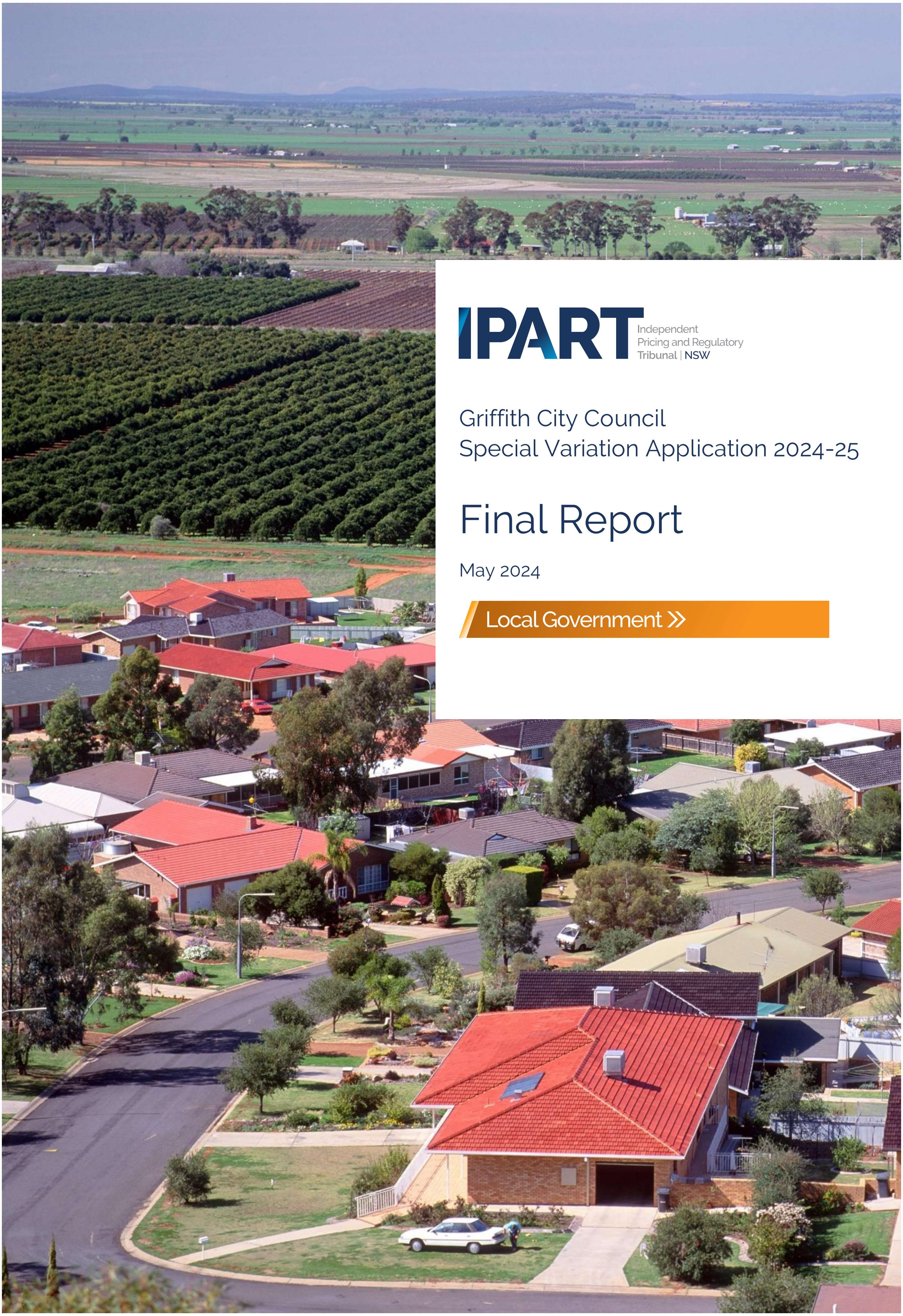

IPART Independent Pricing and Regulatory Tribunal | NSW

Griffith City Council
Special Variation 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:

Carmel Donnelly PSM, Chair
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

Griffith City Council applied to permanently increase its general income by 34.9% over 3 years from 2024-25 to 2026-27 inclusive.

We did not approve the application in full. Instead, we have approved a permanent increase of 22.10% over 2 years.

Griffith City Council (the council) applied to IPART[a] to increase its general income through a permanent special variation (SV) of 34.9% over a 3-year period from 2024-25 to 2026-27.[1] This included an increase of 10.50% per year from 2024-25 to 2026-27.

Table 1.1 sets out the percentage increases that the council applied for.

Table 1.1 Annual increases under the council's application

	2024-25	2025-26	2026-27
Annual increase (%)	10.50	10.50	10.50
Cumulative increase (%)		22.1	34.9
Additional annual income ($'000)	2,070.8	2,288.3	2,528.5

The council told us that it intends to apply this increase across all rating categories.

The council sought the SV to:

- ensure financial sustainability of the council's general fund
- maintain existing services.[2]

1.1 IPART's decision

We have not approved the council's application as set out in Table 1.1. We have instead approved a 2-year permanent SV of 22.10%.

This is made up of an increase of 10.50% in 2024-25 and a further increase of 10.50% in 2025-26, which corresponds to the first two years of the council's proposed SV. Our reasons for the decision are set out in section 1.2.

Table 1.2 sets out the percentage by which the council may increase its general income, and the expected annual revenue.[b]

[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.

[b] The annual revenue may vary slightly if the council in future received other adjustments such as Crown Land adjustments. These are typically very minor adjustments.

Table 1.2 Maximum increases under our decision

	2024-25	2025-26
Annual increase (%)	10.50	10.50
Cumulative increase (%)		22.10
Additional annual income ('000)	2,070.8	2,288.3

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 from 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 10.

Our *Instrument Under Section 508A of the Local Government Act 1993 - Special Variation for Griffith City Council for 2024-25* gives legal effect to this decision and sets out the conditions of approval.

1.2 IPART's assessment of the council's application

To make our decision, we assessed the council's SV 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 that the council met 3 of these 6 criteria.

We have not approved the council's application in full. Instead, we have approved a 2-year permanent SV of 22.10%, which aligns with the first 2 years of the council's proposed SV. We reached this decision for 2 main reasons.

Firstly, we found that, on balance, the council did not meet the criterion of demonstrating financial need. It articulated a financial need for the SV over 2 years but did not clearly articulate the need for additional revenue beyond this. Under its proposed SV, the council's Operating Performance Ratio (OPR) from 2026-27 to 2032-33 would be around 5% on average, which does not clearly show that the council would have a financial need beyond the second year of the SV.

Additionally, its financial forecasts under its proposed SV and application diverged from its adopted Long-Term Financial Plan (LTFP). The LTFP was not updated to reflect the council decision to not proceed with an Art Gallery and associated subsequent 7% SV in 2026-27. The LTFP did not include a Baseline (rate peg only) scenario, which should set the basis for showing financial need, and reflected a 17.5% proposed increase in the third year rather than the 10.50% increase the council resolved to apply for.

This also meant that the council did not meet Criterion 4 of the OLG Guidelines (see Chapter 7). As noted above, while the council has indicated it resolved to no longer pursue the Art Gallery, it has not been able to provide a final, adopted LTFP to support this position. The OLG Guidelines stipulate that council applications must be based on adopted Integrated Planning and Reporting (IP&R) documents, which includes the LTFP.

We also found that the council did not comply with reporting conditions attached to an 'Additional Special Variation' (ASV) that it was granted in 2022-23. This was an additional factor in our decision to not grant the council the full amount it applied for (see Chapter 9).

We consider our decision will allow the council to address its financial sustainability issues and maintain existing services, which is the key purpose of the council's proposed SV.

Under our decision, we calculate that the council's OPR would improve from the current -7.5% to -0.9% in 2025-26. We calculate that between 2026-27 and 2032-33 the average OPR would remain positive at around 2%[c], based on the expenditure the council proposed in its application to us. We note that the 2 years of increases to the general fund will be permanent, and the council will continue to collect the extra revenue which would also support its financial sustainability into the future.

The council did meet the remaining 3 criteria. We found that it took sufficient steps to make its community aware of its proposed SV and explained that the purpose of the SV was to address operating deficit problems in its budget. It also demonstrated that the overall impact of its proposed SV was reasonable, considering current rates and the community's capacity to pay.

In response to affordability concerns, the council intends to offer additional concessions to pensioners and limit annual increases to water and sewer charges to 3% during the SV period. Our decision ensures a lesser impact on ratepayers compared to what would have occurred under the council's proposed SV. The council also told us that the decision to remove the Art Gallery from its LTFP in next year's budgeting process was made after its community consultation ended on August 2023.

The council also took sufficient steps to show productivity improvements and cost containment. It noted that it delivered quantifiable productivity improvements and implemented cost containment strategies. The council also plans to reduce spending by $1 million annually starting in 2024-25 and has said it will report on the progress to the council quarterly.

As noted above, we found that the council has not complied with the conditions attached to an Additional Special Variation that was approved in 2022-23. Compliance with these conditions is integral to the SV process, allowing the council to be held accountable for the commitments it made to its community when it decided to apply for the SV, and providing ratepayers confidence in their council.

The OLG is the body responsible for enforcing compliance with the conditions attached to SVs. The IPART Chair has written to the OLG identifying the council's failure to comply with past SV conditions.

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 the SV conditions in assessing future SV applications.

[c] This calculation includes surplus before capital from the council's restricted waste funds. The OPR for the General Fund only would therefore be slightly lower and we expect it would be close to the benchmark.

Summary of our assessment 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	Not demonstrated	**Financial need** On balance, the council did not demonstrate a financial need for its proposed 3-year SV. Under its proposal, its average Operating Performance Ratio (OPR) is forecast to be around 5% in the third year of this period (2026-27) and remain at this level, on average, over the next 6 years to 2032-33. This does not clearly indicate that the council has a financial need for an additional 10.50% increase in 2026-27. In addition, the council's Long Term Financial Plan (LTFP) did not include a Baseline scenario, which should set the basis for showing financial need. However, we are satisfied that it demonstrated a financial need for the first 2 years of its proposed SV. Our decision would allow the council's OPR to improve from the current -7.5% to -0.9% by 2025-26.
02	Demonstrated	**Community awareness** The council engaged with its community and provided sufficient information about the need for and extent of the proposed 34.9% SV over 3 years.
03	Demonstrated	**Reasonable impact on ratepayers** The council showed that the impact of its proposed SV on ratepayers is reasonable. With the proposed SV, its average residential and business rates would generally be comparable to the averages for neighbouring and comparable councils, although its average farmland rates would be higher than the comparable councils. The population has less socio-economic disadvantage compared to similar councils based on selected indicators, such as median household income. We note that the council resolved to provide additional concessions to pensioners and capped its water and sewer charges to a 3% increase per year during the SV period. The lower approved SV will have a lower impact than the proposed SV.
04	Not demonstrated	**Integrated Planning and Reporting documentation** The council exhibited and adopted all necessary Integrated Planning and Reporting (IP&R) documents before submitting its SV application. However, it did not meet the requirement that its application be based on its adopted IP&R documents. Its LTFP differs from the proposed SV as it includes plans to fund an Art Gallery with a subsequent 7% SV in the third year of the SV period with additional revenue and costs in later years. The SV application included a 10.50% increase in the 3rd year and no Art Gallery.
05	Demonstrated	**Productivity improvement and cost containment** The council listed and quantified past and planned productivity improvement and cost containment initiatives. It also incorporated a $1 million per year cost savings target into its LTFP, commencing in 2024-25.
06	Not demonstrated	**Other matters IPART considers relevant** The council did not demonstrate this criterion. In the past 10 years, the council was granted one Additional Special Variation (ASV) of 2.0% in 2022-23.[3] The council did not report its projections and actual results associated with the 2.0% increase in its 2022-23 annual report, as required by our ASV approval instrument.

1.3 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. Griffith City Council consulted on its proposed SV with its community using a variety of engagement methods. The council received 157 written submissions, held public meetings attended by around 500 participants and published website content that had 1,600 views.[4]

The council has 11,440 rateable properties.

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 222 responses to our feedback form, and 23 additional submissions on Griffith City 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.

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

1.4 Next steps for the council

Our determination sets the maximum amount by which the council can increase its general income over the 2 years from 2024-25. The council can defer rate increases up to this maximum amount for up to 10 years.[5]

The council has proposed to increase rates over this period as shown in Table 1.3.

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 expect the council to continue to pursue productivity improvements, to minimise costs to ratepayers and ensure its financial stability over the long term.

Table 1.3 Average rate increases under the approved SV

		2024-25	2025-26	Cumulative increase
	Residential	10.5%	10.5%	22.1%
	Business	10.5%	10.5%	22.1%
	Farmland	10.5%	10.5%	22.2%

Note: These figures have been rounded in calculation. These are the council's proposed increases, but it retains the discretion to determine the structure of its rates.

Source: IPART calculations.

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

2 The council's special variation 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 34.9% over 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 SV

	2024-25	2025-26	2026-27
Annual increase (%)	10.50	10.50	10.50
Cumulative increase (%)		22.1	34.9
Additional annual income ($'000)	2,070.8	2,288.3	2,528.5

Source: Griffith City 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 at the end of 2026-27.

The council sought the special variation to:[6]

- ensure financial sustainability of the council's general fund
- maintain existing services.

2.1 Impact of the proposed special variation on ratepayers

The council proposed that rates would increase for all categories over the 3-year SV period.[7] It proposed that, on average:

- **residential rates** by 2026-27 would increase by $413 or 34.9%
- **business rates** by 2026-27 would increase by $1,068 or 34.9%
- **farmland rates** by 2026-27 would increase by $1,419 or 35.0%.

The council provided the number of rate notices that it expects to issue for 2024-25. See Table 2.2.

Table 2.2 Number of rate assessments per category in 2024-25

Ratepayer category	Number of rate notices
Residential	8.922
Business	1,065
Farmland	1,453
Total	**11,440**

Source: Griffith City Council, Application Form Part A, Worksheet 4.

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

The council assessed the affordability of the proposed rate increases, including the community's capacity to pay.

The council's analysis considered industry economic data, demographics, housing tenure, housing expenditure, income and levels of social disadvantage relative to Regional NSW.[8] The council's assessment found that its ratepayers do have capacity to pay. For instance, it found:

- in 2021-22, the three largest industries agricultural, manufacturing and construction sectors accounted for $1.038 billion to the LGA's economy[9]
- the 2021 median weekly household income for the council area was $1,715 compared to $1,466 in Regional NSW[10]
- the 2021 median weekly rent ($295) in the council area is lower than the median rent for Regional NSW ($330)[11]
- the 2021 median weekly mortgage repayments in the council area are in line with the median repayments for Regional NSW ($339)[12]
- on the Index of Relative Socio-economic Advantage and Disadvantage (SEIFA IRSAD) the council was in the 5th decile, meaning that the council's population falls around the middle for its level of advantage and disadvantage compared to other Australian LGAs[13]
- the percentage of overdue rates for the council are low at approximately 2% as at 2022-23.[14]

However, the analysis acknowledges there are areas of disadvantage within the council area.[15] The council's SV application also acknowledges the current cost of living pressures.[16]

The council indicated that it has a financial hardship policy to assist ratepayers who have difficulty paying their rates. The policy allows accrued interest to be written-off.[17]

The council noted it has resolved to offer additional concessions on top of the statutory requirements for eligible pensioners, during the 3-year period of the proposed SV. This comprises of additional concessions of up to $100 for 2024-25, $75 for 2025-26, and $50 for 2026-27.[18] This is on top of the concession councils must provide to eligible pensioners of up to $250 each year.[19] From 2027-28, the concession would revert back to the required amount, which has a maximum of $250.[20]

The council told us it will cap water and sewer charge increases to 3% per year for the duration of the proposed 3-year SV.[21]

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

The council estimated if approved its proposed SV of a cumulative increase of 34.9%, would increase its permissible general income from $19.7 million to $26.6 million after the 3 years, which would remain permanently.[22]

2.4 Further information provided

Following our preliminary assessment of the council's application, we asked the council to provide further clarification on:[23]

- its proposed expenditure program, if approved for the 3-year SV
- the impact of the Art Gallery on the council's financial forecasts
- its forecasted infrastructure backlog and renewals ratios
- its planned productivity and cost containment initiatives
- its 2022-23 Annual Report
- its LTFP.

The council provided correspondence to clarify the items above. We 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 222 responses to our feedback form, and 17 additional public submissions from stakeholders.

There are 11,440 rateable properties in the council's local government area (LGA). There are 8,922 residential assessments, 1,065 business assessments and 1,453 farming assessments.

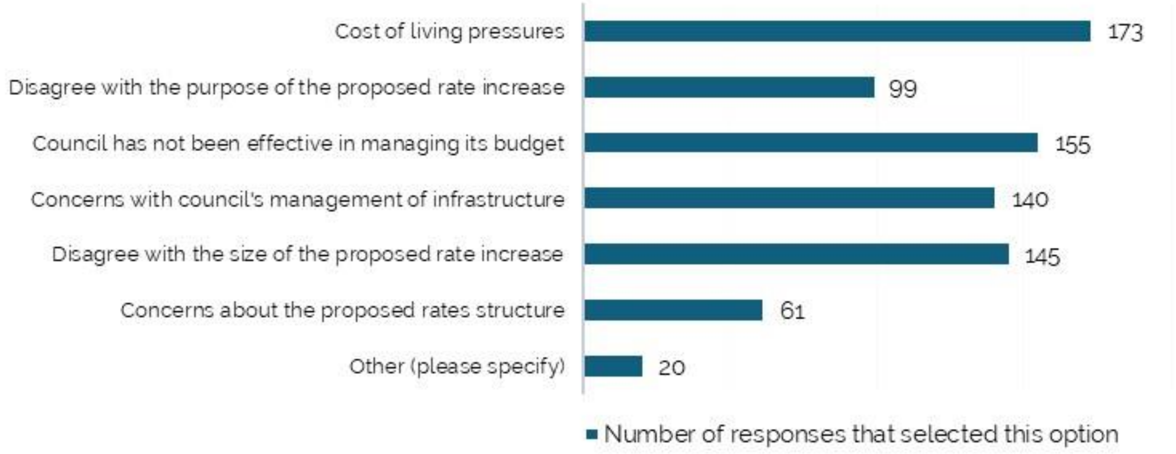
3.1.1 Response to the feedback form

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.

We received 222 responses relating to Griffith City Council's application. Of these, 174 respondents (78.4%) were opposed to the proposed SV, 31 respondents (14.0%) partly supported it, and 17 respondents (7.7%) supported it.

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

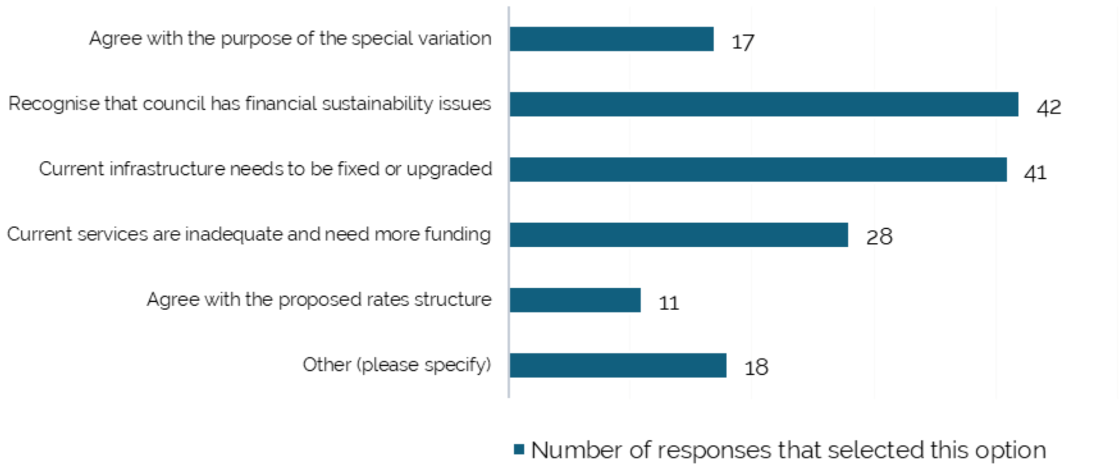
Figure 3.1 Reasons that respondents said they might oppose the proposed SV



Note: We received 222 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

Other responses included references to mismanagement, the council wasting money and the current cost of living crisis.

Figure 3.2 Reasons that respondents said they might support the proposed SV



Note: We received 222 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 majority of the other responses were made up of stakeholders who did not support the SV.

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 our responses to them, are summarised below.

3.2.1 Affordability of proposed rates increases

Many stakeholders raised concerns about the impact of the council's proposed SV on the affordability of rates and suggested this would lead to financial hardship. A common concern was absorbing the proposed SV in the current high inflation economic climate. Those on fixed incomes were also concerned about the impact of the SV. Several stakeholders also raised the view that the rate rise would impact business and farmland ratepayers.

We have considered these concerns and outlined our conclusion in Chapter 7.

3.2.2 The council's financial management

Some stakeholders also raised concerns that the council has not been financially efficient. For instance, a few said that the executive council staff were overpaid. One concern raised was that the council may not have fully taken into account the operating costs of grant funded assets. Another stakeholder raised the concern that new community assets have increased service levels to ratepayers, however, the impact and financial management of these community assets were not communicated to the community.

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 however considered the council's past and planned cost containment and productivity improvements in Chapter 8.

3.2.3 The council's consultation with the community

Several stakeholders expressed concern that the council's community consultation on the proposed SV was not transparent. One concern raised was that it was unclear how the council would spend the SV income. Another concern raised was that the council presented an all or nothing approach to the SV.

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

3.2.4 Alternatives not explored

Several stakeholders submitted that the council had not explored other revenue raising alternatives, which would have either prevented the need for an SV, or enabled the council to apply for a lower rate rise. One stakeholder said the council should have pursued a 1-year SV instead, in conjunction with alternative revenue raising initiatives.

We assess whether the council has canvassed alternatives to an SV in Chapter 4 and its communication of ongoing efficiency initiatives to the community in Chapter 5.

3.2.5 The council does not have a financial need

A few stakeholders queried whether the council had a financial need and were of the view that the council's finances were robust.

We have considered these concerns and outlined our conclusion in Chapter 4 after assessing the council's projected operating performance and its cash position.

3.2.6 Equity of the current rating system for farmers

A few stakeholders expressed their concern that the current rates distribution was unfair towards farmland ratepayers, especially when farmers' costs are not keeping up with their revenue.

We acknowledge stakeholders' concerns about the distribution of rates.

It is a matter for the council to determine the rating structure, including distribution of rates among ratepayers in compliance with the current regulatory framework. For example, the council cannot levy ordinary rates on exempt land,[24] and must categorise land[25] according to the Local Government Act and Regulations.[d] These requirements, which are outside the scope of IPART's role assessing SVs, may contribute to some stakeholders' sense of inequity in how rates are distributed.

3.2.7 Impact of recent land valuations on the council's income

One stakeholder submitted that the council receives regular additional income from land revaluations done by the Valuer-General and queried the council's need for the SV.

Routine changes in land valuations (those that occur when the Valuer-General values land every 3 years as part of its general valuation cycle) do not increase (or decrease) the council's maximum permitted level of general income. As set out in Box 3.1 below, the council is required to adjust its rates following routine changes in land valuations to ensure the total amount of general income recovered from ratepayers does not exceed the maximum permitted amount.

[d] See, for example, section 556(1)(h) of the *Local Government Act 1993* (NSW) which provides land owned by public benevolent institutions or charities used for certain purposes is exempt land, and clause 122 of the *Local Government (General) Regulation 2021* (NSW) relates to the categorisation of land used for retirement villages, serviced apartments or a time-share scheme.

Box 3.1 Effect of land valuation on rates

Routine changes to land valuations do not increase the total amount of general income the council can recover from ratepayers (also known as the 'permissible general income' or PGI). A council's PGI for each year is limited by the rate peg or a percentage determined by IPART in a special variation.[e] Changes in land valuations can mean individual ratepayers may pay either higher or lower rates.

Individual rates depend on the combination of:

- the council's rating structure
- the relevant rating category (or sub-category)
- the property's unimproved land value.

The variable component of rates, 'ad valorem', is determined as:

ad valorem component = amount in the dollar × land value

Generally, the council recalculates the 'amount in the dollar' rate every year to ensure the council does not collect rates above its PGI. For example, if overall land values increase, it may need to reduce the 'amount in the dollar' charged.

A routine increase in a ratepayer's land value by the Valuer-General does not mean that a ratepayer's rates will automatically increase. The impact on rates depends on whether the land value has increased or decreased compared to others in the ratepayer's local government area.

[e] Councils' PGI may be affected by supplementary valuations of rateable land under the Valuation of Land Act 1916 and estimates provided under section 513 of the Local Government Act 1993. Such supplementary valuations and estimates are made when land within a council area has changed outside the general valuation cycle (such as where land has been subdivided or rezoned). This is distinct from the routine changes in land value by the Valuer-General.

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.

For this criterion, we found on balance that the council has not demonstrated a financial need for the SV as set out in its application. We found it has demonstrated a need for additional funds for the first 2 years. We have approved a different SV based on our assessment of this and other criteria which is discussed in Chapter 10.

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 submissions and our feedback form. 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 on balance did not meet this criterion.

4.1 Stakeholder comments on financial need

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

- alternative revenue sources were not explored
- the financial need is caused by the maintenance costs associated with grant funded assets
- the council does not have a financial need.

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 Delivery Program identify and articulate the need for and purpose of the SV. However, we found shortcomings with the council's Long-Term Financial Plan (LTFP).

The Delivery Program and the LTFP state that the proposed SV of 34.9% over 3 years is needed to address the council's deteriorating general fund. The council attributed this continued decrease to:[26]

- rate pegging
- inflation of materials, services and utilities
- employee costs (e.g. Award increases)
- depreciation (e.g. major new assets such as the Griffith Regional Sports Centre and Community Centre).

However, the Delivery Program and LTFP could have more clearly communicated the canvassing of alternatives prior to reaching the decision to apply for an SV. Our assessment on this is provided in section 4.4.

The LTFP does not reflect the SV it has applied for

The OLG SV Guidelines require councils to accurately reflect in their adopted LTFP, the Baseline (rate peg only) and SV scenarios.[27]

The adopted LTFP submitted to IPART did not include financial forecasts for its Baseline scenario. This means ratepayers would not have had the opportunity to compare the council's SV financial forecasts against its business-as-usual model. This would have impacted ratepayers' understanding of why the council was applying for its proposed SV.

While the council's LTFP included forecasts for its proposed SV, the need for income above the rate peg was not clear beyond 2025-26 (the second year). In 2026-27, the LTFP included a subsequent 7% SV to fund an Art Gallery. From 2026-27 the financial forecasts in the LTFP showed that the council's OPR on average would be 5%.

When councillors met on 24 October 2023, they resolved to apply for a permanent 3-year SV of 34.9%, which comprised of a 10.50% increase in each of 2024-25, 2025-26 and 2026-27.[28] At this meeting, councillors also resolved that the council staff prepare the next draft Operational Plan (budget), draft Delivery Plan and LTFP on the basis of removing the Art Gallery project.[29] To clearly articulate the need for its proposed SV, the council should have also adopted an LTFP that reflected the SV it has applied for.

In its application, the council also said that in accordance with the council's resolution, this item would be removed from the LTFP when the council next considered the draft IP&R documentation in April 2024.[30] The council told us on 15 April 2024:

- that a draft budget would be presented to councillors during a workshop on 18 April 2024
- the draft budget would then be reported to the council for adoption and public exhibition on 14 May 2024 and would be placed on public exhibition for 28 days after that.

The council communicated on 1 May 2024, that councillors will consider an updated LTFP on 7 May 2024. The proposed recommendations to be considered are that the council endorse this, place the document on public exhibition for 28 days then present the document for adoption by 30 June 2024, and subject to any amendments resulting from community submissions.[31] The LTFP that is to be considered appears to exclude the subsequent 7% SV for an Art Gallery in 2026-27.[32]

We discuss the financial impact of this in more detail in the subsequent sections within this chapter.

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.

For Griffith City Council, the forecasts for its Baseline and Baseline with SV expenditure scenarios are the same. This is because the council does not propose any specific expenditure that is contingent on the SV approval. As noted in its application, the purpose of the council's SV is to ensure the financial sustainability of its general fund and maintain existing services.[33]

Inclusion of revenue and expenditure of a future Art Gallery

As noted in section 4.2, the council's most recently adopted LTFP includes the assumption that a new Art Gallery would be funded in 2026-27.

The sections below will use figures that include the financial impact of the Art Gallery, as the council's most recently adopted LTFP included the revenue and expenditure associated with that project and was what was ultimately submitted to us.

However, where relevant, we have also assessed the council's financial need without the Art Gallery. In our analysis we explain where we are discussing the council's financial need without the impact of the Art Gallery.

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.[34] 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 remain below the OLG benchmark for the first 2 years then from the third year (2026-27) be above the benchmark. Its average OPR over the five-year period would be 1.7%.
- **Under the Baseline and Baseline with SV expenditure scenarios**, the council's OPR would remain below zero percent for the next 5 years. It shows a slight increase in the third year (2025-26) and stabilises thereafter. Its average OPR over this five-year period would be -5.9%.

This suggests that without the SV, the council's operating expenses would exceed its operating revenue and its finances would remain below the OLG benchmark in the short-term.

The financial need beyond 2025-26 (Year 2) has not been clearly articulated in the LTFP

Without the SV, the council has shown that its OPR would be negative in future years, and we consider that this shows some need for additional funds.

However, the inclusion of the Art Gallery in the council's LTFP means that there is a net increase of approximately $886,000 per year in operating profit from 2026-27 up to 2032-33. This means from the third year (2026-27), the OPR is inflated by around 1.4% each year. The council's projected OPR under its proposed SV is around 5% after 2026-27 (see Table 4.1).

This is not consistent with the key purpose of this SV, which is to address the council's forecast operating budget shortfall while maintaining existing services. The OPR forecasts beyond 2026-27 do not show that the council clearly has a financial need for the magnitude of the SV it applied for.

However, we consider the council has articulated a need for the first 2 years of its SV. With the SV, its OPR in 2024-25 (Year 1) would improve to -4.4% then -0.9% in 2025-26 (Year 2) (see Table 4.1). We note that these 2 years of increases will be permanent, and the council will continue to collect the extra revenue which would also support its financial sustainability into the future.

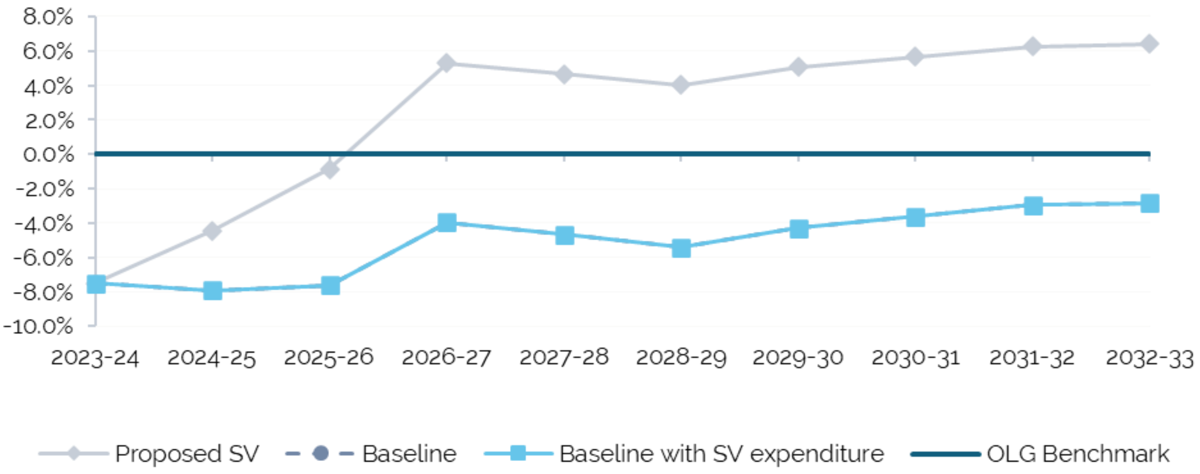
Waste fund's impact on financial need

While we use a range of measures to assess the council's financial need, we note that in this case the inclusion of the waste fund in the OPR may make the forecast OPR seem higher than it actually would be if the OPR calculation only included revenues and expenses for the general fund.

The numbers in Figure 4.1 and Table 4.1 include the council's waste revenue and operating expenditure. The council noted that if we exclude this, its forecast net operating result would be worse.[35] This is because the council forecasts the waste fund's net operating result (before capital) would average around $1.4 million per year between 2024-25 and 2032-33.[36] Funds in the waste fund are restricted to the purpose of providing waste services. Therefore, these cannot be used for the purpose of this SV, which is to address financial sustainability issues and maintain existing services. We note that the council's LTFP includes forecast waste related capital expenditure of around $1.1 million per year on average between 2024-25 and 2032-33.[37]

As noted above, we found that the council has articulated a financial need for the first 2 years of its proposed SV but not clearly articulated a need beyond this.

Figure 4.1 The council's projected OPR



a. OPR shown excludes capital grants and contributions.
b. The Baseline and Baseline with SV expenditure scenarios are the same. This is because the council does not propose any specific expenditure that is contingent on the SV approval.(also see Table 4.1 below).
Source: Griffith City 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
Proposed SV	-4.4	-0.9	5.3	4.7	4.0	5.1	5.7	6.3	6.4
Baseline	-7.9	-7.6	-3.9	-4.7	-5.4	-4.3	-3.6	-3.0	-2.8
Baseline with SV expenditure	-7.9	-7.6	-3.9	-4.7	-5.4	-4.3	-3.6	-3.0	-2.8

a. The Baseline and Baseline with SV expenditure scenarios are the same. This is because the council does not propose any specific expenditure that is contingent on the SV approval. The reasons are further explained in section 4.3.
b. Source: Griffith City 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 explain 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 two 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

The council told us it held a total of $23.9 million in cash and investments as at 30 June 2023, with:[38]

- **$14.5 million externally restricted funds.** For Griffith City Council examples include developer contributions and stormwater management.[39]
- **$9.3 million internally restricted funds.** For Griffith City Council examples include internal restrictions for waste and employee leave entitlements.[40]
- **$0.1 million unrestricted funds.** These funds can be used to fund the council's day to day operations.

This suggests that the majority of the council's cash reserves are committed to other purposes, except for the $0.1 million that is unrestricted.[41] We calculated that as at 30 June 2024, the council will have net debt of -$8.0 million and a net debt to income ratio of -16.0%.

Net cash (debt) to income ratio

Figure 4.2 shows over the next 5 years (2024-25 to 2028-29), the council's net cash to income ratio on average would be:

- 1.8% under the Baseline Scenario (without the SV)
- 19.6% under the Proposed SV Scenario.

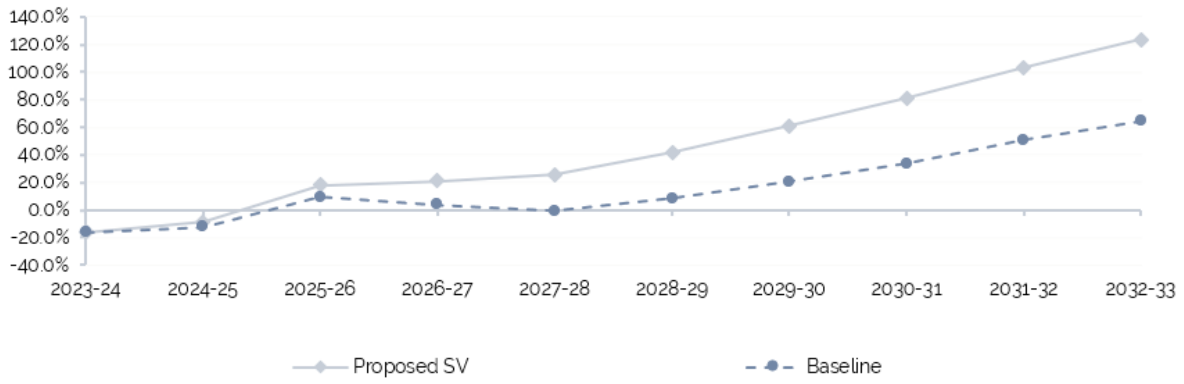
The ratios above include the Art Gallery, which impacts the clarity of the council's need for its proposed SV. The impact on cash without the Art Gallery in the next 5 years means that the council:

- would not have a $7.5 million cash inflow in 2025-26 when it expects to receive a capital grant
- would no longer have a cash inflow from the extra rates it could collect if it were approved for an SV in 2026-27 to cover the costs of the gallery
- would not have a $7 million cash inflow in 2027-28 when it expects to receive funds from a loan nor have associated borrowing and financing costs from that loan
- would not need to spend $15 million to undertake capital works.

Figure 4.2 also shows that without the SV, the council's net cash to income ratio improves over time to 64.4% by 2032-33 from -16.0% in 2023-24. This means that by 2032-33 the council's unrestricted cash balance would be $26.6 million based on its adopted LTFP.

We also asked the council to provide its unrestricted cash projections, without the Art Gallery. It told us its unrestricted cash would be around $22.5 million in 2032-33.[42]

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



a. This figure includes the Art Gallery.
Source: Griffith City Council, Application Part A, WS 9.

We also asked the council about its long-term forecasts of its cash reserves. It told us on March 2024 that its LTFP scenarios excluded a number of capital expenditure items that were either in the planning stage or have been left unfunded. These included:

- a significant housing project in Lake Wyangan ($34 million)[f]
- capital expenditure identified by staff or councillors ($24 million)
- additional long-term capital projects that are unfunded ($59 million).[43]

We note that these figures may change, and the decision to fund a specific capital program, is subject to what councillors resolve. It is our understanding that the council's 2024-25 draft budget documents will be considered on 7 May 2024 and is subject to adoption by 30 June 2024.[44]

Nonetheless, based on the information we have from the adopted LTFP, even though the council's unrestricted cash without an SV would exceed $20 million in 2032-33, this would only be sufficient to cover 6 months of operating expenses without income.

Thus, we recognise that the council's reserves may not be sufficient to cover day-to-day expenses under a rate peg only revenue path.

To provide a clearer understanding of a council's financial position when applying for an SV, we consider proposed projects that a council intends to undertake should be included in long term financial planning. This would provide a clearer picture of the need for funds and the impact that any additional funds would have on its financial position.

[f] The council also told us in March 2024 that it did not include the Lake Wyangan housing project expenditure in its SV application because the final masterplans and cost projections were incomplete when submitting its application in January 2024. The council estimates it will have to forward fund up to $34 million using a mix of reserves and borrowed funds for this housing project.

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 Box 4.3 for more information on these ratios.

The council has told us it does not plan to use the SV income for capital expenditure, i.e. no SV contingent capital projects.

As such, the forecasted infrastructure backlog and renewal ratios remain the same under the Baseline and Proposed SV scenarios.

The council's infrastructure backlog ratio would be between 0.4% and 0.6% for the next 10 years, meeting the OLG's benchmark of less than 2.0%. However, its renewals ratio would be around 50% over the next 10 years, which is less than the OLG's benchmark of more than 100%.

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*.

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.

We found that the Delivery Program and LTFP could have more clearly communicated the canvassing of alternatives to the SV. We found that these documents did not outline initiatives that were considered or actioned before reaching the decision to proceed with an SV, other than reducing services or undertaking service reviews.[45] In future, the council should outline any initiatives that were considered or implemented to address financial need before reaching the decision to apply for an SV, in its IP&R documents.

However, we do acknowledge that the council has considered other strategies to address financial need, which it has told us in its application to us, but not clearly outlined in its Delivery Program or LTFP. For instance:

- renewable energy infrastructure to save operating costs
- reviewing current lease arrangements
- considering the introduction of paid parking at Griffith Airport
- reduced hours for community facilities such as the Griffith Regional Aquatic Centre
- reduced service levels for roads, parks, gardens, strategic planning and stormwater drainage.[46]

We do note that the Delivery Program and LTFP articulate an annual savings target of $1 million per year, starting in 2024-25.[47]

We assess that the council has largely demonstrated the requirement to canvass alternatives to the rate rise.

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.[48]

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 demonstrated it had engaged with ratepayers on its SV application and that its community is aware of the need for and purpose of the SV.

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 submissions and our feedback form 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 met this criterion.

5.1 Stakeholder comments on community awareness

In submissions to IPART and responses to our feedback form, a few stakeholders raised concerns related to the council's community consultation, including that the council:

- did not clearly explain how the SV income would be spent
- proposed an 'all or nothing' approach.

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 council.

We received 222 responses. There were mixed views about whether the council had adequately communicated, provided opportunity for feedback and explained the reasons for the SV. The majority of respondents 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 were generally clear and contained the information they needed to be aware of the need and extent of the rate increases i.e. the 34.9% over 3 years comprising of a 10.5% increase each year.

The council's consultation materials set out:

- the need for the SV
- the full cumulative percentage increase of the proposed SV and the projected average rates in dollar terms for residential, business and farmland rating categories
- what the additional income from the proposed SV would fund
- how to find out more information.[49]

In its PowerPoint presentations to the community, the council laid out the operating result forecasts up to 2032-33 without the Art Gallery for both the Baseline and proposed SV scenario.[50,g] The presentation reflected the financial impact of the SV that the council applied to IPART for, that is, 34.9% SV over 3 years. The council's community consultation was from May to August 2023, and we understand the decision to remove the Art Gallery was made in October 2023.

The council's Delivery Program and LTFP also set out the extent of the rate rise (i.e. 10.5% in each of the next 3 years), including the cumulative increase (i.e. 34.9% over 3 years), and why an SV was needed.[51]

The Delivery Program and LTFP also set out ongoing efficiency measures such as the council's target to cut $0.3 million by 2023-24, and $1 million per annum after that.[52]

[g] The council told us that the general fund deficit for 2023-24 is shown as $3.65 million in the PowerPoint, however, it should have been $3.765 million. It said this was due to a transposition error. We note this $115,000 difference, but assess the variance is not material to impact the council's consultation with its community.

The council has also told us in its application it is investigating other revenue raising initiatives such as paid parking at Griffith Airport and reviewing current lease arrangements.[53] The council also committed on 24 October 2023 to undertake additional service reviews within the general fund.[54,h] In future, the council should also clearly outline these initiatives in its community consultation materials.

Differences in the average rates in the application and consultation materials

We also found that the average rates communicated to the community were different to what was provided to us in the council's application.[55] For instance, in 2026-27 (Year 3) with the SV, the average residential and business rates in its application are around $100 higher than in the consultation materials. The average farmland rates are around $150 less. The council explained that this was because the average rates calculated for community consultation were prepared prior to June 2023, and it said the average rates used were correct at that time.[56]

The council also explained that the average rates submitted to IPART on January 2024 were based on updated November 2023 data, which included supplementary valuations.[57]

Some ratepayers might consider this difference to be material. However, we note that this is the average taken across all rating assessments. We also note that the council had an online rate calculator available where ratepayers could access the SV's impact on their property's assessment, which would be more meaningful to a ratepayer than the average rates taken across the whole council area.

We accept that this was due to the early timing of the council's consultation and it used the most up-to-date data available to it.

Engagement methods used

We found the council used an appropriate 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:[58]

- direct mail out of flyers to all ratepayers
- a dedicated special variation webpage
- information provided via the council's newsletters
- newspaper advertisements
- electronic newsletters
- social media channels
- community meetings and information sessions.

[h] The additional service reviews are the Griffith Regional Aquatic Leisure Centre (early 2024) and Parks and Gardens (2024-25).

Process for community consultation

We found the process the council used to engage with and consult the community about the proposed SV was effective. The council consulted with the community from 12 May to 31 August 2023.[59] This consultation period provided enough opportunity for ratepayers to be informed and provide feedback on the proposal.

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.

The community's feedback about the council's proposed SV was considered at the council meeting of 24 October 2023.[60] During its consultation period:[61]

- the council received 157 submissions
- the council's face-to-face community meetings attracted around 500 residents
- the council's SV webpage was viewed around 1,600 times, its online SV video presentation was viewed 325 times and 184 users had accessed the council's online rates estimator.

Out of the 157 submissions the council received, it found:[62]

- 69% were not in favour of the SV
- 16% were in favour of the SV
- the sentiment of the remaining 15% was not clear.

Issues raised during the council's community consultation were:[63]

- concerns about the affordability of the proposed SV for ratepayers
- concerns that the council had not explored other alternatives to an SV
- that the council should have considered a smaller SV combined with reduced costs and explore other revenue streams
- concerns that council jobs and services would be cut
- that senior positions and staffing levels should be reviewed
- views about the council's efficiency, including the number of councillors and reviewing current spending and services
- that the council should focus on essential infrastructure projects
- concerns about the new Art Gallery proposal
- housing affordability.

In response to the outcomes of community consultation, the council resolved to offer additional concessions on top of the statutory requirements for eligible pensioners, during the 3-year period of the proposed SV. This comprises of additional concessions of up to $100 for 2024-25, $75 for 2025-26, and $50 for 2026-27.[64] This is on top of the concession councils must provide to eligible pensioners of up to $250 each year.[65] From 2027-28, the concession would revert back to the required amount, which has a maximum of $250.[66]

The council has also resolved to undertake a review of its Hardship Policy.[67] It also resolved to cap increases to water and sewer charges to a maximum of 3% per year, for the duration of the proposed 3-year SV.

The council also told us that the decision to remove the Art Gallery from its LTFP in next year's budgeting process was made after its community consultation ended on August 2023.

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.

For this criterion, we found that the council has demonstrated that the impact of its proposed special variation on ratepayers is reasonable.

> 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 met 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 $413 or 34.9% in total
- the average business rate would increase by $1,068 or 34.9% in total
- the average farmland rate would increase by $1,419 or 35.0% 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 ($)	1,185	1,309	1,446	1,598	
$ increase		124	137	152	413
% increase		10.5	10.5	10.5	34.9
Business average rates ($)	3,058	3,379	3,734	4,126	
$ increase		321	355	392	1,068
% increase		10.5	10.5	10.5	34.9
Farmland average rates ($)	4,058	4,486	4,957	5,477	
$ increase		428	471	520	1,419
% increase		10.5	10.5	10.5	35.0

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

6.2 Stakeholder comments on impact on ratepayers

In their submissions to us, many stakeholders raised a range of concerns related to the impact on ratepayers. In particular, they said that the proposed SV:

- is unaffordable considering the current inflationary pressures
- would have a large impact on ratepayers who are on fixed incomes
- is unreasonable for farmland ratepayers whose own income has also decreased.

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 222 responses. The large majority of responses did not agree that the rate increase was affordable (disagreed or strongly disagreed). A similar proportion were also of the view that the SV application did not consider financial constraints of ratepayers, different options to reduce the financial impact on ratepayers, or balanced the community's need for services and its impact on ratepayers. The full results are presented in Figure C.3 in Appendix C.

We have considered these 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 reasonable, given:

- the council's proposal to provide additional concessions to eligible pensioners on top of the statutory requirement of up to $250 during the 3-year SV period
- the council has a hardship policy, which it has also resolved to review (see section 6.5)
- the council's average rates with the proposed SV would generally be in line with comparable councils (see section 6.4).

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 Delivery Program and LTFP clearly communicated the annual and the cumulative increase of its proposed SV in percentage terms. However, these IP&R documents did not show the estimated average rates per rating category in dollar terms, as required by the OLG Guidelines. The council did however communicate the estimated average rates for each rating category through various consultation materials, including its SV webpage, PowerPoint presentations to the community and its rates calculator.[68,i] We assess this would have been sufficient for ratepayers to have been aware of the impact of the proposed SV.

The council's IP&R documents do not include the consideration of its community's capacity to pay the proposed SV. However, we acknowledge that the council has provided a capacity to pay analysis as part of this SV application, as outlined in the next section.

In future, the council should include relevant information it has already prepared for its community in its IP&R documents, as this is a requirement of the OLG SV Guidelines.

The council's consideration of capacity to pay

The council's analysis considered industry economic data, demographics, housing tenure, housing expenditure, income and levels of social disadvantage relative to Regional NSW.[69] The council's assessment found that ratepayers do have capacity to pay. For instance, it found:

- the agricultural, manufacturing and construction sectors added $1.038 billion to the LGA's economy in 2021-22[70]
- the 2021 median weekly household income for the council was $1,715 in 2021 compared to $1,466 in Regional NSW[71]
- the 2021 median weekly rent ($295) is lower than the median rent for Regional NSW ($330)[72]
- the 2021 median weekly mortgage repayments are in line with the median repayments for Regional NSW ($339)[73]
- the council's SEIFA IRSAD was in the 5th decile, meaning that the council falls around the middle for its level of advantage and disadvantage compared to other Australian LGAs[74]

[i] The average rates communicated to the community was different to what was provided to us in our application. For instance, as at Year 3: 2026-27 with the SV, the average residential and business rates were around $100 higher in its application to us. The average farmland rates were around $150 less. The council explained that this was because the average rates calculated for community consultation were prepared prior to June 2023. The average rates submitted to IPART were based on updated November 2023 data, which included supplementary valuations.

- the percentage of overdue rates for the council are low at around 2%[j] as at 2022-23.[75]

However, the analysis acknowledges there are areas of disadvantage within the council area.[76] The council's SV application also acknowledges the current cost of living pressures.[77]

The council indicated that it has a financial hardship policy to assist ratepayers who have difficulty paying their rates. The policy allows accrued interest to be written-off.[78] On 24 October 2023, the council a resolved to review this policy to ensure 'adequate assistance is provided to ratepayers experiencing genuine hardship'.[79]

The council noted it has resolved to offer additional concessions on top of the statutory requirements for eligible pensioners, during the 3-year period of the proposed SV. This comprises of additional concessions of up to $100 for 2024-25, $75 for 2025-26, and $50 for 2026-27.[80] This is on top of the concession councils must provide to eligible pensioners of up to $250 each year.[81] From 2027-28, the concession would revert back to the required amount, which has a maximum of $250.[82]

The council has told us it will cap water and sewer charges increases to 3% per year for the duration of the 3-year SV.

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 found the impact on ratepayers is reasonable. With the proposed SV, its average residential and business rates would generally be comparable to neighbouring and similar councils, however farmland rates would be higher. The council population has less socio-economic disadvantage compared to similar councils based on selected indicators, such as median household income. Also, its outstanding rates ratio of 1.9% is significantly below the OLG benchmark of <10% for regional councils. The council has also resolved to provide additional concessions to pensioners and capped its water and sewer charges to a 3% increase per year during the SV period which may help to manage the impact for ratepayers that might be struggling to pay their rates.

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 3.6%, compared to the average rate peg of 2.4% over the same period. Average business and farmland rates have grown at a more similar rate to the rate peg.

[j] The council told us that this calculation is based on rates notices with debts of over $500 and excludes postponed rates.

This may be due to the Additional Special Variation, supplementary valuations or a redistribution of rates within the rating categories.

Table 6.2 Historical average rates in Griffith City Council ($nominal)

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	Average annual growth (%)
Residential	992	1,026	1,025	1,078	1,099	1,185	3.6
Business	2,672	2,747	2,751	2,865	2,922	3,058	2.7
Farmland	3,617	3,661	3,878	3,815	3,891	4,058	2.3

Note: 2022-23 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, Griffith City 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 Griffith City 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.

Griffith City Council has a SEIFA rank of 58 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 Port Stephens, City of Coffs Harbour, Albury City and Shoalhaven City councils.

Box 6.1 Comparable councils

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.

Griffith City Council is in OLG Group 4 which is considered a 'regional town/city area with a population of less than 70,000'. Group 4 has 25 councils in total, including Albury City Council, Cessnock Council and Orange City Council.[83]

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 are Leeton Shire Council, Narrandera Shire Council and Wagga Wagga City Council. 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 the current year (2023-24), average residential rates are higher than 2 of the neighbouring councils but lower than the average of comparable councils based on SEIFA and the OLG Group. By the final year of the proposed SV (2026-27), the average residential rates would be $1,598. This is higher than the neighbouring councils, and similar to the average of other comparable councils based on SEIFA and the OLG Group (up to $46 more).
- In 2023-24, average business rates are higher than 2 of the 3 neighbouring councils but lower than the average of comparable councils based on SEIFA and the OLG Group. By the final year of the proposed SV (2026-27), the average business rates would be $4,126 and still higher than 2 of the 3 neighbouring councils and lower than the average of comparable councils based on SEIFA and the OLG Group.
- In 2023-24, average farmland rates are higher than all 3 neighbouring councils and the average of comparable councils based on SEIFA and the OLG Group. By the final year of the proposed SV (2026-27), the average farmland rates would be $5,477. This is higher than the selected comparable councils except Narrandera (which has also been approved for an SV this year).

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
Griffith City Council (OLG Group 4)	**1,185**	**1,309**	**1,446**	**1,598**
Neighbouring councils				
Leeton	1,173	1,226	1,257	1,288
Narrandera	728	913	1,078	1,105
Wagga Wagga	1,193	1,253	1,284	1,316
Average	**1,156**	**1,224**	**1,265**	**1,297**
Comparable councils (SEIFA)				
Port Stephens	1,246	1,365	1,494	1,531
Coffs Harbour	1,378	1,455	1,491	1,528
Albury	1,497	1,568	1,607	1,647
Shoalhaven	1,400	1,463	1,500	1,537
Average	**1,376**	**1,456**	**1,514**	**1,552**
Group 4 average (excl. Griffith City Council)	**1,329**	**1,435**	**1,515**	**1,568**

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 ($)				Average farmland rate ($)			
	Current	2024-25	2025-26	2026-27	Current	2024-25	2025-26	2026-27
Griffith City Council (OLG Group 4)	**3,058**	**3,379**	**3,734**	**4,126**	**4,058**	**4,486**	**4,957**	**5,477**
Neighbouring councils (Border)								
Leeton	1,030	1,076	1,103	1,131	3,920	4,097	4,199	4,304
Narrandera	1,304	1,636	1,931	1,979	3,880	4,870	5,747	5,890
Wagga Wagga	6,351	6,669	6,836	7,007	3,012	3,162	3,241	3,322
Average	**4,732**	**5,003**	**5,161**	**5,290**	**3,436**	**3,794**	**4,070**	**4,172**
Comparable councils (SEIFA)								
Port Stephens	5,126	5,613	6,146	6,299	2,040	2,234	2,446	2,507
Coffs Harbour	4,460	4,710	4,827	4,948	2,377	2,510	2,573	2,637
Albury	6,642	6,954	7,128	7,306	4,736	4,958	5,082	5,209
Shoalhaven	2,322	2,427	2,488	2,550	2,824	2,951	3,024	3,100
Average	**4,499**	**4,778**	**4,992**	**5,117**	**2,700**	**2,855**	**2,968**	**3,042**
Group 4 average (excl. Griffith City Council)	**4,420**	**4,775**	**5,051**	**5,214**	**2,651**	**2,865**	**3,032**	**3,135**

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 78% of ratepayers (there were 8,922 residential assessments out of 11,440 assessments in 2023-24[84]).[k] Our approach is explained in Box 6.2 and our analysis is presented below.

[k] 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[l], 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.

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

Table 6.5 below shows that socio-economically, the Griffith City Council population has less socio-economic disadvantage compared to similar councils based on selected indicators, in particular:

- Median income is higher than in neighbouring areas, comparable councils by SEIFA, and the Group 4 average.
- The median household income may be explained by the fact that 14.1% of Griffith City residents are on a Government pension, which is a lower proportion compared to similar councils.
- The typical household in Griffith City Council area would spend around 1.3% of its household income on residential rates. This is lower than the average of what those in neighbouring council areas would do (1.4%) and that of comparable councils by SEIFA (2.0%), and lower than other OLG Group 10 councils (1.7%).
- 1.9% of the council's rates and annual charges were outstanding, which meets the OLG's benchmark of less than 10% for regional councils and is significantly lower than the comparable councils.
- 33.5% of dwellings in the council area are owned outright, which is a lower proportion than other similar and comparable council areas.

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 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]
Griffith City Council (OLG Group 4)	90,376	1.3	1.9	14.1	10.5%	33.5
Neighbouring councils						
Leeton	73,684	1.6	8.5	18.6	10.3%	36.1
Narrandera	61,568	1.2	7.3	24.7	9.7%	40.8
Wagga Wagga	85,176	1.4	6.0	15.6	12.4%	29.5
Average	**73,476**	**1.4**	**7.3**	**16.6**	**12.0%**	**35.5**
Comparable councils (SEIFA)						
Port Stephens	71,344	1.7	4.1	23.5	14.5%	41.2
Coffs Harbour	70,876	1.9	6.9	23.4	17.5%	37.3
Albury	74,360	2.0	4.3	19.9	13.8%	30.6
Shoalhaven	65,000	2.2	5.7	25.2	14.7%	44.7
Average	**70,395**	**2.0**	**5.3**	**23.4**	**15.2%**	**38.5**
Group 4 average (excluding Griffith City Council)	**77,006**	**1.7**	**6.9**	**20.3**	**13.5%**	**38.0**

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 the average debt per overdue rates notice was $467 in 2018-19, which increased to $803 in 2019-20, then fluctuated year-on-year to decrease to an average debt of $346 per overdue notice in 2022-23. Between 2018-19 and 2022-23, there were 14 hardship applications made under the council's hardship policy.

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. We are satisfied that the council has a hardship policy in place to assist vulnerable ratepayers, and it has appropriate strategies to make its community aware of how they can access this.

The hardship policy provides options for assistance, such as writing off accrued interest and a repayment schedule.[85] Between 2018-19 and 2022-23, the council told us 14 hardship applications were made.[86] This may reflect that the community may not be aware of the application process or could indicate that the council has low levels of hardship. On 24 October 2023, the council also resolved to review this policy to ensure 'adequate assistance is provided to ratepayers experiencing genuine hardship'.[87]

The council noted it has resolved to offer additional concessions on top of the statutory requirements for eligible pensioners, during the 3-year period of the proposed SV. This comprises of additional concessions of up to $100 for 2024-25, $75 for 2025-26, and $50 for 2026-27.[88] This is on top of the concession councils must provide to eligible pensioners of up to $250 each year.[89] From 2027-28, the concession would revert back to the required amount, which has a maximum of $250.[90] The council also told us that 1,248 rates notices had the pensioner rebate applied to it in 2022-23.

The council has also told us it resolved to cap water and sewer charges increases to 3% per year for the duration of the 3-year SV.

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 did not exhibit, approve and adopt its Integrated Planning & Reporting (IP&R) documentation appropriately. We have approved a different SV based on our assessment of this, and other criteria which is discussed in Chapter 10.

> 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 did not demonstrate this criterion. The relevant IP&R documents are described in Box 7.1.

As outlined in section 4.2 the council's adopted LTFP did not reflect the SV it has applied for, which impacted the council's ability to clearly articulate a need for its proposed SV beyond 2025-26.

IP&R documents such as the LTFP are important accountability and transparency mechanisms to ensure a council understands and can deliver on the priorities set by its community. It is also a governance tool to represent the financial plan of councillors.

The OLG SV Guidelines stipulate the expectation that "councils will hold an extraordinary meeting if required to adopt the relevant IP&R documents before the deadline for special variation applications."[91] The Guidelines also stipulate that "council applications must be based on their adopted IP&R documentation".[92]

One stakeholder during our consultation process said that the council should have exhibited and adopted a Long-Term Financial Plan (LTFP) that excluded the revenue and expenditure of the cancelled Art Gallery.[93]

The council told us on 1 May 2024, that councillors will consider an updated LTFP on 7 May 2024. The proposed recommendations to be considered are that the council endorse this, place the document on public exhibition for 28 days then present the document for adoption by 30 June subject to any amendments resulting from community submissions.[94] The LTFP that is to be considered appears to exclude the subsequent 7% SV for an Art Gallery in 2026-27.[95]

The council should have adopted an LTFP that reflected its SV application before submitting its application on 16 January 2024.

We found that the council:[96]

- exhibited its current Community Strategic Plan from 11 February to 9 March 2022 and adopted it on 22 March 2022
- exhibited its current Delivery Program from 12 May to 9 June 2023 and adopted it on 27 June 2023
- exhibited its current LTFP from 12 May to 9 June 2023, adopted it on 27 June 2023 and this is available on its website, but note that the LTFP does not reflect the SV the council has applied for
- adopted its Asset Management Strategy on 28 June 2022
- submitted its SV application on 16 January 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 the council explained and quantified the productivity improvements and cost containment strategies it has realised and plans to realise from 2024-25.

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 met this criterion.

8.1 Stakeholder comments on productivity and cost containment

In their submissions to us, a few stakeholders raised a range of concerns related to this. In particular they said:

- that council executive staff are overpaid
- the council takes on grant funded assets without fully taking into account operating costs.

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 222 responses. Of these, around 60% were of the view that the council was not effective in providing infrastructure and services to the community while about 20% agreed, and the remainder did not express a view. A majority of respondents said that the council had not explained past or future cost-saving strategies. The full results are presented in Figure C.4 in Appendix C.

8.2 The council's realised and proposed savings

The council has realised quantifiable savings through organisational restructures and reviewing its loans and insurance plans. It has also realised productivity improvements by pursuing revenue opportunities such as the trading of temporary water.

The council has proposed a $1.0 million per year savings target from 2024-25, which it has included in its LTFP (discussed further below).

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

We consider the council:

- demonstrated it has achieved productivity improvements and cost containment
- outlined strategies and activities for further improving its productivity and efficiency, which it incorporated into its LTFP where possible.

Productivity and cost containment strategies to date

The application indicates that past savings are a result of the following initiatives:[97]

- an organisational restructure in 2012 enabled a $2.0 million annual saving
- reduction of workers compensation claims has enabled the council to cut $0.6 million on insurance premiums, when comparing its 2012 versus 2023 premium
- a review of its insurance premiums in 2015 enabled the council save $2.0 million over the 6 years from 2015
- reducing the use of consultancy services has resulted in annual savings of $24,000
- through the Low Cost Loan Initiative the council has entered into low fixed rate interests, where, as at 2022-23, it has received around $394,000 in rebates
- a review of its telecommunications subscriptions and licence has meant $140,000 has been saved in 2023-24
- the contracting out of domestic and recycling collection in November 2018 has allowed the council to save around $5.0 million as at June 2023[m]
- the sale of 3 farm properties in 2021 and 2022 has allowed the council save around $10,000 per year in operational and maintenance costs.

The council has also pursued alternative revenue streams, such as[98]:

- generating $1.8 million from the sale of the 3 farm properties mentioned above

[m] An SV only regulates the level of general income that councils can collect. That is, income from ordinary rates and certain special rates and annual charges. This excludes other certain types of special rates and charges, including annual charges for domestic waste management services. Variations to the total income councils may collect from annual charges for Domestic Waste Management services are determined under a different process, and are not affected by the proposed SV.

- the trading of temporary water which has allowed the council to raise an additional $5.2 million since 2017-18
- generating an additional $20,000 per year after undertaking a service review of Tourism and Economic Development
- raising an additional $40,000 per year by reviewing its airport hire car parking and counter arrangements.

Planned productivity and cost containment strategies

The council has set an annual cost savings target of $1.0 million per year commencing from 2024-25, which is also incorporated as 'Cost Savings Initiatives' in its LTFP. In its IP&R documents it notes the target is challenging but achievable.[99]

In its application to us the council also outlined the following plans:[100]

- the continued use of LG Procurement is estimated to generate savings of up to $100,000 per year
- reduction in the number of council staff that attend conferences and seminars which is estimated to save the council up to $45,000
- payroll improvements will result in savings of $20,000 per year
- a review of its leases is estimated to save the council up to $20,000 per year
- a review of its telecommunication licences and subscriptions is estimated to generate $140,000 per year
- reduction in the number of councillors from 12 to 9 is estimated to save the council around $89,000 per year
- amending the scope of its existing cleaning contract which would save the council up to $20,000 per year.

Additionally, the council will seek to generate additional revenue by:[101]

- exploring paid parking at Griffith Airport
- pursuing future opportunities to lease the Griffith Regional Sports Stadium, which is already planned to generate $40,000 in 2024.

The council has also identified other initiatives, which it has not quantified, such as:[102]

- potential savings through managing excess leave, overtime and staff vacancies
- considering the installation of solar panel to save energy costs
- participation in the Asset AI software project which will identify issues with the council's roads in a more timely manner reducing the need to do road audits.

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 0.5% each year
- average annual cost per FTE increased by an average of 1.1% per annum
- employee costs as a percentage of operating expenditure has decreased year-on-year by an average of -3.0% (nominal).

We also found that the council has:

- more staff per population than the Group 4 average – it has one FTE for every 95.4 residents, whereas the Group 4 average is one FTE for every 107.5 residents
- operating expenditure per capita is lower 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 Griffith City Council

Performance indicator	2017-18	2018-19	2019-20	2020-21	2021-22	Average annual change (%)
FTE staff (number)	279	277	282	284	285	0.5
Ratio of population to FTE	95.3	97.0	95.8	95.6	95.4	0.0
Average cost per FTE ($)	82,577	89,087	85,209	82,243	86,218	1.1
Employee costs as % of operating expenditure (General Fund only) (%)	52.2	51.9	50.6	47.8	46.2	-3.0

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

Table 8.2 Select comparator indicators

	Griffith City Council	OLG Group 4 Average	NSW Average
General profile			
Area (km2)	1,639	4,412	5,559
Population	27,182	40,671	63,509
General Fund operating expenditure ($m)	44.1	85	95.3
General Fund operating revenue per capita ($)	2,273	2,675	na
Rates revenue as % of General Fund income (%)	37.8	35	44.5
Own-source revenue ratio (%)	51.8	54	64.4
Productivity (labour input) indicators			
FTE staff	285.0	378.5	385.1
Ratio of population to FTE	95.4	107.5	164.9
Average cost per FTE ($)	86,218	89,214	98,054
Employee costs as % of operating expenditure (General Fund only) (%)	46.2	35	37.5
General Fund operating expenditure per capita ($)	1,623	2,087	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.

We found the council has not met this criterion. We have approved a different SV based on our assessment of this, and other criteria which is discussed in Chapter 10.

IPART approved a permanent Additional Special Variation (ASV) for the council of 2.0%, for 2022-23.

The condition of the approval was that the council in its 2022-23 annual report must outline:[103]

- 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 did not report on these in its 2022-23 annual report, as required by our instrument.[104] The council pointed to its past Delivery Program which appears to show the estimated additional income the council expected to receive over the next 10 years as a result of the ASV. However, the entries in the Delivery Program did not make comparisons of its actual results against projections provided to IPART in its ASV application nor report on any significant variations from that.

We considered the council's failure to comply with the conditions of the ASV as a factor against approving the council's application in full.

Complying with these conditions is integral to the SV process. Reporting allows the council to be held accountable for its expenditure and the commitments it made to its community when it decided to apply for the SV. It also supports the ratepayers to have confidence in their council and the special variations process.

The OLG is the body responsible for enforcing compliance with the conditions attached to SVs. The IPART Chair has written to the OLG identifying the council's failure to comply.

10 IPART's decision on the special variation

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 SV to general income from 2024-25 to 2026-27. Instead, we have approved a 2-year permanent SV of 22.10% in total, which aligns with the first 2 years of the SV the council applied for.

The approved increase to general income is set out in Table 10.1 below.

Table 10.1 IPART's decision on the special variation to general income (%)

	2024-25	2025-26
Annual percentage increase (%)	10.50	10.50
Cumulative increase (%)		22.10

Source: IPART calculations.

Our *Instrument Under Section 508A of the Local Government Act 1993 - Special Variation for Griffith City Council for 2024-25* gives legal effect to this decision and sets out the conditions of approval.

10.1 Reasons for our decision

We have not approved the council's application in full. Instead, we have approved a 2-year permanent SV of 22.10%, which aligns with the first 2 years of the council's proposed SV. We reached this decision for 2 main reasons.

Firstly, we found that, on balance, the council did not meet the criterion of demonstrating financial need. It articulated a financial need for the SV over 2 years but did not clearly articulate the need for additional revenue beyond this. Under its proposed SV, the council's Operating Performance Ratio (OPR) from 2026-27 to 2032-33 would be around 5% on average, which does not clearly show that the council would have a financial need beyond the second year of the SV.

Additionally, its financial forecasts under its proposed SV and application diverged from its adopted Long-Term Financial Plan (LTFP). The LTFP was not updated to reflect the council decision to not proceed with an Art Gallery and associated subsequent 7% SV in 2026-27. The LTFP did not include a Baseline (rate peg only) scenario, which should set the basis for showing financial need and reflected a 17.5% proposed increase in the third year rather than the 10.50% increase the council resolved to apply for.

This also meant that the council did not meet Criterion 4 of the OLG Guidelines (see Chapter 7). As noted above, while the council has indicated it resolved to no longer pursue the Art Gallery, it has not been able to provide a final, adopted LTFP to support this position. The OLG Guidelines stipulate that council applications must be based on its adopted Integrated Planning and Reporting (IP&R) documents, which includes the LTFP.

We also found that the council did not comply with reporting conditions attached to an 'Additional Special Variation' (ASV) that it was granted in 2022-23. This was an additional factor in our decision to not grant the council the full amount it applied for (see Chapter 9).

We consider our decision will allow the council to address its financial sustainability issues and maintain existing services, which is the key purpose of the council's proposed SV.

Under our decision, we calculate that the council's OPR would improve from the current -7.5% to -0.9% in 2025-26. We calculate that between 2026-27 and 2032-33 the average OPR would remain positive at around 2%[n], based on the expenditure the council proposed in its application to us. We note that the 2 years of increases to the general fund will be permanent, and the council will continue to collect the extra revenue which would also support its financial sustainability into the future.

The council did meet the remaining 3 criteria. We found that it took sufficient steps to make its community aware of its proposed SV and explained that the purpose of the SV was to address operating deficit problems in its budget. It also demonstrated that the overall impact of its proposed SV was reasonable, considering current rates and the community's capacity to pay.

In response to affordability concerns, the council intends to offer additional concessions to pensioners and limit annual increases to water and sewer charges to 3% during the SV period. Our decision ensures a lesser impact on ratepayers compared to what would have occurred under the council's proposed SV. The council also told us that the decision to remove the Art Gallery from its LTFP in next year's budgeting process was done after its community consultation ended on August 2023.

The council also took sufficient steps to show productivity improvements and cost containment. It noted that it delivered quantifiable productivity improvements and implemented cost containment strategies. The council also plans to reduce spending by $1 million annually starting in 2024-25 and has said it will report on the progress to the council quarterly.

10.2 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 (see Table B.2 in Appendix B)
- The council report in its annual report for each year from 2024-25 to 2030-31 (inclusive):
  - the program of expenditure that was actually funded by the additional income, and any differences between this program and the proposed program in Table B.2 in Appendix B;
  - 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 as set out in Appendix B, 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

[n] This calculation includes surplus before capital from the council's restricted waste funds. The OPR for the General Fund only would therefore be slightly lower and we expect it would be close to the benchmark.

    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.

10.3 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 10.2 below.

This shows that from 2024-25 to 2025-26, 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 $262 or 22.1%
- the average business rate would increase by $676 or 22.1%
- the average farmland rate would increase by $899 or 22.2%.

Table 10.2 Indicative annual increases in average rates under the approved SV (2023-24 to 2025-26)

	2023-24	2024-25	2025-26	Cumulative increase
Residential average rates ($)	1,185	1,309	1,446	
$ increase		124	137	262
% increase		10.5	10.5	22.1
Business average rates ($)	3,058	3,379	3,734	
$ increase		321	355	676
% increase		10.5	10.5	22.1
Farmland average rates ($)	4,058	4,486	4,957	
$ increase		428	471	899
% increase		10.5	10.5	22.2

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

10.4 Impact on the council

Our decision means that the council may increase its general income by $2.0 million in 2024-25 and $2.3 million in 2025-26. These increases can remain in the rate base permanently.

Table 10.3 shows the percentage increases we have approved and estimates of the annual increases in the council's permissible general income.

Table 10.3 Permissible general income of council from 2024-25 to 2025-26 from the approved SV

	2024-25	2025-26
Increase approved (%)	10.50	10.50
Cumulative increase approved (%)		22.10
Increase in PGI ($'000)	2,070.8	2,288.3
Cumulative increase in PGI ($'000)		4,359.1
PGI ($'000)	21,793.1	24,081.4

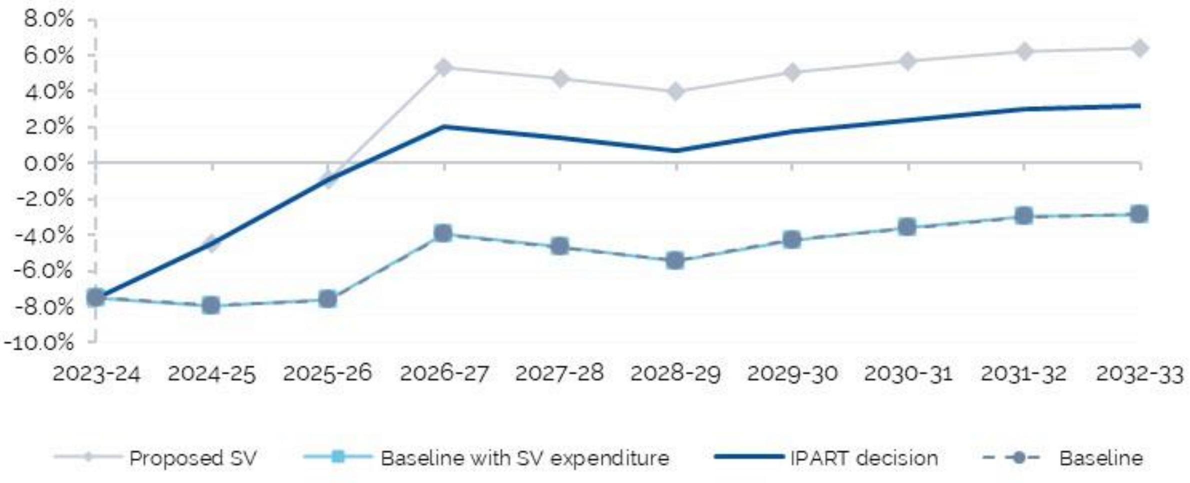
Source: IPART calculations.

This extra income will enable the council to:

- ensure financial sustainability of the council's general fund
- maintain existing services.[105]

A 2-year approval also enables the council to resource the priorities set in its adopted Delivery Program, which extends to 2025-26.

Figure 10.1 The council's projected OPR with IPART's decision, 2023-24 to 2032-33 (%)



a. OPR excludes capital grants and contributions.

Source: Griffith City Council, Application Part A and IPART calculations.

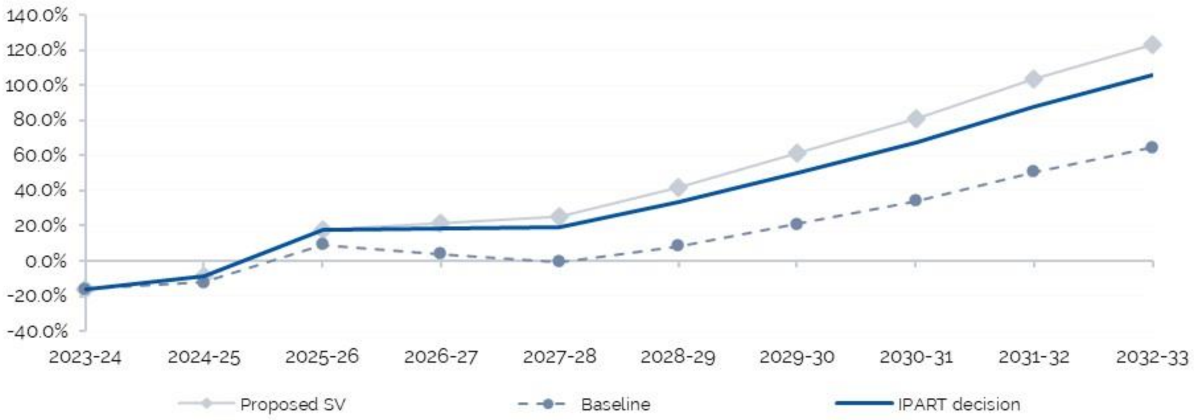
Table 10.4 The council's projected OPR with IPART's decision, 2023-24 to 2032-33 (%)

	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33
Proposed SV	-4.4	-0.9	5.3	4.7	4.0	5.1	5.7	6.3	6.4
Baseline	-7.9	-7.6	-3.9	-4.7	-5.4	-4.3	-3.6	-3.0	-2.8
Baseline with SV expenditure	-7.9	-7.6	-3.9	-4.7	-5.4	-4.3	-3.6	-3.0	-2.8
IPART decision	-4.4	-0.9	2.1	1.4	0.7	1.8	2.4	3.0	3.2

Source: Griffith City Council, Application Part A and IPART calculations.

Note: The Baseline and Baseline with SV expenditure scenarios are the same. This is because the council does not propose any specific expenditure that is contingent on the SV approval. The reasons are further explained in section 4.3.

Figure 10.2 The council's projected net cash (debt) to income ratio with IPART's decision, 2023-24 to 2032-33 (%)



Source: Griffith City Council, Application Part A and IPART calculations.

Under IPART's decision, over the next 5 years the council's projected:

- OPR will improve and reach around 2.1% in Year 3 (2026-27), then decrease to 1.4% in Year 4 (2027-28), which is above the OLG benchmark of greater than 0% (see Figure 10.1 and Table 10.4)
- net cash to income ratio, will improve and reach around 33.2% in Year 5 (2028-29), which means it would maintain more cash than debt over the next 5 years (see Figure 10.2) enabling it to address financial sustainability issues.

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[o]:

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

[o] OLG, IP&R Manual for Local Government "Planning a Sustainable Future", March 2013, p 71.

- **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[p] 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.

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

B Griffith City Council 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 2030-31 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

The council has set a $1.0 million savings target per year starting in 2024-25. As set out in section 7.3(a) of its SV Part B application, these are some examples of the initiatives the council intends to implement:

- the continued use of LG Procurement
- reduction in the number of council staff that attend conferences and seminars
- payroll improvements
- a review of its leases
- a review of its telecommunication licences and subscriptions
- reduction in the number of councillors from 12 to 9
- amending the scope of its existing cleaning contract
- exploring paid parking at Griffith Airport
- pursuing future opportunities to lease the Griffith Regional Sports Stadium
- pursuing potential savings through managing excess leave, overtime and staff vacancies
- considering the installation of solar panel to save energy costs
- participation in the Asset AI software project which will identify issues with the council's roads in a more timely manner without the need to do road audits
- continue to temporarily trade the component the council's annual water licence that is surplus to the community's needs.

Table B.1 Long-Term Financial Plan – Summary of projected operating statement for Griffith City Council under its approved SV application ($'000)

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
Total revenue	51,602	62,112	57,418	59,041	60,712	62,438	64,266	66,158	68,107
Total expenses	49,133	50,354	51,505	53,312	55,195	56,141	57,405	58,715	60,348
Operating result from continuing operations	2,469	11,758	5,913	5,729	5,517	6,297	6,861	7,443	7,759
Net operating result before capital grants and contributions	-2,087	-434	1,081	751	390	1,016	1,421	1,841	1,989
Cumulative net operating result before capital grants and contributions	-2,087	-2,521	-1,440	-690	-300	716	2,137	3,978	5,966

Note: Numbers may not add due to rounding.

Source: Griffith City Council, Application Part A, Worksheet 10 and IPART calculations.

Table B.2 Proposed Program – Summary of projected expenditure plan for Griffith City Council under its proposed SV application ($)

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
Operating expenditure – Fund existing service levels									
Governance/Administration	184,644	432,598	687,691	703,406	720,575	718,683	715,081	729,460	754,978
Public order and safety	42,926	104,125	174,822	181,147	187,030	194,389	201,666	207,786	213,027
Health	24,901	60,855	102,003	105,149	109,203	113,509	117,544	120,512	123,789
Community services and education	17,156	41,648	69,675	71,330	73,708	76,394	78,933	80,426	82,635
Housing and community amenities	281,578	682,472	1,153,243	1,190,106	1,232,366	1,273,231	1,326,809	1,361,876	1,397,231
Recreation and culture	299,182	726,588	1,214,615	1,252,958	1,289,616	1,336,532	1,381,797	1,418,347	1,450,191
Mining, manufacturing and construction	133	322	539	558	575	599	620	639	655
Transport and communication	277,416	669,729	1,116,258	1,149,046	1,179,037	1,220,343	1,257,829	1,287,629	1,314,185
Economic affairs	55,398	134,980	226,173	233,669	241,881	251,331	260,282	267,400	274,236
Operating expenditure – Fund new/enhance services									
Nil									
Capital Expenditure									
Nil									
Total	1,183,335	2,853,317	4,745,019	4,887,369	5,033,990	5,185,010	5,340,560	5,474,074	5,610,926

Note: Numbers may not add due to rounding.

Source: Griffith City 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.

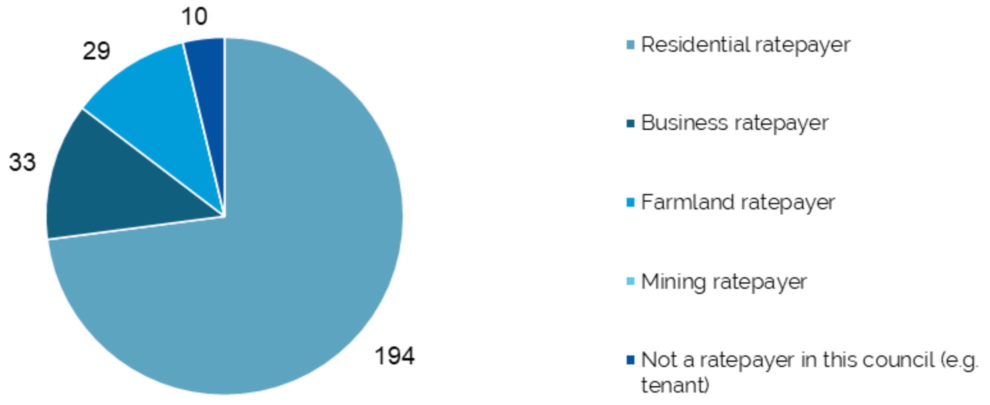
This survey was open for 3 weeks from 27 February 2024 to 18 March 2024.

We received 222 survey responses on Griffith Shire 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.

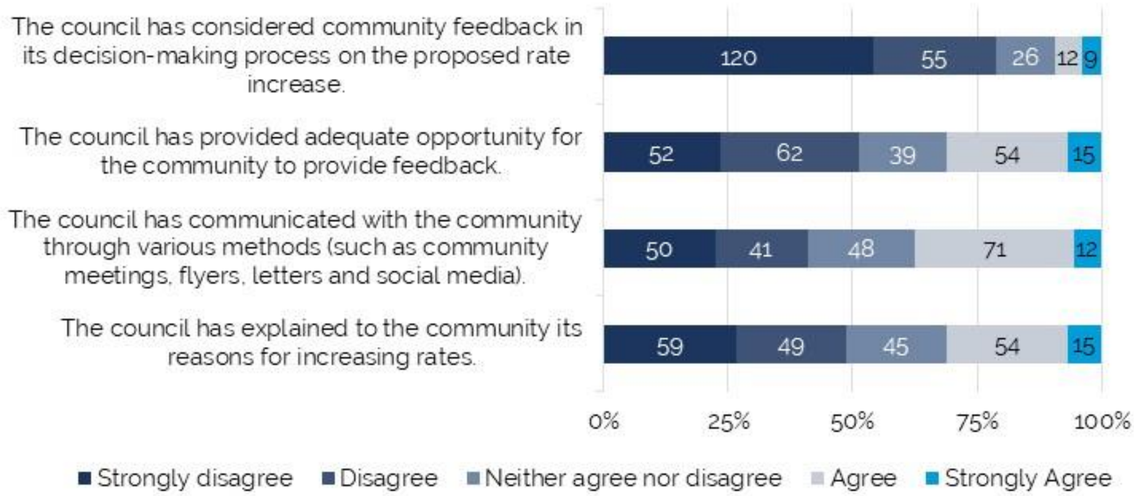
Figure C.1 Respondent ratepayer types



a. The total number of responses for each question was 222. This was a self-selected 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

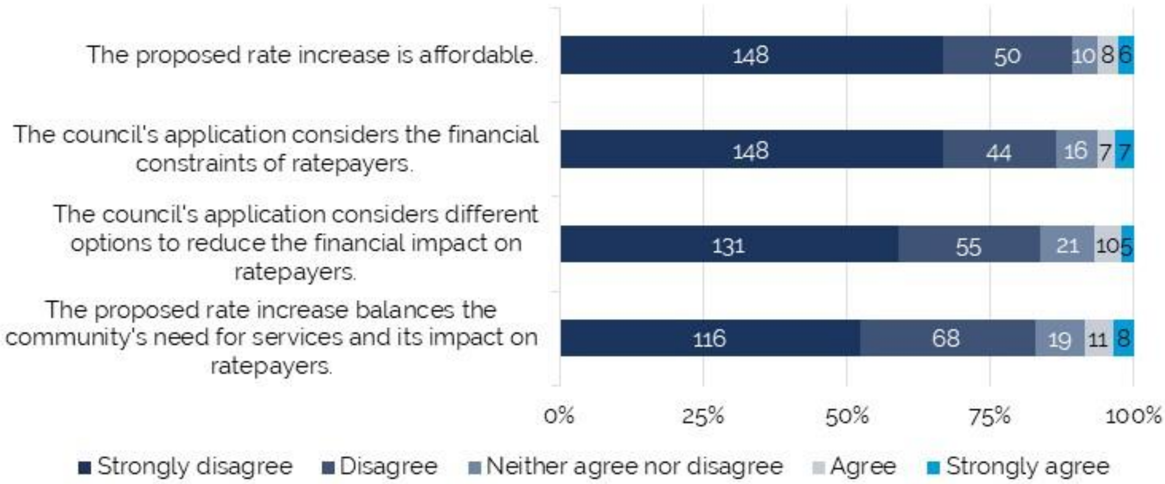
Figure C.2 Responses to questions about awareness and understanding of the proposal



a. The total number of responses for each question was 222. 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

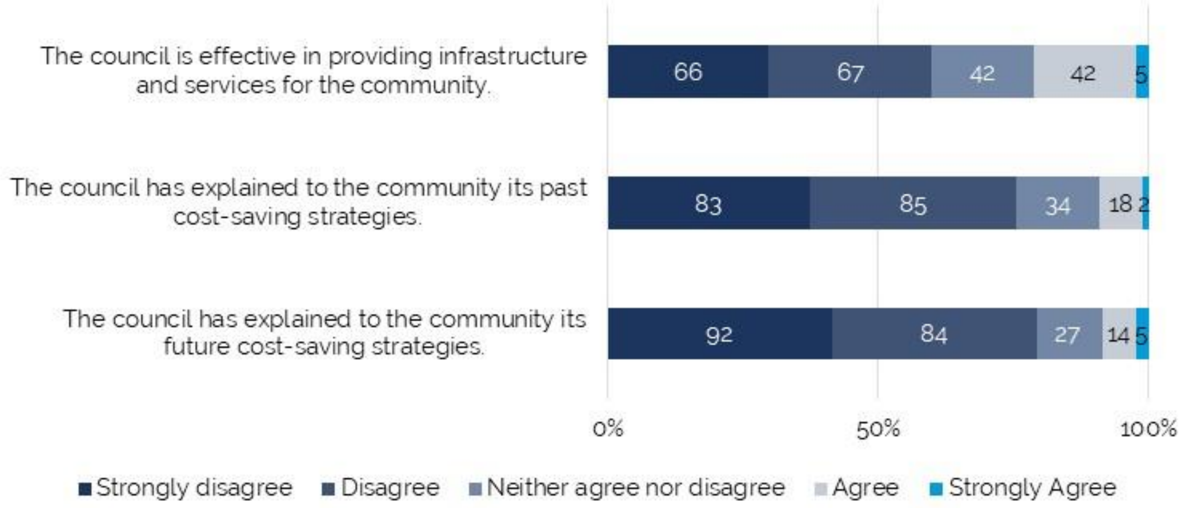
Figure C.3 Responses to questions about affordability



a. The total number of responses for each question was 222. 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 222. 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. Respondents were also able to add any further comments in a free text box. We have considered all free text comments in our assessment.

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 rate 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] Griffith City Council, SV Application Form Part B, January 2024, p 3.
[2] Griffith City Council, SV Application Form Part B, January 2024, pp 4-5.
[3] IPART, Griffith City Council Additional Special Variation, June 2022.
[4] Griffith City Council, SV Application Form Part B, January 2024, p 36.
[5] *Local Government Act 1993* (NSW), Section 511.
[6] Griffith City Council, SV Application Form Part B, January 2024, p 5.
[7] Griffith City Council, Application Form Part A, January 2024, Worksheet 7.
[8] Griffith City Council, SV Application Form Part B, January 2024, pp 49-58.
[9] Griffith City Council, SV Application Form Part B, January 2024, p 50.
[10] Griffith City Council, SV Application Form Part B, January 2024, p 55.
[11] Griffith City Council, SV Application Form Part B, January 2024, p 55.
[12] Griffith City Council, SV Application Form Part B, January 2024, p 55.
[13] Griffith City Council, SV Application Form Part B, January 2024, p 56.
[14] Griffith City Council, SV Application Form Part B, January 2024, p 57.
[15] Griffith City Council, SV Application Form Part B, January 2024, p 56.
[16] Griffith City Council, SV Application Form Part B, January 2024, p 57.
[17] Griffith City Council, Financial Hardship Policy, July 2022.
[18] Griffith City Council, Ordinary Meeting of Griffith City Council held in Griffith City Council Chamber, 24 October 2023, p 5.
[19] *Local Government Act 1993*, section 575.
[20] Griffith City Council, SV Application Form Part B, January 2024, p 58.
[21] Griffith City Council, SV Application Form Part B, January 2024, p 58.
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