'rates and annual charges collectible' ($).
d. Proportion of population in receipt of select Government payments (%) is based on the total number of Age Pension, Disability Support Pension and the JobSeeker Payments divided by the estimated regional population from the 2021 ABS Data by Region.
e. Proportion of occupied private dwellings where 30% or more of the household's imputed income is put towards housing costs payments is calculated by the following formula = [households where mortgage repayments are more than 30% of the imputed household income (no.) + households where rent repayments are more than 30% of the imputed household income (no.)] / total occupied private dwellings (no.). These measures are from the 2021 ABS Data by Region.
f. Dwelling owned outright (%) is from the 2021 ABS Data by Region.

Source: OLG, Time Series Data 221-22; ABS, Socio-economic Indexes for Areas (SEIFA) 2021, March 2023; ABS, 2021 Data by Region, Local Government Areas, NSW, Median Weekly Household Income and IPART calculations.

Historical hardship and outstanding rates data

We collected historical data on outstanding rates and ratepayers accessing hardship provisions. Recent trends give an indication of ratepayers' ability to pay current rate levels and potentially the impact of other recent costs increases. We note that these remain very small proportions of all ratepayers.

Over the last 5 years, the number of hardship applications have remained at zero. Over that same period, the proportion of overdue rates and the amount owing has also remained low.

Impact on business rates under the proposed SV

Several stakeholders raised concerns regarding the viability of businesses due the rate increases proposed by the SV. Our analysis shows that the proposed rates will be higher than all compared councils within OLG Group 4 with the exceptions of Lithgow, Lismore, and Queanbeyan-Palerang Regional Councils.

Council's capacity to pay report did not go into the detail on the economic viability of the proposed rate increases on businesses within the Goulburn Mulwaree LGA. The report simply stated that they are likely to absorb these rate increases. We consider that the council has not adequately considered the increase in business rates as reasonable as required by the OLG criteria.

6.5 The council's hardship policy and availability of concessions

A hardship policy can play an important role in mitigating the impact of an SV on vulnerable ratepayers. While the council has a hardship policy in place to assist vulnerable ratepayers, the level of communication for the community to be aware of this policy may be limited.

The hardship policy provides assistances, such as:

- interest-free deferral of rate increases over 15% until the next financial year for ratepayers impacted by a revaluation
- 2-year (3-year if pensioner) hardship payment plans for rates interest-free (written-off)
- 2-year (3-year if pensioner) hardship payment plans for water and sewer charges interest-free (written-off).

The council told us that the hardship policy is available on its website. No additional communication channels such as through rate notices were mentioned.

The council has reviewed its hardship policy to allow deferral of rates for up to 3-years without interests,[40] and provide an additional concession to eligible pensioners of $75 in 2024-25, and a further $25 in 2025-26, if the SV is approved[41]. This is on top of the concession councils must provide to eligible pensioners, which is half of the total ordinary rates and domestic waste management service charge, up to a maximum of $250 each year.[42]

7 Our assessment: OLG Criterion 4 – IP&R documents

We assess the council's SV application against the 6 criteria set out in the OLG Special Variations Guidelines.

For this criterion, we found that the council exhibited (where required), approved and adopted its Integrated Planning & Reporting (IP&R) documentation appropriately.

Criterion 4 requires the council to exhibit (where required), approve and adopt the relevant Integrated Planning and Reporting (IP&R) documents before applying for the proposed SV.

Note: See Appendix A for the full criterion.

To assess whether the council met this criterion, we checked the information provided by the council. We found that it met the criterion.

The relevant IP&R documents are described in Box 7.1.

The council's Long Term Financial Plan is on its website.

The council:

- exhibited its current Community Strategic Plan from 2 March 2022 to 31 March 2022, with the resolution to publicly exhibit outlined in the council minutes link, and adopted it on 19 April 2022
- exhibited its current Delivery Program from 20 September 2023 to 3 November 2023, with the resolution in the council minutes link, and adopted it on 21 November 2023
- exhibited its current Long Term Financial Plan from 20 September 2023 to 3 November 2023, with the resolution in the council minutes link, and adopted it on 19 December 2023
- exhibited its current Asset Management Plan from 20 September 2023 to 3 November 2023, with the resolution in the council minutes link, and adopted it on 19 December 2023
- submitted its SV application on 5 February 2024.

Box 7.1 Integrated Planning & Reporting (IP&R) documents

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

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

Source: Office of Local Government Integrated Planning and Reporting Guidelines

8 Our assessment: OLG Criterion 5 – Productivity and cost containment strategies

We assess the council's SV application against the 6 criteria set out in the OLG Special Variations Guidelines.

For this criterion, we found that while the council has explained and quantified some past and future productivity improvements and cost containment strategies. The amounts it has realised and plans to realise from 2024-25 to 2026-27 are small relative to the size of the council. The council has only identified historical savings of $639,000 annually and another 19 future projects which may deliver $1.45 million in annual savings in the LTFP. These are yet to be realised and come with associated costs.

Furthermore, the council does not have an ongoing process to identify and implement productivity and cost containment strategies.

However, we have approved a different SV based on our assessment of this, and other criteria which is discussed in Chapter 11.

Criterion 5 requires councils to explain and quantify the productivity improvements and cost containment strategies that have been realised in past years and are expected to be realised over the years of the proposed SV.

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

Note: See Appendix A for the full criterion.

To assess this criterion, we considered stakeholders' comments on the council's productivity and cost containment strategies that we received through the feedback form and submissions, analysed the information provided by the council, and examined some key indicators of the council's efficiency.

The sections below discuss our assessment, and why we found that the council did not meet this criterion.

8.1 Stakeholder comments on productivity and cost containment

Some submissions to IPART expressed that the council should:

- better explain its productivity and cost containment strategies
- have more savings prior to applying for the SV
- improve its labour productivity as it is declining.

- have better project management
- reduce services rather than an SV
- more adequately considered cuts to the budget and reduction in councillors
- reduce the amount spent on consultants and contingent labour
- review user charges to ensure cost recovery.

Further, in our feedback form, we asked respondents how much they agree or disagree with 3 statements about the council's efficiency and communication of cost-saving strategies.

We received 799 responses. Of these, more than half disagreed that the council is effective in providing infrastructure and services for the community. Nearly 80% disagreed that the council had explained past, or future cost-saving strategies. The full results are presented in in Appendix C.

We have considered these concerns as part of our assessment of this criterion.

8.2 The council's realised and proposed savings

The council has identified 44 past improvements that have saved a combined $639,000 and $5.2 million in one-off revenue.[43] The council's LTFP has included 20 future improvements with the potential on-going benefit of $1.405 million with an estimated cost of $1.7 million.[44]

8.3 Our analysis of the council's information on productivity and cost containment strategies

We consider the council:

- Demonstrated it has delivered minor productivity improvements and cost containment.
- Outlined strategies and activities for further improving its productivity and efficiency, and quantified them in its application and LTFP.

However:

- The productivity gains are minor with past efficiencies of $639,000 and future efficiencies of $1.405 is less than 0.8% and 1.8% respectively of total expenses from continuing operations ($80.6 million in 2023-24).[45]
- Council have not established on-going continuous improvement program.
- Council has not and does not propose to use the Audit Risk and Improvement Committee to for productivity and cost containment purposes.
- Council has not completed a service-by-service or whole-of organisation review.
- Present and future improvements do not have allocated responsible officers and there does not appear to be any reporting framework.

Based on the above shortcomings with its planned initiatives, alongside the council's savings to date, we assess that the council has not demonstrated this criterion.

We have assessed that the council has sufficient capacity to undertake further investigation to identify and implement additional productivity and cost savings measures. However, we acknowledge that the council may not find sufficient savings to ensure long term financial sustainability.

Productivity and cost containment strategies to date

We consider the council has made some minor productivity and cost containment gains to date. In its SV application, it estimates that, over the last few years, it has delivered $639,000 of annual ongoing costs savings with a further $5.2 million in one-off revenue.[46] These ongoing savings equate to about 0.8% of the council's expenses from continuing operations and are $80,626,780 for 2023-24.[47]

The application indicates that the savings are result of the following initiatives:[48]

- Ceased mobile library service
- Decommissioning of library Big Read bus
- Decommissioning visitor centre bus
- Reduce library opening hours
- Implementing LED public domain lighting
- Electronic employee forms
- Installation of solar panels
- Online learning management system
- Online recruitment system
- Review of electricity accounts ensuring correct site classification
- Review financial assistance to community organisations
- Shared service agreements – procurement, library and GIS
- Review catering costs for council functions and meeting
- Online incident/accident management system.

Planned productivity and cost containment strategies

We found that the council outlined 20 future improvements with the potential on-going benefit of $1.405 million with an estimated cost of $1.7 million. This equates to about 1.8% of council's expenses from continuing operations which were $80,626,780 for 2023-24.[49] These future strategies and activities are to:

- review strategic asset management strategy and plans and consideration of reactive versus strategic resourcing and level of service
- review lighting provisions across organisation
- audit Council's energy usage across the organisation to identify potential energy saving options
- implement paperless development applications

- use Tech One to its full capacity
- implement more electronic systems
- disposal of surplus land
- provide clear recycling opportunities for the public and staff
- develop comprehensive IT strategy
- review revenue strategy and fees and charges across whole of Council (partly underway for some services)
- review electricity connections across the Council facilities
- waste free community – reduce public place bins (and limit further installations).

However, we consider that both the past and planned productivity and containment strategies have achieved minor improvements within the organisation.

Council's Organisational Sustainability Review and Improvement Plan[50] has stated goals of:

- undertaking ongoing service reviews aimed at continuous improvement and optimisation of its services
- achieving cost savings, revenue increases and productivity improvements as means of reducing the amount of any SV.

The council has also not undertaken a service review or organisational service reviews. The council has stated that it expects while there will likely be further long-term benefits from these reviews, these will most likely be productivity improvements rather than cost savings.[51]

We consider that the council may be able to reduce costs through the organisational sustainability review process. This should include a level-of-service infrastructure analysis with associated costs to identify the level of service that the community is willing to pay for. Many submissions suggested that the council could cut back on services prior to applying for an SV.

Historically, the council has not prioritised continuous improvement and optimisation of its services. It engaged the same consultant twice, in 2021 to prepare a service sustainability review and in 2023 to develop its Organisational Sustainability Review and Improvement Plan.[52] This suggests a lack of internal capability to establish an internal structure for continuous improvement. This is further evidenced by 'action O2' of the *Organisation Development Plan* which recommends that the council should "explore and implement options for an ongoing continuous improvement program".[53] Furthermore, the Audit Risk and Improvement Committee has only been assigned 'Audit' actions, and no 'improvement' actions to support and implement future improvements within the organisation.[54]

We have assessed that the productivity and cost containment strategies identified within this plan have only minimally reduced the amount of the proposed SV. The council has sought to increase its rates revenue by a combined 51.2% over 3-years but have only provided evidence of less than 0.8% in past productivity savings and 1.8% in proposed savings. This has not meaningfully reduced the amount of the SV.

8.4 Indicators of the council's efficiency

We examined indicators of the efficiency of the council's operations and asset management processes, including how its efficiency has changed over time and how its performance compares with that of similar councils. This data is presented in Table 8.1 and Table 8.2 below.

We found that between 2017-18 and 2021-22, the council's:

- number of full time equivalent (FTE) staff, on average, has grown by 3.9% each year
- average annual cost per FTE decreased by an average of 0.5% per annum
- employee costs as a percentage of operating expenditure have decreased by an average of 3.9% per annum.

We also found that the council's:

- ratio of FTE staff to the council's population is higher than the Group 4 average – it has one FTE for every 103.3 residents, whereas the Group 4 average is one FTE for every 107.2 residents
- operating expenditure per capita is higher than the Group 4 average.

These performance indicators only provide a high-level overview of the council's productivity at a point in time. Additional information would be required to accurately assess the council's efficiency and its scope for future productivity gains and cost savings.

Table 8.1 Trends in selected indicators for Goulburn Mulwaree Council

Performance indicator	2017-18	2018-19	2019-20	2020-21	2021-22	Average annual change (%)
FTE staff (number)	267	290	292	302	311	3.9
Ratio of population to FTE	114.4	106.4	106.6	104.5	103.3	-2.5
Average cost per FTE ($)	84,000	84,779	84,134	79,656	82,199	-0.5
Employee costs as % of operating expenditure (General Fund only) (%)	43.8	44.6	47.1	40.1	37.3	-3.9

Source: OLG, Time Series Data 2021-22, IPART calculations.

Table 8.2 Select comparator indicators

	Goulburn Mulwaree Council	OLG Group 4 Average	NSW Average
General profile			
Area (km2)	3,220	4,349	5,546
Population	32,138	40,473	63,470
General Fund operating expenditure ($m)	59.3	84	95.2
General Fund operating revenue per capita ($)	2,770	2,661	na
Rates revenue as % of General Fund income (%)	30.2	35	44.5
Own-source revenue ratio (%)	40.5	54	64.5
Productivity (labour input) indicators			
FTE staff	311.0	377.4	384.9
Ratio of population to FTE	103.3	107.2	164.9
Average cost per FTE ($)	82,199	89,355	98,086
Employee costs as % of operating expenditure (General Fund only) (%)	37.3	35	37.5
General Fund operating expenditure per capita ($)	1,844	2,082	1,500

Source: OLG, Time Series Data 2021-22 and IPART calculations.

9 Our assessment: OLG Criterion 6 - Any other matter that IPART considers relevant

Criterion 6 provides that IPART may take into account any other matter that it considers relevant.

We consider that a relevant matter is whether the council has been granted an SV in recent years, and if so, whether the council has complied with any conditions attached to that SV.

IPART approved a permanent Additional Special Variation (ASV) for the council of 2.5%, for 2022-23.

The condition of the approval is that the council in its 2022-23 annual report must outline:

- its actual revenues, expenses, operating results against projections provided in its ASV application
- any significant differences between the actual and projected revenues, expenses, operating results
- the additional income raised by the ASV.

The council indicated in its current SV application that it has complied with this condition. We have reviewed the council's 2022-23 annual report and have assessed that the council has complied with this condition.[55]

10 Minimum rates increase

A council can impose a minimum rate for each of its rating categories. There is a statutory maximum for these rates, set annually. This is $617 for 2024-25.[f]

If a council wishes to impose minimum rates that are higher than the statutory maximum for the first time, or, if they want to increase minimum rates by more than the rate peg or applicable SV, it needs to apply to IPART for approval.

We assess a council's application for a minimum rate increase (MR increase) against 3 criteria set out in the Office of Local Government's Minimum Rate Guidelines (MR Guidelines). See Appendix A.2 for more details.

Goulburn Mulwaree Council currently imposes a minimum rate for its 4 business categories and has applied to increase minimum rates above the statutory limit for the first time. The proposed increases are set out in Table 9.1

Table 9.1 Goulburn Mulwaree Council's proposed increases to minimum rates

Minimum rate – Business:	2023-24 (Current)	2024-25	2025-26	2026-27	Cumulative increase
General Goulburn Goulburn Town Centre Marulan	590	722	837	890	
% increase		22.37%	15.93%	6.33%	50.85%
$ increase		132	115	53	300

Source: Goulburn Mulwaree Council, Part A application Worksheet 7.

10.1 Stakeholder comments on minimum rates increases

None of the submissions we received on the council's application discussed the proposed minimum rate increase.

10.2 OLG Criterion 1: The council has demonstrated a rationale for increasing minimum rates

Criterion 1 requires IPART to assess the council's rationale for increasing minimum rates above the statutory amount.

f The statutory maximum for the minimum rate is specified in section. 126 of the Local Government (General) Amendment (Rates) Regulation 2024.

We consider the council has met this criterion.

Council's rationale for increasing the minimum rates is to maintain an equitable allocation of the rating burden across the council's rating categories. This increase is aligned to the Special Variation (SV) application, which ensures that the minimum rates increase equates to an overall increase in Council's revenue, rather than simply a redistribution. This means that the proposed increase will also assist with improving Council's financial sustainability, to cover the increasing costs which are currently outpacing revenue growth and deliver improved services and improved assets in line with community expectations.[56]

10.2.1 Our assessment against criterion 1 for minimum rates increase

In evaluating Goulburn Mulwaree Council's proposal for a special variation (SV) application to increase business minimum rates above the statutory limit, our assessment aligns with the Office of Local Government's principles for equitable distribution. The council aims to address disparities in the current rating system, where reliance on unimproved land value disproportionately affects certain property types, despite their similar demands on infrastructure and services. The minimum rates adjustments seek to ensure a more equitable distribution across business and residential ratepayer categories, reflecting both service costs and the capacity to pay, without altering the rates burden disproportionately.

Together with the SV, the proposed increase to minimum rates it is part of a broader strategy detailed in the council's Community Strategic Plan, revised Delivery Program, revised Long Term Financial Plan (LTFP), and Capacity to Pay analysis.

10.3 OLG Criterion 2: The impact on ratepayers

Criterion 2 requires IPART to assess the impact on ratepayers, including the level of the proposed minimum rates and the number and proportion of ratepayers that will be on the minimum rates, by rating category or sub-category.

This OLG criterion requires consideration of two elements:

- the level of minimum rates for ratepayers whose rates will be increased
- the number and proportion of ratepayers that will be on the minimum rates, by rating or sub-category.

We found that the council met this criterion.

10.3.1 Our assessment against criterion 2 for minimum rates increase

The council has provided detailed documentation of the current level of minimum rates for business ratepayers and the proposed increases for the upcoming years, as shown in Table 10.1. This table shows a structured increase in business minimum rates from $590 to $890 over the three years, culminating in a total increase of $300 over the period.

The council has also provided the number and proportion of rate payers that are on the minimum rates. Council expects very little change in the number of ratepayers on minimum rates.[57] These are set out in Table 9.2 below.

Table 9.2 Number and proportion or ratepayers on the minimum rates, 2024-25

Business category	Number on the minimum	Percentage on the minimum
General	37	42%
Goulburn	39	8%
Goulburn Town Centre	1	0.003%
Marulan	5	10%

Source: Goulburn Mulwaree Council, Application Part A, Worksheet 4.

In the Capacity to Pay Report, the analysis revealed that Goulburn Mulwaree's current average business rate is $5,539.[58]

We also note the small number of ratepayers in the business category that are impacted, as well as the low minimum rates compared to the current average.

10.4 OLG Criterion 3: community awareness

Criterion 3 requires IPART to assess the consultation the council has undertaken to obtain the community's views on the proposal.

We found that the council met this criterion.

The council undertook community consultation as part of its broader SV application. We consider that the council has made the community aware of the proposed increase in the minimum rate, provided the reasoning for the minimum rate increase and considered community feedback.

10.4.1 Our assessment against criterion 3 for minimum rates increase

The council included information about the minimum rate rise alongside information about the SV proposal, including:

- Website and Submissions: Utilised a dedicated website page for SRV engagement, receiving 1,855 submissions from the community.
- Community Sessions and Media: Hosted 11 drop-in sessions attended by 455 individuals, complemented by comprehensive media outreach including newspaper ads, radio interviews, and social media posts to raise awareness.
- Direct Communication: Distributed a detailed letter from the Mayor to 13,722 properties, supplemented by newsletters available in public spaces and online.

Key consultation materials including the LTFP, Delivery Plan and Capacity to Pay Report included information about the minimum rate increase:

- Why the increase is needed to maintain the distribution of rates.
- What the increase would be for minimum ratepayers, in incremental dollar terms and annual percentage terms over the SV period.

Consultation with the community on the proposed minimum rate increase was undertaken as part of the broader consultation process for the SV. Please see Chapter 5 for more details on the council's consultation initiatives.

The council's Community Engagement Report summarises the submissions from the community about the broad rate increase (minimum rates and SV). Broadly, submissions to the council highlighted concerns regarding the rate increases on local businesses, including discouraging new businesses from starting and the subsequent impact on the business economy.[59]

Similar concerns were raised through IPART's feedback form and submissions. However, no stakeholder submissions specifically identified specific issues with the minimum rate increase. The council's LTFP clearly stated the purpose and the impact of proposed the minimum rate increases.[60] Whereas the council's community consultation was not sufficiently clear as discussed in Chapter 5.

10.5 We have approved a minimum rate increase for 1 year that is consistent with the approved special variation.

The council applied for a staged three-year increase to minimum rates consistent with its three-year special variation application. This meant that if the special variation was approved, it could continue to maintain the structure of its rates by applying the increase uniformly across all rating categories (including minimum rates).

For the reasons set out in Chapter 11, we have only granted the council a 1-year special variation of 22.5%. Given the rationale for the minimum rate increase, we consider it is appropriate to only grant a 1-year minimum rate increase. This will enable the council to maintain its current rating structure. If we granted the full 3-year minimum rate increase, this would have enabled the council to progressively shift the burden of rates to business ratepayers paying the minimum amount.

We note that our approval of the council's minimum rates for business categories will allow the council to levy minimum rates above the statutory maximum ($617 from 1 July 2024). This means that in the future, the council will not need to make a further application to further increase its minimum rates for this category in line with the applicable rate peg or future special variation percentage.[g]

[g] Local Government Act section 548(4)-(5).

11 IPART's decision on the special variation and minimum rate increase

Based on our assessment of the council's application against the 6 OLG criteria and consideration of stakeholder feedback, we have not approved the council's proposed permanent three-year SV to general income. Instead, we have granted the council a single-year SV for 22.5%. This is equivalent to the first year of the council's proposed three-year SV.

In addition, we have approved the council's proposed permanent increase to its minimum rates for 2024-25 only. This is in line with our approval of the SV increase for 2024-25. This will achieve the council's purpose of increasing the minimum rate in line with the SV to ensure an equitable distribution of the rating burden. Additionally, the council will not need to make a further application to further increase its minimum rates for this category in line with the applicable rate peg or future special variation percentage.

The approved increase to general income is set out in Table 11.1 below.

Table 11.1 IPART's decision on the special variation to general income (%)

	2024-25
Annual percentage increase (%)	22.5

Source: Goulburn Mulwaree Council, Part A

Our

- *Instrument Under Section 508(2) of the Local Government Act 1993 - Special Variation Instrument - 2024-25 - Goulburn Mulwaree Council*, and
- *Instrument Under Section 548(3)(a) of the Local Government Act 1993 – Minimum Rates Instrument - 2024-25 - Goulburn Mulwaree Council*

give legal effect to this decision and set out the conditions of approval.

11.1 Reasons for our decision

We found the council's application had significant deficiencies. While it broadly met criterion 1 (financial need), it did not meet criteria 2, 3 or 5 (community awareness, impact on ratepayers, and productivity and cost containment strategies).

- **The council demonstrated it has a financial need for an SV to address the operating deficit it forecasts over the next 10 years.** However, it failed to show that it requires a 51.2% SV as it proposed, or that it has investigated alternatives to this SV, including service level reductions.
- **The council did not demonstrate the community is aware of the need for and extent of the proposed rate increase.** The information it provided to ratepayers was neither clear nor sufficient. For example, its community consultation materials included incorrect information on the impact of the SV on average rates. In addition, the process it used to consult the community did not allow enough time for meaningful consultation particularly given the size of the proposed SV.

- **The council did not demonstrate that the impact on ratepayers is reasonable.** For example, its own capacity to pay analysis suggests the impact of its proposed rate rises on residential ratepayers in the Urban-North and Urban-South East areas is not reasonable, given it found these ratepayers have higher levels of disadvantage and may have reduced or limited capacity to pay. The council provided no evidence that the impact on business ratepayers is reasonable.
- **The council did not adequately explain and quantify its past and future productivity improvement and cost containment strategies.** It did outline some minor historical and proposed productivity gains. However, it provided no evidence that it has implemented a continuous improvement framework to identify and implement ongoing productivity and cost containment strategies.

Our decision to approve a 1-year SV of 22.5%, rather than a 3-year SV of 51.2%, balances the council's clear financial need for additional income with the impact on ratepayers. This decision will allow the council to move towards a more stable financial position by reducing its operating deficit, while it undertakes the work required to establish whether it needs a further SV to achieve financial sustainability and to demonstrate that it meets the criteria for such an SV. This work will need to include better consulting on the levels of service its community needs, and quantifying and implementing further cost containment strategies which may reduce the size of any further SV that may be required. In doing this, the council will also need to consider impacts of further increases on ratepayers.

We consider the impact of the approved 1-year SV of 22.5% on ratepayers is reasonable. With this SV, the council's average residential rates will still be lower than the average for its neighbouring councils, and broadly in line with the average for comparable councils. However, we acknowledge that there are some ratepayers that are more vulnerable to increases in rates, even at the lesser amount of the approved SV.

We note that the council has a hardship policy in place to assist ratepayers who have difficulty paying their rates. The assistance may take the form of a payment plan or writing off any accrued interest. The council's hardship policy also indicates eligible pensioners are entitled to an additional concession of up to $75 per year on their ordinary rates. This is in addition to the concessions councils must provide to eligible pensioners, which is half of the total ordinary rates and domestic waste management service charge, up to a maximum of $250 each year.[61]

We considered a temporary special variation to allow the council time to consider alternatives and to identify productivity and cost containment strategies. However, given the size of the council's forecast ongoing operating deficits, the council is unlikely to find sufficient savings to achieve financial sustainability without a drastic reduction of services and further deterioration of infrastructure assets.

11.2 We have put conditions on the special variation

The approved special variation is subject to the following conditions:

- The council use the additional income for the purpose of funding the proposed program.
- The council report in its annual report for each year from 2024-25 to 2029-30 (inclusive):
  - the program of expenditure that was actually funded by the additional income, and any differences between this program and the proposed program;
  - any significant differences between the council's actual revenues, expenses and operating balance and the projected revenues, expenses and operating balance as outlined in the Long-Term Financial Plan, and the reasons for those differences;
  - the outcomes achieved as a result of the additional income;
  - whether or not the council has implemented the productivity improvements, and
    - i if so, the annual savings achieved through these measures, and what these equate to as a proportion of the council's total annual expenditure; and
    - ii if not, the rationale for not implementing them; and
  - any other productivity and cost containment measures the council has in place, the annual savings achieved through these measures, and what these savings equate to as a proportion of the council's total annual expenditure.

11.3 Impact on ratepayers

IPART sets the maximum allowable increase in the council's general income, but the council determines how it allocates any increase across different categories of ratepayer. Based on what the council has told us in its application, the expected impacts on ratepayers under the approved SV are shown in Table 11.2 below.

This shows that in 2024-25 if the council chooses to increase rates so as to recover the maximum permitted general income under the approved SV:

- the average residential rate would increase by $254 or 22.5%
- the average business rate would increase by $1,282 or 22.5%
- the average farmland rate would increase by $415 or 22.5%.

Table 11.2 Indicative annual increases in average rates under the approved SV (2023-24 to 2024-25)

	2023-24	2024-25
Residential average rates ($)	1,131	1,385
$ increase		254
% increase		22.5
Business average rates ($)	5,698	6,981
$ increase		1,282
% increase		22.5
Farmland average rates ($)	1,843	2,257
$ increase		415
% increase		22.5

Note: These figures have been rounded in calculation and therefore summations on a whole may not appear to be correct.
Source: Goulburn Mulwaree Council, Application Part A and IPART calculations.

11.4 Impact on the council

Our decision means that the council may increase its general income by $5.4 million in 2024-25. These increases can remain in the rate base permanently.

Table 11.3 shows the percentage increases we have approved and estimates of the annual increases in the council's permissible general income.

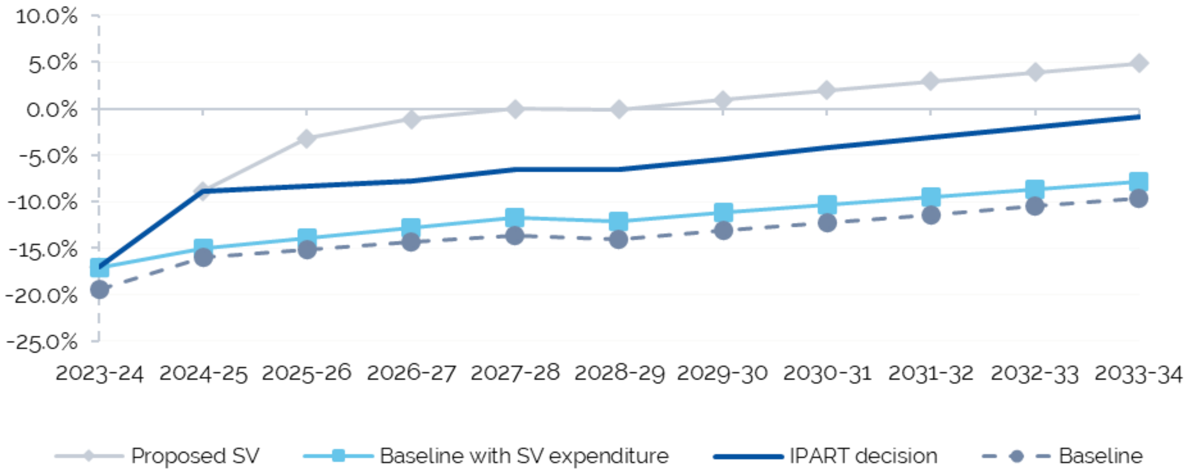
Table 11.3 Permissible general income of council from 2024-25 to final year from the approved SV

	2024-25
Increase approved (%)	22.50
Increase in PGI ($'000)	5,370.91
PGI ($'000)	29,241.64

Source: IPART calculations.

With the approved SV, we have projected the council's Operating Performance Ratio (OPR) and net cash (debt) to income ratio. Under our decision, we expect that the OPR will improve from -15.9% to -8.8% in 2024-25 and continue to increase, but will fall short of the OLG benchmark for some time without the council pursuing cost containment measures or other alternatives.

Figure 11.1 The council's projected OPR with approved SV (IPART decision) and proposed SV, 2023-24 to 2033-34



Source: IPART Calculation

11.5 Decision on the minimum rates

Based on our assessment of the council's application against the 3 OLG criteria and consideration of stakeholder submissions, we have approved the council's proposed permanent increase to its minimum rates for 2024-25 only.

This is in line with our approval of the SV increase for 2024-25. This will achieve council's purpose of increasing the minimum rates in line with the SV to ensure equitable distribution of rating burden. Additionally, the council will not need to make a further application to further increase its minimum rates for this category in line with the applicable rate peg or future special variation percentage.

The approved increase to minimum rates is set out in Table 11.4 below.

Table 11.4 Goulburn Mulwaree Council's approved increases to minimum rates

Minimum rates – Business	2023-24 (Current)	2024-25
General Goulburn Goulburn Town Centre Marulan	590	722
% increase		22.37%
$ increase		132

Source: Goulburn Mulwaree Council, Part A Application, Worksheet 7.

Appendices

A Assessment criteria

A.1 Special Variations assessment materials

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

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

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

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

We also provide comprehensive guidance on our approach to assessing special variation applications. This includes information for councils on our expectations of how to engage with their community on any proposed rate increases (see our guidance booklet).

Criterion 1: Financial need

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

In establishing need for the special variation, the relevant IP&R documents should 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:[h]

- **Baseline scenario** – General Fund revenue and expenditure forecasts which reflect the business as usual model, and exclude the special variation, and

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

- **Special variation scenario** – the result of implementing the special variation in full is shown and reflected in the General Fund revenue forecast with the additional expenditure levels intended to be funded by the special variation.

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

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

Criterion 2: Community awareness

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

Criterion 3: Impact on ratepayers is reasonable

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

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

In assessing the impact, IPART may also consider:

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

Criterion 4: IP&R documents are exhibited

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

Criterion 5: Productivity improvements and cost containment strategies

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

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

Criterion 6: Any other matter that IPART considers relevant

Any other matter that IPART considers relevant.

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

A.2 Minimum Rates assessment criteria

The Office of Local Government (OLG) sets the criteria for assessing minimum rate applications in its minimum rates guidelines.

Section 548 of the *Local Government Act 1993* (the Act) allows a council to specify a minimum amount of a rate to be levied on each parcel of land. If a council makes an ordinary rate for different categories or sub-categories of land, it may specify a different minimum amount for each category or sub-category.

If a council resolves to adopt a minimum amount of a rate, the minimum amount must not exceed the relevant permissible limits provided for in section 548(3) of the Act and clause 126 of the *Local Government (General) Regulation 2021* (Regulation), unless:

- the Minister or IPART (as the Minister's delegate) has approved a higher amount by issuing an instrument under section 548(3), or
- the council is entitled to increase its minimum ordinary rate under section 548(4) and (5) of the Act.

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

IPART will assess applications for minimum rates above the statutory limit against the following set of criteria (in addition to any other matters which IPART considers relevant):

1. the rationale for increasing minimum rates above the statutory amount,
2. the impact on ratepayers, including the level of the proposed minimum rates and the number and proportion of ratepayers that will be on the minimum rates, by rating category or sub-category, and
3. the consultation the council has undertaken to obtain the community's views on the proposal.

It is the council's responsibility to provide sufficient evidence in its application to justify the minimum rates increase. Where applicable, councils should make reference to the relevant parts of their Integrated Planning and Reporting (IP&R) documentation to demonstrate how the criteria have been met.

B Goulburn Mulwaree Council's projected revenue, expenses and operating balance

Our analysis of the council's productivity and cost containment can be found in Chapter 8 of this report.

As a condition of IPART's approval, the council is to report until 2029-30 against its proposed SV expenditure and projected revenue, expenses and operating balance as set out in its LTFP (see Table B.1 and Table B.2) It also needs to report on its progress against productivity improvements and cost containment strategies that it set out in its application and are summarised below.

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

Productivity improvements and cost containment strategies

As set out in the council's response in section 7.3 of its SV Part B application to us, council has identified 20 future improvements with the potential on-going benefit of $1.405 million with an estimated cost of $1.7 million.[62]

The following improvements were considered to be some of the highest priority for Council and able to be implemented:

- Review strategic asset management strategy and plans and consideration of reactive versus strategic resourcing and level of service.
- Review lighting provisions across organisation.
- Audit Council's energy usage across the organisation to identify potential energy
- saving options.
- Implement paperless development applications.
- Use Tech One to its full capacity.
- Implement more electronic systems.
- Disposal of surplus land.
- Waste free community – reduce public place bins (and limit further installations).
- Provide clear recycling opportunities for the public and staff.
- Develop comprehensive IT strategy.
- Review revenue strategy and fees and charges across whole of Council (partly underway for some services).
- Review electricity connections across the Council facilities.

Table B.1 Long-Term Financial Plan - Summary of projected operating statement for Goulburn Mulwaree Council under its approved SV application (2024-25 to 2032-33) ($'000)

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
Total revenue	94,570	89,841	92,424	106,084	109,388	104,778	106,340	111,962	113,797
Total expenses	82,784	85,022	87,268	89,596	93,098	95,646	98,276	100,971	103,748
Operating result from continuing operations	11,786	4,818	5,156	16,488	16,291	9,132	8,064	10,991	10,049
Net operating result before capital grants and contributions	-2,505	-6,588	-6,353	-5,536	-5,713	-4,903	-3,977	-3,058	-2,002
Cumulative net operating result before capital grants and contributions	-2,505	-9,093	-15,446	-20,981	-26,694	-31,597	-35,574	-38,633	-40,635

Note: Numbers may not add due to rounding.

Source: Goulburn Mulwaree Council, Application Part A, Worksheet 10 and IPART calculations.

Table B.2 Proposed Program - Summary of projected expenditure plan for Goulburn Mulwaree Council under its proposed SV application ($'000)

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34
Fund existing service levels - build unrestricted cash	1,000	1,944	2,300	2,358	2,417	2,477	2,539	2,602	2,668	2,734
Additional Resources - increased services	297	577	683	700	717	735	753	772	792	811
Additional Renewal Expenses funded from SV	3,000	5,831	6,901	7,073	7,250	7,431	7,617	7,807	8,003	8,203

Note: Numbers may not add due to rounding.

Source: Goulburn Mulwaree Council, Application Part A, Worksheet 8 and IPART calculations.

C Results of IPART's public consultation feedback form

As part of our stakeholder engagement, we published a survey that asked respondents 15 questions relating to:

- their support or opposition to the council's SV application
- their views on the affordability of the proposed SV
- their awareness of the proposed SV, and
- their views on council's past and proposed cost management strategies.

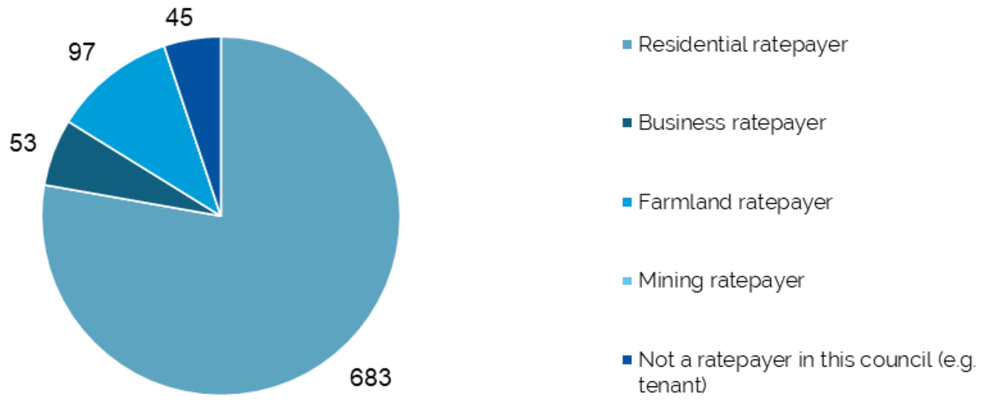
This survey was open for 3 weeks from 27 February 2024 to 18 March 2024.

We received 799 survey responses on Goulburn Mulwaree Council's SV application.

Some results are presented in Chapter 3 of this report and throughout our assessment in Chapters 3 – 8, as relevant. This appendix provides the results for questions about affordability, awareness of the SV, and council's past and proposed cost management strategies. It also provides the breakdown of ratepayer type the responded.

We note that respondents were able to self-select for the survey and the results may not be representative of the whole community's views.

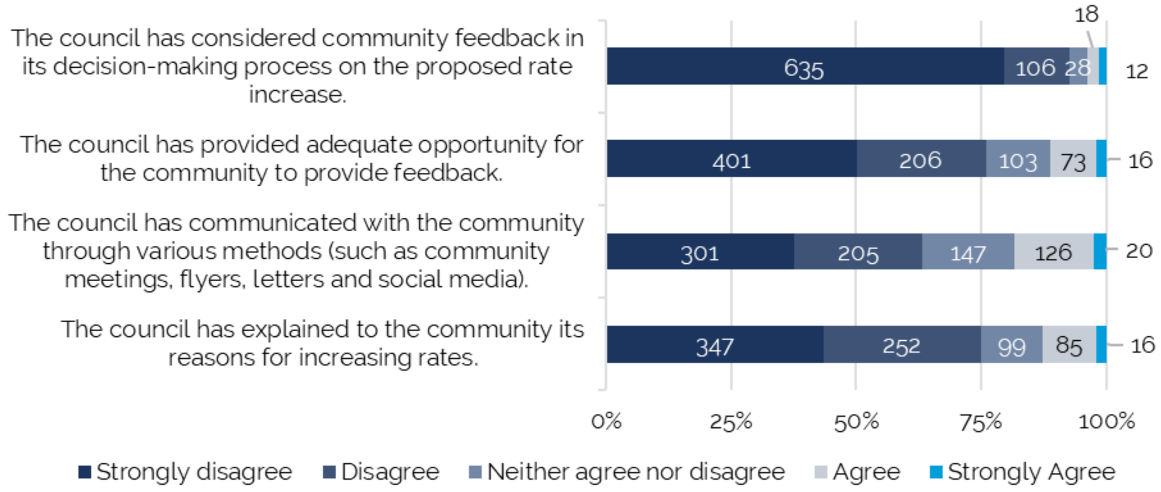
Figure C.1 Respondent ratepayer types



a. The total number of responses for each question was 799. The numbers in the chart show the number of respondents that selected that response. This was a self-select survey and we cannot guarantee that each response was a unique user. These results may not represent the distribution of ratepayer types in the council area.

Source: IPART

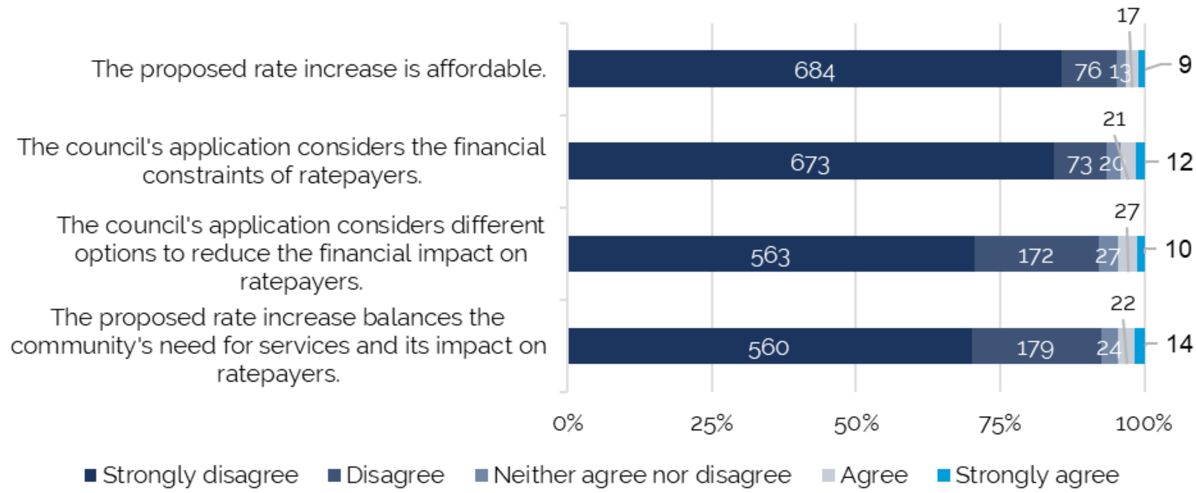
Figure C.2 Responses to questions about awareness and understanding of the proposal



a. The total number of responses for each question was 799. The numbers in the chart show the number of respondents that selected that response. This was a self-selected survey and we cannot guarantee that each response was a unique user. These results may not be representative of the whole community's views.

Source: IPART

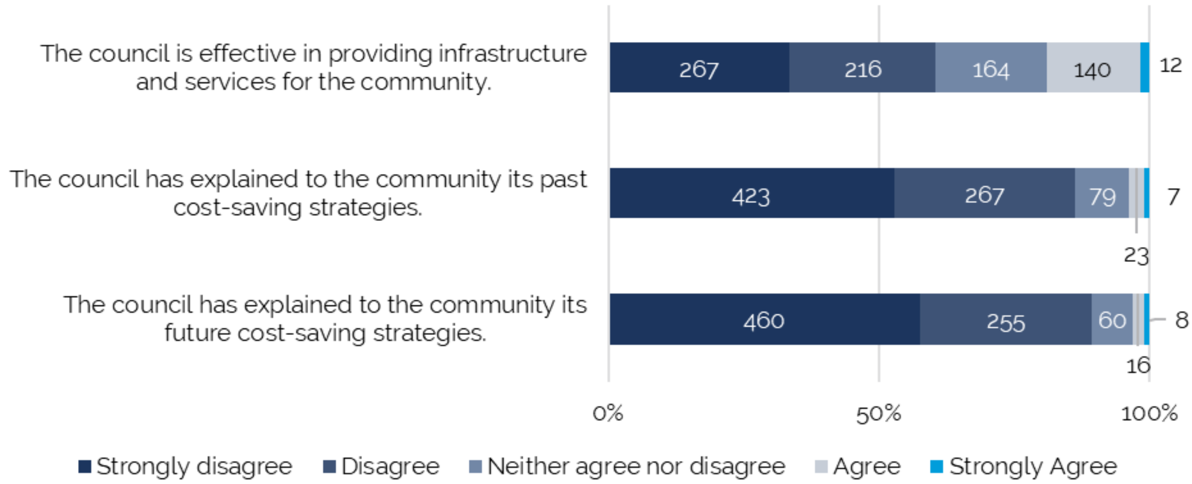
Figure C.3 Responses to questions about affordability



a. The total number of responses for each question was 799. The numbers in the chart show the number of respondents that selected that response. This was a self-selected survey and we cannot guarantee that each response was a unique user. These results may not be representative of the whole community's views.

Source: IPART

Figure C.4 Responses to questions about the council's cost-saving strategies



a. The total number of responses for each question was 799. The numbers in the chart show the number of respondents that selected that response. This was a self-selected survey and we cannot guarantee that each response was a unique user. These results may not be representative of the whole community's views.

Source: IPART

D Glossary

Term	Meaning
ABS	Australian Bureau of Statistics
ASV	Additional Special Variation. This was a one-off round of special variations of up to 2.5% available to councils in 2022-23 in response to a peg that was lower than councils expected in a high inflation environment. Applications were assessed against a special set of criteria developed by the OLG.
Baseline Scenario	Shows the impact on the council's operating and infrastructure assets' performance without the proposed SV revenue and expenditure.
Baseline with SV expenditure Scenario	Includes the council's full expenses from its proposed SV, without the additional revenue from the proposed SV. This scenario is a guide to the council's financial sustainability if it still went ahead with its full expenditure program included in its application, but could only increase general income by the rate peg percentage.
General income	Income from ordinary rates, special rates and annual charges, other than income from other sources such as special rates and charges for water supply services, sewerage services, waste management services, annual charges for stormwater management services, and annual charges for coastal protection services.
IPART	The Independent Pricing and Regulatory Tribunal of NSW
IP&R	Integrated Planning & Reporting
Local Government Act	*Local Government Act 1993* (NSW)
OLG	Office of Local Government
OLG SV Guidelines	Guidelines for the preparation of an application for a special variation to general income.
OPR	The Operating Performance Ratio (OPR) measures whether a council's income will fund its costs, where expenses and revenue are exclusive of capital grants and contributions, and net of gains/losses on the sale of assets.
PGI	Permissible General Income is the notional general income of a council for the previous year as varied by the percentage (if any) applicable to the council. A council must make rates and charges for a year so as to produce general income of an amount that is lower that the PGI.
Proposed SV Scenario	Includes the council's proposed SV revenue and expenditure.
Rate peg	The term 'rate peg' refers to the annual order published by IPART (under delegation from the Minister) in the gazette under s 506 of the *Local Government Act 1993*.
SEIFA	Socio-Economic Indexes for Areas (SEIFA) is a product developed by the ABS that ranks areas in Australia according to relative socio-economic advantage and disadvantage. The indexes are based on information from the five-yearly Census. It consists of four indexes, the Index of Relative Socio-economic Disadvantage (IRSD), the Index of Relative Socio-economic Advantage and Disadvantage (IRSAD), the Index of Economic Resources (IER), and the Index of Education and Occupation (IEO).
SV or SRV	Special Variation is the percentage by which a council's general income for a specified year may be varied as determined by IPART under delegation from the Minister.

[1] Goulburn Mulwaree Council, Application Form Part B Application,
[2] Goulburn Mulwaree Council, Application Form Part B Application, p.5
[3] Goulburn Mulwaree Council, Application Form Part A Application, Worksheet WS7
[4] Goulburn Mulwaree Council, Capacity to Pay Report, p. 38.
[5] *Local Government Act 1993* (NSW), section 575.
[6] Goulburn Mulwaree Council, Application Form Part B Application, p. 9
[7] Goulburn Mulwaree Council, Application Form Part B Application, p. 20
[8] Goulburn Mulwaree Council, Application Form Part A Application, WS7– Impact on Rates.
[9] *Local Government Act 1993* (NSW), Section 511.
[10] Goulburn Mulwaree Council, Application Form Part B Application, p.5
[11] Goulburn Mulwaree Council, Application Form Part A, WS7– Impact on Rates.
[12] Goulburn Mulwaree Council, LTFP p. 51
[13] Goulburn Mulwaree Council, LTFP p. 58
[14] Goulburn Mulwaree Council, Capacity to Pay Report, p. 15
[15] Goulburn Mulwaree Council, Pensioner Rebate Policy, p. 2
[16] Goulburn Mulwaree Council, Application form part A, WS5 – Years 2-7 Yield
[17] Goulburn Mulwaree Council, Application Form Part A Application, WS7– Impact on Rates.
[18] Goulburn Mulwaree Council, Application Form Part B Application, Goulburn Mulwaree Council, p.5
[19] Goulburn Mulwaree Council, SRV Background Paper, p. 2
[20] Goulburn Mulwaree Council, Organisational Development Plan, p. 23
[21] Goulburn Mulwaree Council, Revised Delivery Program 2022-2026, p. 3.
[22] Office of Local Government, Performance Benchmarks, May 2020.
[23] Goulburn Mulwaree Council, Application Part A WS9 – Financials.
[24] Goulburn Mulwaree Council, Annual Financial Statements for the year ended 30 June 2023, p. 90.
[25] Goulburn Mulwaree Council, Annual Financial Statements for the year ended 30 June 2023, p. 32.
[26] Goulburn Mulwaree Council, Annual Financial Statements for the year ended 30 June 2023, p. 30.
[27] Goulburn Mulwaree Council, Application form part A, WS11 – Ratios, rows 89 & 91.
[28] Goulburn Mulwaree Council Background Paper: The Special Rate Variation, p. 3.
[29] Goulburn Mulwaree Council, Strategic Asset Management Plan, November 2023, p. 5
[30] Goulburn Mulwaree Council, Strategic Asset Management Plan, November 2023, p. 3
[31] Goulburn Mulwaree Council, Communication Engagement Report, November 2023, p. 24
[32] Goulburn Mulwaree Council, Part B Special Variation Application, p. 23.
[33] Goulburn Mulwaree Council, SRV Councilor Workshop Presentation, pg 17.
[34] Goulburn Mulwaree Council, 21 November 2023 Ordinary Council Meeting Minutes, p. 7.
[35] Goulburn Mulwaree Council, Community Awareness and Engagement Strategy Outcomes Report November 2023, p. 14.-16
[36] Goulburn Mulwaree Council, Capacity to Pay Report, p. 37.
[37] Goulburn Mulwaree Council, Capacity to Pay Report, p. 38.
[38] Goulburn Mulwaree Council, Part B Application, p. 13
[39] Office of Local Government, Australian Classification of Local Governments and OLG group numbers.
[40] Goulburn Mulwaree Council, Hardship Policy, p. 2
[41] Goulburn Mulwaree Council, Pensioner Rebate Policy, p. 2
[42] *Local Government Act 1993*, section 575.
[43] Goulburn Mulwaree Council, Application Form Part B Application, p.31
[44] Goulburn Mulwaree Council, Application Form Part B Application, p.31
[45] Goulburn Mulwaree Council, Application Form Part B Application, p.31
[46] Goulburn Mulwaree Council, Organisational Sustainability Review and Improvement Plan, August 2023, p. 8
[47] Goulburn Mulwaree Council, Application form part A, WS10 - LTFP
[48] Goulburn Mulwaree Council, Part B Application, p. 31
[49] Goulburn Mulwaree Council, Application form part A, WS10 - LTFP
[50] Goulburn Mulwaree Council, Organisational Sustainability Review and Improvement Plan, August 2023, p. 1
[51] Goulburn Mulwaree Council, Part B Application, p. 33
[52] Goulburn Mulwaree Council, Organisational Sustainability Review and Improvement Plan, August 2023, p. 1
[53] Goulburn Mulwaree Council, Organisation Development Plan, p. 21
[54] Goulburn Mulwaree Council, Organisation Development Plan, p. 11
[55] Goulburn Mulwaree Council, GMC CEO ASV Declaration of Compliance
[56] Goulburn Mulwaree Council, Part B Minimum Rate Application, p. 9
[57] Goulburn Mulwaree Council, Part B Minimum Rate Application, p. 13
[58] Goulburn Mulwaree Council, Capacity to Pay Report, p. 34
[59] Goulburn Mulwaree Council, Community Engagement Report, p.15
[60] Goulburn Mulwaree Council, LTFP p. 7
[61] *Local Government Act 1993* (NSW), section 575.
[62] Goulburn Mulwaree Council, Organisational Sustainability Review and Improvement Plan, p. 9

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