IPART Independent Pricing and Regulatory Tribunal | NSW

Snowy Valleys 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

Enquiries regarding this document should be directed to a staff member:
Albert Jean (02) 9290 8413
Daniel Suh (02) 9019 1975

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

Snowy Valleys Council applied to IPART to permanently increase its general income by 42.38% over 3 years from 2024-25.

We have not approved the application. The council can increase its general income by the rate peg of 5.0% in 2024-25.

Snowy Valleys Council (the council) applied to IPART[a] to increase its general income through a permanent special variation (SV) of 42.38% over a 3-year period from 2024-25 to 2026-27 (Table 1.1).

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

The council sought the SV to:

- improve its financial sustainability by reducing the operating deficit
- deliver existing services without reducing service levels
- adequately fund ongoing asset maintenance and renewal
- reduce the council's reliance on external grant funding for asset renewals.[1]

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 (%)	12.50	12.50	12.50
Cumulative increase (%)		26.56	42.38
Additional annual income ($'000)	1,549.2	1,777.2	1,999.4

The council was granted a permanent SV of 35.95% in 2022-23 over 2 years from 2022-23 to 2023-24 for generally the same purpose as the proposed SV. If approved, the proposed SV would apply immediately after the current SV period. The cumulative impact of these consecutive SVs would be 93.57% over 5 years. We have taken into account this information, and other information related to the 2022-23 SV, in making our decision on the proposed SV.

[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.

1.1 IPART's decision

We have not approved the council's application. Our decision means the council can only increase its general income by the rate peg of 5.0% in 2024-25. This does not prevent the council from making a new application for an SV in subsequent years.

Table 1.2 Maximum increase under our decision

	2024-25
Annual increase (%)	5.0

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 the council exhibited, approved and adopted all necessary Integrated Planning & Reporting (IP&R) documents before applying for the SV (Criterion 4) but did not meet the remaining 5 of the 6 criteria.

The council did not demonstrate a financial need for the SV (Criterion 1). Its latest IP&R documents do not canvass any alternatives to the SV. Its assessment of the SV's impact on its future financial performance and position is not credible. For example, its forecast infrastructure ratios are unreliable, as the council is still developing a detailed asset management plan for its roads and associated infrastructure. In addition, at the end of the 2022-23 year, the council's application suggests it has only $0.1 million in unrestricted cash reserves, but its Long Term Financial (LTFP) Plan indicates that, even without an SV, these reserves will be $3.3 million by the end of this financial year.

The council did not provide sufficient evidence that its community is aware of the need for and purpose of the proposed SV (Criterion 2). Its community engagement materials did not provide all necessary information to create this awareness. For example, its IP&R documents and associated consultation materials did not explain why the additional income from the 2022-23 SV will not achieve its intended purpose. They have also not outlined what the additional income from the proposed SV would fund such as materials and contracts, and employee costs as indicated in the council's application[2]. Its Delivery Program did not set out the full extent of the proposed rate rise. The SV consultation materials did not include the cumulative impact of the current and proposed SVs.

The council did not show that the impact of the proposed SV on ratepayers is reasonable (Criterion 3). The council's analysis of this impact was inadequate. It did not consider whether the proposed rates increases were affordable for ratepayers in disadvantaged pockets of the LGA, in all rating categories, or on top of the rate rises under the current 2022-23 SV. Nor did it conclude that the community in general has capacity to pay the proposed increases. As noted above, the cumulative impact of the 2022-23 SV and the proposed 2024-25 SV would be 93.57% over 5 years. By the end of this period, the council's average residential and business rates would be higher than those of comparable councils with a similar level of socio-economic disadvantage.

The council did not adequately explain its recent and proposed productivity improvements and cost containment strategies (Criterion 5). It listed and quantified cost savings of approximately $1.4 million in employee costs and materials and services since 2020. However, it had already identified $1 million of these savings in its 2022-23 SV application. It is doubtful that it achieved the remaining $0.4 million in savings, as it told us it had overspent its budget for employee costs and materials and services by more than $30 million in 2022-23. While the council outlined some cost containment strategies for the proposed SV period, it did not explain them, quantify their expected financial impact, or include this in its LTFP.

The council did not meet the conditions attached to its current SV, which we consider to be a relevant matter in making our decision on its proposed SV (Criterion 6). These conditions required the council to report a range of information annually, including how it spent the additional funds from the SV and the outcomes achieved. Its annual report for 2022-23 did not provide this information.

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.

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** The council did not demonstrate a financial need for the SV. Its IP&R documents do not canvass alternatives to an SV. Its assessment of the SV's impact on its financial position is unreliable. Its LTFP forecasts that its unrestricted cash reserve will increase without the SV.
02	Not demonstrated	**Community awareness** The council did not provide sufficient evidence that its community is aware of the need for and purpose of the proposed SV. Some consultation and engagement materials omitted key information – including details of why the rate rises under the 2022-23 SV were not sufficient, what the additional income from the SV would fund, and the cumulative impact of the consecutive SVs.
03	Not demonstrated	**Reasonable impact on ratepayers** The council did not show that the impact on ratepayers is reasonable. Its analysis of this impact was inadequate and did not conclude the community has capacity to pay. With the SV, the council's average residential and business rates would be higher than those of comparable councils with a similar level of socio-economic disadvantage by 2026-27.
04	Demonstrated	**Integrated Planning and Reporting documentation** The council exhibited, approved and adopted all necessary IP&R documents before applying for the proposed SV.
05	Not demonstrated	**Productivity improvement and cost containment** The council did not sufficiently explain and quantify its productivity improvements and cost containment strategies. It did quantify its efficiency savings in recent years, but the information provided was unreliable. It outlined some proposed cost containment activities for the coming years, but did not explain them or quantify their expected financial impact.
06	Not demonstrated	**Other matters IPART considers relevant** The council's 2-year 2022-23 SV had conditions attached to it that the council has not fulfilled. It has not reported in its annual report on how the additional funds from the SV have been spent.

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.

Snowy Valleys Council consulted on its proposed SV with its community using a variety of engagement methods. The council received 201 survey responses, held community meetings and 'pop up' information sessions attended by 250 participants.[3]

The council has around 9,000 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 764 responses to our feedback form, and 38 submissions on Snowy Valleys Council's proposed SV. These submissions and responses raised concerns about the:

- proposed SV being the council's second rates increase within 2 years
- merger of the Tumbarumba Shire and Tumut Shire councils to form the Snowy Valleys Council, and its impact on the council's financial position
- affordability of the proposed rate increases, and the community's willingness to pay for them
- council's consultation with the community
- equity of the council's current rating system, particularly for farmland ratepayers
- impact of recent land valuations on the council's income.

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 decision means that the council may not increase its general income by more than the rate peg (5.0%) in 2024-25. The council is to determine whether to apply the full percentage increase permitted by the rate peg and how the rate peg increase will be distributed among ratepayer categories.

If the council requires additional rates revenue provided by an SV to fund future projects, it could apply to IPART for an SV in future years. The council should do the following before applying for an SV:

- complete its detailed asset management plan
- complete a service level review with the community
- consider various alternatives to an SV including a reduction in services
- assess the impact on ratepayers to be reasonable
- develop an on-going framework to identify and implement productivity and efficiency savings.

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 42.38% over the 3 years from 2024-25 to 2026-27. Table 2.1 sets out the percentage by which the council proposed to increase its general income, and the expected annual revenue this would raise.

Table 2.1 Proposed SV

	2024-25	2025-26	2026-27
Annual increase (%)	12.50	12.50	12.50
Cumulative increase (%)		26.56	42.38
Additional annual income ($'000s)	1,549.2	1,777.2	1,999.4

Source: Snowy Valleys 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[4]:

- improve its financial sustainability by reducing the operating deficit
- deliver existing services without reducing service levels
- adequately fund ongoing asset maintenance and renewal
- reduce council's reliance on external grant funding for asset renewals.

The council was granted a permanent SV in 2022-23 for 35.95% over 2 years (2022-23 SV). The 2022-23 SV was for the purpose of improve financial sustainability, maintaining service levels, fund ongoing maintenance, fund renewal of infrastructure assets and reduce reliance on external grant funding. The proposed SV, if approved, would start in 2024-25 which is immediately after the 2022-23 SV[5].

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.[6] It proposed that, on average:

- **residential rates** by 2026-27 would increase by $383.65 or 41.81%
- **business rates** by 2026-27 would increase by $876.42 or 42.24%
- **farmland rates** by 2026-27 would increase by $1169.12 or 43.21%
- **mining rates** by 2026-27 would increase by $1429.65 or 42.26%.

The cumulative increase from the 2022-23 SV is 35.95% from 2022-23 to 2023-24. The cumulative increase from the 2022-23 and proposed SVs is 93.57% over 5 years from 2022-23 to 2026-27.

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 ratepayers per category in 2024-25

Ratepayer category	Number of rate notices
Residential	6,030
Business	587
Farmland	2,156
Mining	3
Total	8,776

Source: Snowy Valleys Council, Part A application 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 analysis considered the levels of social disadvantage, vulnerable groups and household expenditure in the Snowy Valleys local government area (LGA) relative to other areas.[7] It found that the LGA generally has higher levels of disadvantage and lower levels of advantage compared to the averages across Regional NSW, NSW and Australia.[8] It concluded there is a distinct imbalance in the levels of advantage throughout the LGA which impacts the community's capacity and willingness to pay rates.[9]

The council indicated that it has a financial hardship policy to assist ratepayers who have difficulty paying their rates. [10] The policy allows residents to defer amounts owing against estates, write-off accrued interest and negotiate payment arrangements.[11]

More information on the council's analysis of affordability to pay and our assessment of the reasonableness of the proposed rate increases is provided in Chapter 6.

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

If approved, the council estimated the proposed SV, of a cumulative increase of 42.38%, would have increased its permissible general income from $12.7 million to $18.0 million after 3 years, which would have remained permanently.[12]

When the impact of the permanent 2-year SV the council was granted in 2022-23 is included, the proposed SV would result in a cumulative increase in the council's permissible general income of 93.57% over the 5 years from 2022-23 to 2026-27.

2.4 Further information provided

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

- The amount of SV income that will be spent on the council's asset maintenance and renewal expenditure.
- The factors contributing to the high infrastructure renewal ratio and the low infrastructure backlog ratio.

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 764 responses to our feedback form, and 25 public submissions from stakeholders. We also received 13 confidential submissions from stakeholders.

There are approximately 9,000 rateable properties in the council's local government area. There are 6,030 residential assessments, 587 business assessments, 2,156 farming assessments and 3 mining assessments.

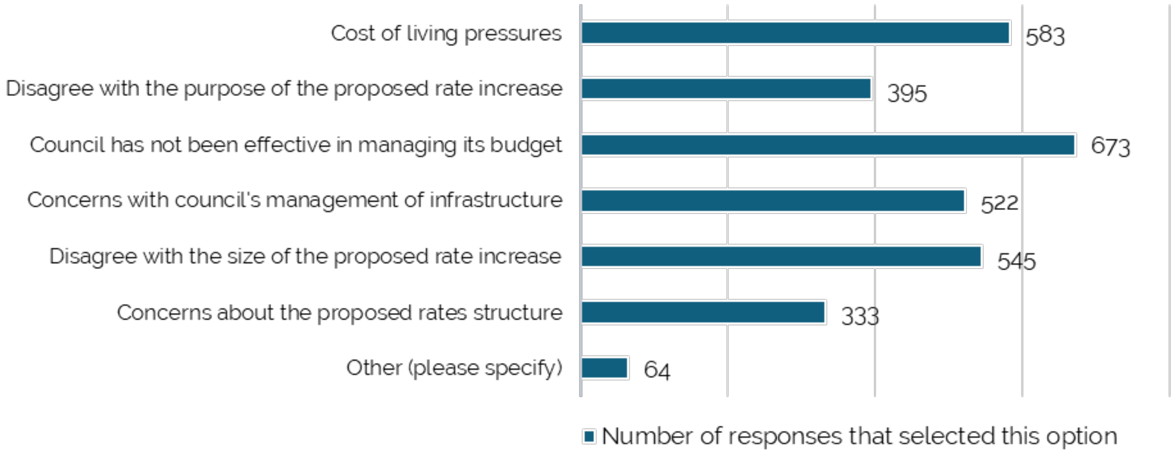
3.1.1 Response to the feedback form

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 764 responses relating to Snowy Valleys Council's application. Of these, 719 respondents (94.1%) were opposed to the proposed SV, 34 respondents (4.5%) partly supported it, and 11 respondents (1.4%) 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.

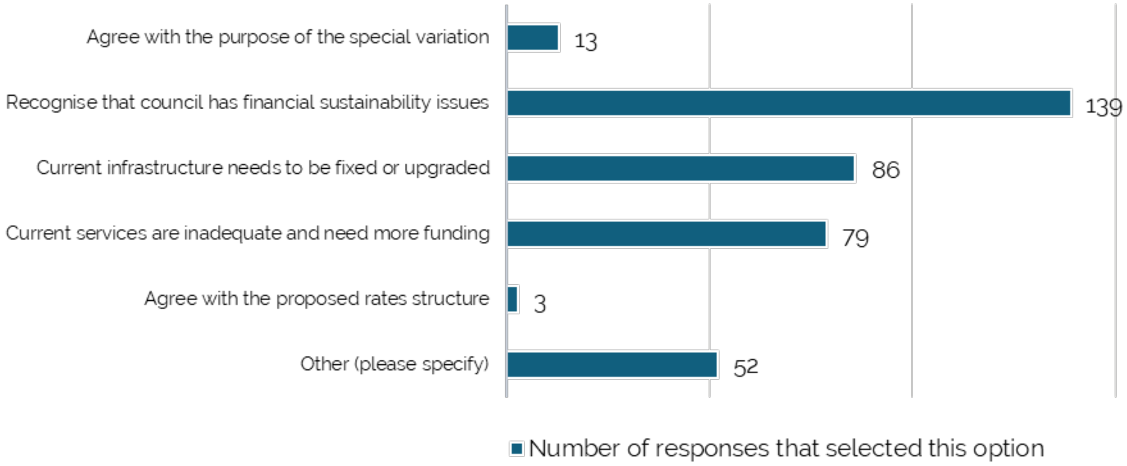
Figure 3.1 Reasons that respondents said they might oppose the proposed SV



Note: We received 764 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 the amalgamation of Tumut and Tumbarumba Shire councils causing financial unsustainability, the 2022-23 SV and cost shifting.

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



Note: We received 764 responses. For this question, respondents could select more than one option. This was a self-selected survey and we cannot guarantee that each response was a unique user. These results may not be representative of the whole community's views.

Source: IPART

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

3.2 Summary of issues raised

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

3.2.1 Merger of Tumbarumba Shire and Tumut Shire councils

The former Tumbarumba Shire and Tumut Shire councils were merged to form the Snowy Valleys Council in 2016. Many submissions to IPART suggested this merger has caused financial problems for Snowy Valleys Council. One submission stated since the merger was decided by the State Government and the costs have increased because of the merger, the State Government should pay for the current deficiencies.

The council submitted its second business case for a demerger to the Government in September 2023. One submission we received expressed concern about the financial cost of the demerger.

We must base our assessment on the OLG Criteria based on the council's application as it currently stands and for the stated purpose of the SV. Therefore we did not consider the demerger as part of the assessment of the council's application.

3.2.2 The council's financial management and accountability

Many of the submissions we received discussed the council's ongoing financial unsustainability despite receiving the additional rate income from the 2022-23 SV. Some of these stakeholders suggested that neighbouring councils are managing their finances despite being subject to similar cost pressures as Snowy Valleys Council. One submission stated the council is using money to build things the ratepayers do not want.

The Tumut Community Association raised concerns about the accuracy of the council's financial information. It stated that the financial information used by the council to prepare its applications for the 2022-23 SV and the proposed SV is inaccurate. It also put forward the view that the council's finances are in disarray and identified possible anomalies in the council's accounting procedures.

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

3.2.3 The council's consultation with the community

Some submissions put forward the view that the council's community consultation on the proposed SV was not transparent and not well explained. Some submissions stated they didn't understand why the council required another SV 2 years after the last one. Other submissions stated the council did not effectively engage with its community. These submissions stated there was no information on how to make a submission aside from online and the number of community meetings or 'pop up' sessions were limited.

Some submissions stated the council had not taken on stakeholders' feedback, noting that the council had pursued an SV even though the majority of the submissions made to it were opposed to this.

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

3.2.4 Affordability and community's willingness to pay proposed rates increases

Around half of the submissions we received raised concerns about the impacts of the council's proposed SV on the affordability of rates, and suggested this would lead to financial hardship in the community. Many said that the timing of the SV was poor in the current economic climate. They cited increasing costs of living to note that any increases in rates would have a detrimental effect. Submissions from farmland ratepayers stated the drought conditions have resulted in lower yields.

Around half of the submissions also indicated they were unwilling to pay for some of the council's proposed projects. For example, some expressed the view that the council should 'live within its means' rather than pursuing an SV to maintain service levels. They put forward the view that the council would use the SV to fund non-essential projects, including sponsoring community functions and a new basketball court.

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

3.2.5 The council's lack of productivity or efficiency savings

Some submissions raised concerns that the council has not used its resources efficiently and that the proposed SV is a way for the council to mitigate its financial mismanagement. One questioned whether the council has identified alternatives to how it operates so that sustainability can be achieved without increasing rates. Another submission stated that the community is not aware of any work by the council to identify possible savings and income generation opportunities to prevent the need for SVs. It also stated that this work should have commenced after the 2022-23 SV was granted, and suggested several cost-saving opportunities such as ceasing travel for meetings and stopping the use of consultants.

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

3.2.6 Equity of the current rating system

Some submissions, particularly those from farmland ratepayers expressed concern that the current rating system is inequitable. Some farmland ratepayers stated their rates have or will go up by more than 200% by the end of the 2022-23 SV period.

One farmland ratepayer stated the Valuer-General had increased their land value by more than 300% over the last few years. They said this increased value was estimated using land sales of river flats and other more productive and desirable land compared to theirs. The stakeholder said that this will result in their rates increasing from less than 2% of their income to over 5%.

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[13] and must categorise land[14] according to the Local Government Act and Regulations.[b] These requirements, which are outside the scope of IPART's role in 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

Some submissions said that the council's general income would increase considerably due to the recent land valuations. They noted that an SV on top of revised valuations would lead to a significant rate rise.

This is not the case. Routine changes in land valuations (those that occur when the Valuer-General values lands 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.

b 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) which 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.[c] 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.

[c] 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 that the council has not demonstrated a financial need for the SV.

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

Note: See Appendix A for the full criterion.

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

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

4.1 Stakeholder comments on financial need

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

- non-essential projects should be deferred to avoid an SV
- the council should consider lowering service levels rather than maintaining current standards
- the need for rate increases results from poor financial management and oversight
- additional funds could come from efficiency savings
- the 2022-23 SV should have allowed the council to achieve financial sustainability.

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

4.2 The council's IP&R documents

We found that the council's IP&R documents, including its Long-Term Financial Plan (LTFP), Delivery Program and Asset Management Strategy, do not adequately identify and articulate the need for and purpose of the SV.

The documents state that the proposed SV of 42.38% over 3 years is needed to[15]:

- improve Council's financial sustainability by reducing the operating deficit
- deliver existing services into the future without the need to significantly reduce service levels and/or cease services
- adequately fund ongoing asset maintenance and renewal
- reduce Council's reliance on external grant funding for asset renewals.

However, we found the documents did not adequately canvass alternatives to the SV to achieve these purposes. The LTFP considered 2 SV scenarios across different number of years, but it did not canvass any alternatives to an SV. The Delivery Program did not consider the proposed SV in its plans nor adequately explore alternatives to the SV.

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 Snowy Valleys 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 address its operating deficit while continuing to maintain existing services.

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.[16] 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.

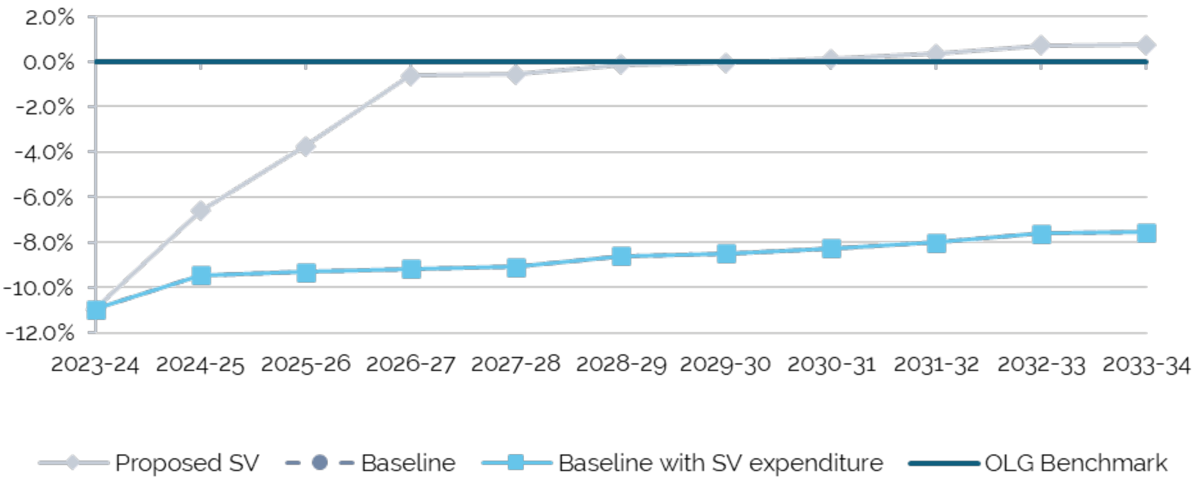
Source: Office of Local Government, *Performance Benchmarks* and *Assets*.

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 meet the OLG benchmark in 5 years. Its average OPR over the 5-year period would be -2.3%.
- **Under the Baseline Scenario and the Baseline with SV Expenditure Scenario**, the council's OPR would be below the OLG benchmark for the next 5 years. Its average OPR over this 5-year period would be -9.1%.

This suggests that without the SV, the council's operating expenses would exceed its operating revenue and its finances would continue to be below the OLG benchmark.

Figure 4.1 The council's projected OPR



Note: The Baseline scenario has the same 'line' as the Baseline with SV expenditure scenario (also see Table 4.1 below)
Source: Snowy Valleys Council, Application Part A.

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

	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34
Proposed SV	-6.6	-3.7	-0.6	-0.6	-0.1	-0.1	0.1	0.4	0.7	0.7
Baseline	-9.4	-9.3	-9.2	-9.1	-8.6	-8.5	-8.3	-8.0	-7.6	-7.6
Baseline with SV expenditure	-9.4	-9.3	-9.2	-9.1	-8.6	-8.5	-8.3	-8.0	-7.6	-7.6

Note: The Baseline scenario has the same OPR values as the Baseline with SV expenditure scenario.

Source: Snowy Valleys Council, Application Part A.

The council's projected OPR in the 2022-23 SV application forecasted the ratio will reach 2.7% by 2023-24 and stay above the OLG benchmark of 0% for the next 10 years[17]. The council has failed to achieve this with the 2022-23 SV.

Impact on net cash

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

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

Cash and investments

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

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

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

Net cash (debt) to income ratio

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

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

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

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

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

Cash and investments

On 30 June 2023, the council held a total of $44 million in cash and investments with[18]:

- **$35.5 million externally restricted funds.** For Snowy Valleys Council, examples include funds for water and waste, and developer contributions.[19]
- **$8.4 million internally restricted funds.** For Snowy Valleys Council, examples include various community services and employee leave entitlement.[20]
- **$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. However, the council's LTFP indicates that even without an SV, its unrestricted cash reserves would increase to $3.3 million by the end of 2023-24, and $14.9 million by 30 June 2033.[21]

Net cash (debt) to income ratio

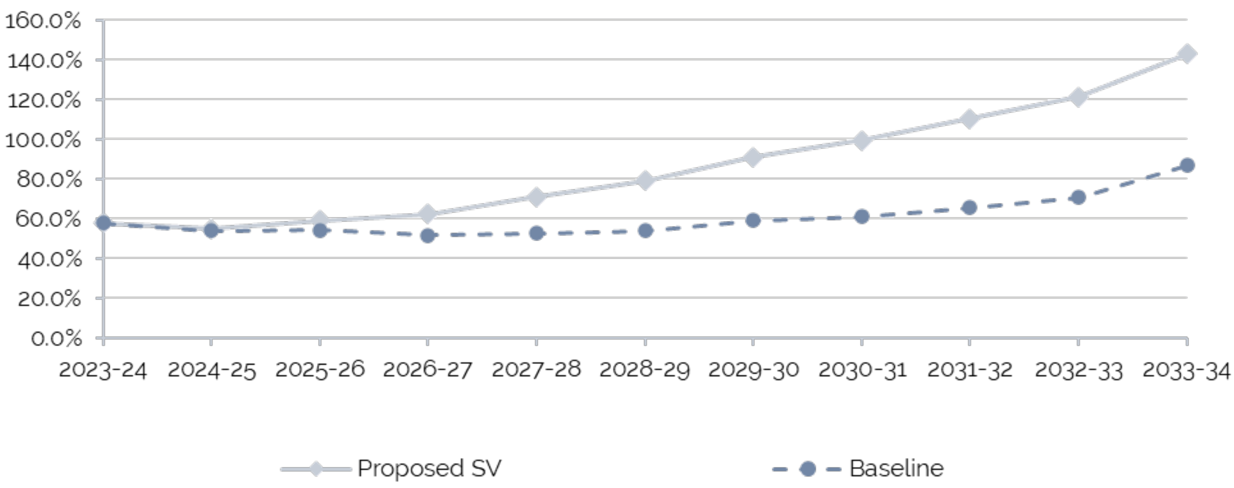
We calculated that as at 30 June 2024, the council would have net cash of $23.72 million. The council would have a net cash (debt) to income ratio of 57.9%.

As Figure 4.2 shows, over the next 10 years:

- **under the Baseline Scenario**, the council's net cash (debt) to income ratio would increase to 87.1% by 30 June 2034
- **under the Proposed SV Scenario**, the council's net cash to income ratio would increase to 143.1% by 30 June 2034.

Taking into account the council's OPR and net cash position, we found that the council has not provided sufficient evidence on financial need for the proposed SV. The council's projected cash reserves will increase without the SV which can support the council's operational deficit as indicated by its negative OPR.

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



Source: Snowy Valleys Council, Application Part A, Worksheet 9.

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.

Box 4.3 Infrastructure ratios for councils

Infrastructure backlog ratio

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

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

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

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

Infrastructure renewals ratio

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

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

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

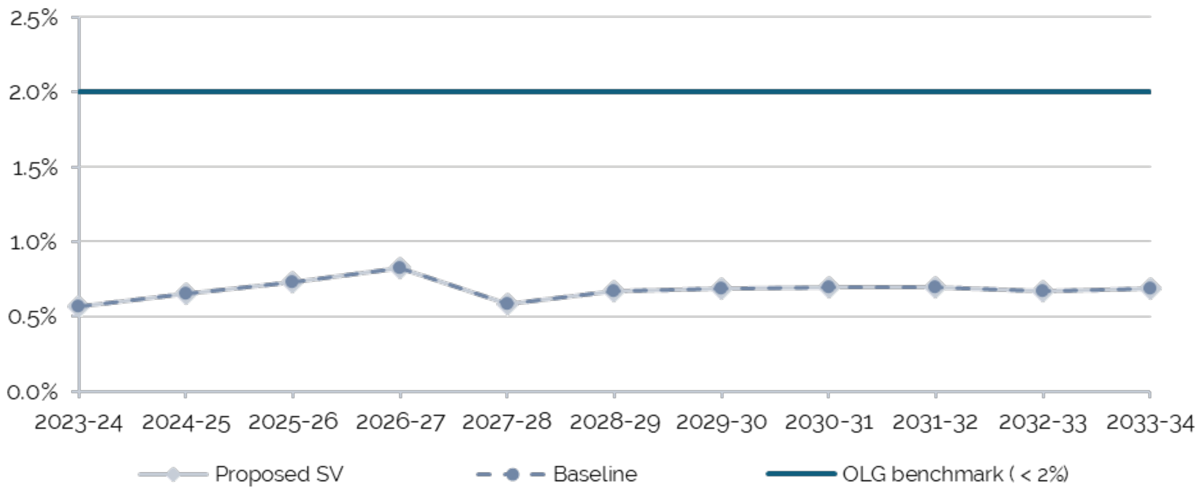
Source: Office of Local Government, *Performance Benchmarks* and *Assets*.

Impact on infrastructure backlog ratio

As set out in Figure 4.3, we found that over the next 5 years[d], the council's infrastructure backlog ratio would be 0.7% under both the Baseline Scenario and the Proposed SV Scenario.

Our analysis shows that both with and without the proposed SV, the council's infrastructure backlog ratio would remain below the OLG benchmark of less than 2% for the next 10 years (Figure 4.3). We found no difference in the infrastructure backlog ratio with and without the proposed SV.

Figure 4.3 The council's infrastructure backlog ratio



Source: Snowy Valleys Council., Application Part A.

Impact on infrastructure renewals ratio

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

- 74.5% under the Proposed SV Scenario
- 66.1% under the Baseline Scenario.

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

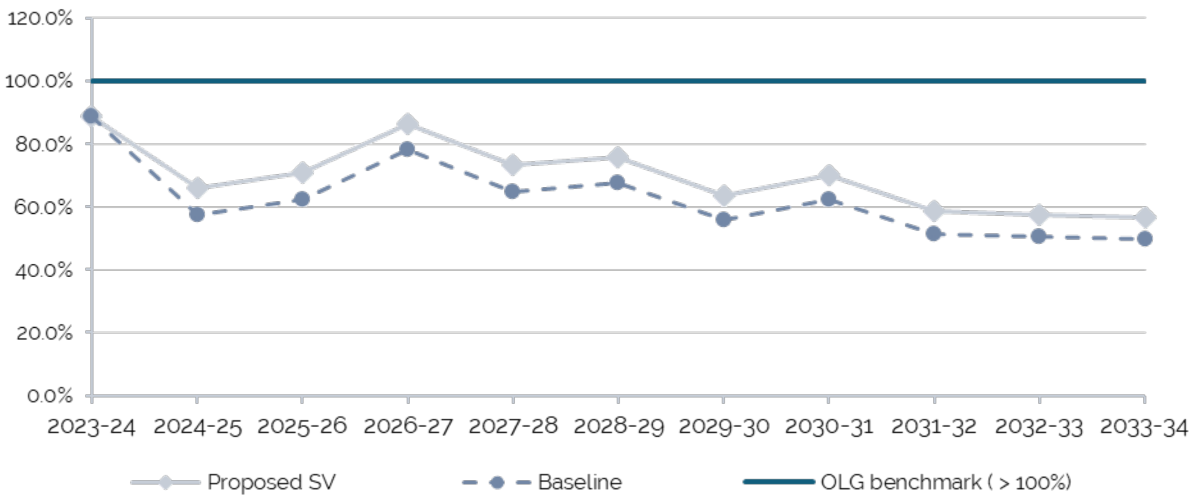
[e] We considered the 5-year average to smooth annual variability. Data beyond 5 years is subject to greater variability.

We found that both with and without the proposed SV, the council's infrastructure renewals ratio would be below the OLG benchmark of greater than 100% over the next 10 years (Figure 4.4), but the ratio would be higher (i.e. better) with the proposed SV.

Figure 4.4 shows that the council's infrastructure renewals ratio would deteriorate over time for both the Proposed SV and Baseline scenarios. The council's current forecasts suggest the ratio would remain below the OLG benchmark for the next 10 years.

However, the reliability of this forecast is low. The council stated it does not have a detailed asset management plan and therefore cannot allocate any additional funding to capital projects. We have been told the plans for major asset class of roads and associated infrastructure is scheduled to be completed in the 2024-25 financial year.

Figure 4.4 The council's infrastructure renewal ratio



Source: Snowy Valleys Council., Application Part A.

4.4 Alternatives to the rate rise

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

We found that these documents do not show that the council adequately canvassed the alternatives. Neither the Delivery Program nor the LTFP consider alternatives to the rate rise such as reducing service levels, increasing revenue through fees and charges, seeking grant funding, or selling assets to improve the council's financial sustainability.

While the LTFP infers the council has reduced salaries as a cost-saving initiative,[22] it is not clear whether the council canvassed this initiative as an alternative to the proposed SV or proposes to implement it in conjunction with the SV. There are no indicators that it explored all options before applying for the SV.

The council's community engagement documents state it has considered the following alternatives:

- Opportunities to increase income streams (for example, calling for expressions of interest for the management/lease of four caravan parks owned by the council).
- Reducing council's expenditure including employee costs.
- Review of how services are provided.
- Realisation of surplus assets (including real estate) held for sale.
- Review and potential disposal of underutilised assets.[23]

However, considering the alternatives to the SV in the consultation material is not sufficient as the council needs to include these in the IP&R documents as required by the assessment criteria.

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

5 Our assessment: OLG Criterion 2 - Community awareness

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

For this criterion, we found that the council did not demonstrate it had engaged with ratepayers on its SV application and that its community is aware of the need for and purpose of the SV.

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

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

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

Note: See Appendix A for the full criterion.

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

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

5.1 Stakeholder comments on community awareness

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

- did not respond to their concerns or questions about the proposed SV
- did not explain what the additional SV income will be used for
- did not advise how to engage with the council other than a small number of 'Pop up' sessions.

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

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 not sufficient and did not contain the level of information they needed to be aware of the need for the rate increases.

The council's consultation materials set out:

- the purpose of the SV
- the full cumulative percentage increase of the proposed SV and the projected average rates in dollar terms for residential, business, farmland, and mining rating categories.

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

- they do not set out the specific items the additional income from the proposed SV would fund
- they do not explain the council's roads and traffic asset management plan has been delayed and that its proposed asset maintenance and renewal costs are likely to change
- the Delivery Program does not set out the extent of the proposed rate rises
- they do not explain specifically why the 2022-23 SV did not achieve financial sustainability
- they do not discuss the council's progress against efficiency measures.

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

Engagement methods used

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

- advertising and print runs
- letter and information flyer to ratepayers
- submissions and survey received via Council's website
- community engagement meetings
- community engagement pop-ups
- media releases
- local news coverage
- social media campaign
- community newsletters.[24]

Shortcomings of the community consultation

We found the process the council used to engage with and consult the community about the proposed SV was not sufficient. The council consulted with the community from October to December 2023.[25] This consultation period provided an opportunity for ratepayers to be informed and provide feedback on the proposal.

However, the consultation materials do not mention that the council is seeking the proposed SV immediately after its current 2022-23 SV expires, nor explain that if the proposed SV is granted the cumulative percentage increase in its general income from both SV would be 93.57% over 5 years. The Delivery Program also did not set out the extent of the rate rise under the SV as required.

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 councillors were provided a summary of the feedback it received during its SV community consultation at its meeting on 1 February 2024. However, there were no responses that suggested any action by the council.[26]

We found that Snowy Valleys Council only partly considered these results. The council reported that during the consultation period[27]:

- the council's online survey received 201 responses
- its community meeting and pop-ups attracted 250 attendees.

The report assessed that the community's response to the proposed SV was largely negative, with many stakeholders arguing against the SV.

Based on the 201 responses to its online survey:

- A significant majority (71.1%) did not support the proposed SV options or had additional financial questions.
- Around a sixth of the respondents (17.4%) preferred the current 3-year proposed SV.
- Around a tenth of the respondents (11.4%) preferred an alternative option of a SV of 39.24% over 2 years.[28]

The council summarised comments or questions in the online survey/feedback forms and submissions. Some of these included:

- Has the council made any cost savings?
- The council has already implemented an SRV over the last 2 years. Why didn't that rate increase fix the council's financial problems?
- I won't be able to afford another rate rise in the current cost of living environment.[29]

The council did not state whether it received any submissions in support of the SV.

In response to the outcomes of community consultation, the council resolved to:

- spread the SV over 3 consecutive years instead of the alternative of 2 consecutive years[30]
- reinforce its hardship policy and how it can be accessed.[31]

However, we found no evidence that the hardship policy has been reviewed since the community consultation was undertaken.

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 not 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 did not meet this criterion.

6.1 Impact of the proposed SV on average rates

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

- the average residential rate would increase by $384 or 42% in total
- the average business rate would increase by $876 or 42% in total
- the average farmland rate would increase by $1169 or 43% in total
- the average mining rate would increase by $1430 or 42% 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 ($)	918	1,028	1,157	1,301	
$ increase		110	129	145	384
% increase		12.0	12.5	12.5	41.8
Business average rates ($)	2,075	2,332	2,623	2,951	
$ increase		257	292	328	876
% increase		12.4	12.5	12.5	42.2
Farmland average rates ($)	2,705	3,060	3,444	3,875	
$ increase		355	384	431	1,169
% increase		13.1	12.5	12.5	43.2
Mining average rates ($)	3,383	3,806	4,278	4,812	
$ increase		423	472	535	1,430
% increase		12.5	12.4	12.5	42.3

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

6.2 Stakeholder comments on impact on ratepayers

Around half of the submissions we received raised concerns about the impact of the proposed SV on the affordability of rates, particularly for residential and farmland ratepayers. Some commented that the SV would:

- have a significant impact on ratepayers, due to broader circumstances such as ongoing economic pressures of high inflation
- result in rates more than double the current rates by 2027-28
- have a large impact on ratepayers on fixed incomes, such as those receiving government pensions
- have a large impact on ratepayers in the farmland category, some of whom stated that their rates would increase by more than 200% by the end of the proposed SV period while their recent yields have been low.

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. Around 90% of responses (724 out of 764) indicated they disagreed or strongly disagreed with the statement that the proposed rate increase is affordable. A similar proportion disagreed or strongly disagreed with statements that the council's SV application:

- considers the financial constraints of ratepayers
- considers different options to reduce the financial impact on ratepayers
- balances the community's need for services and its impact on ratepayers.

Many of the respondents who made free text comments stated that the proposed rate increases were extreme, given that they would immediately follow the 2 annual rate increases associated with the 2022-23 SV. Some farmland ratepayers stated that the council places a disproportionate financial onus on farmers. The results of responses to questions about affordability are set out in Figure B.3 in Appendix B.

We have considered these concerns 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 would add to those.

6.3 Our analysis of 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 LTFP does not show the impact of any rate rises upon its community. The LTFP does not show the average rates per category, if the 3-year SV of 42.38% (increase of 12.5% annually for 3 years) was granted. It also does not show the total (cumulative) dollar increase per rating category, after the SV.

The council's Delivery Program does not outline the proposed SV.

The council's consideration of capacity to pay

The council's capacity to pay report provides some analysis and evaluation of relative wealth and financial capacity to pay the proposed rates increases within the Snowy Valleys LGA. It also examines the financial vulnerability and exposure of different community groups within the LGA.

The report found that the LGA has:

- Pockets of disadvantage based on area and demographics (including household composition) which the council should take into account with its proposed SV. For instance:
  - in a small portion of properties in Tumut mortgage repayments are 30% of weekly income, indicating mortgage stress
  - Batlow has the highest portion of low-income earners in the LGA, who are also experiencing housing stress.
- A lower unemployment rate than the average for the region (4.2% compared to 4.6%).[32]

However, we consider this report did not include all the relevant analysis and considerations. In particular, the report did not examine:

- The proposed rates increases by area within the LGA, and whether these increases are affordable for ratepayers in the pockets of disadvantage it identified.
- The proposed rates increases by rating category, and whether these increases are affordable for ratepayers in each category.
- The cumulative impact of the current 2022-23 SV and the proposed 2024-25 SV. Given the proposed SV follows immediately after the current SV, we consider the cumulative impact on ratepayers is an important consideration.
- Whether the community in general is willing to pay the proposed rates increases.

In addition, the report did not reach a conclusion on whether the community has the capacity to pay the proposed rates increases.

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 consider the SV's impact on ratepayers is not reasonable. The cumulative increase in rates from 2022-23 will be 93.57% if the proposed SV is approved. The council has a higher rate in the residential and business categories relative to comparable councils by SEIFA and OLG Group 11. The community is likely to face relatively more hardship based on its low SEIFA rank of 27. This means the council is more disadvantaged and less advantaged than at least 75% of other councils in NSW. The council updated its hardship policy in 2022 in conjunction with the 2022-23 SV.[33]

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 6.06%, compared to the average rate peg of 2.44% over the same period.

This comparatively higher increase than the average rate peg is mostly due to the approval of the 2022-23 SV. The 2-year 2022-23 SV was approved in 2022-23 for a cumulative increase of 35.95%.

Table 6.2 Historical average rates in Snowy Valleys Council ($nominal)

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	Average annual growth (%)
Residential	684	701	635	661	764	918	6.06
Business	1,581	1,654	1,473	1,353	1,565	2,075	5.59
Farmland	1,855	1,894	1,941	2,007	2,322	2,705	7.84
Mining	.	.	.	2,333	2,700	3,383	.

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, Snowy Valleys 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 in section 6.4.3 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 Snowy Valleys 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.

Snowy Valleys Council has a SEIFA rank of 27 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/rural councils with the closest SEIFA rank are Cootamundra-Gundagai Regional, Federation, Leeton Shire and Parkes Shire 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.

Snowy Valleys Council is in OLG Group 11 which is considered a 'regional town/city area with population of less than 70,000', Group 11 has 19 councils in total, including Bellingen Shire, Cabonne Shire, Greater Hume Shire and Hilltops councils.[34]

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 Cootamundra-Gundagai Regional, Greater Hume Shire, Snowy Monaro Regional and Wagga Wagga councils. We consider these councils are geographically close to, but do not necessarily share a common border.

As Table 6.3 and Table 6.4 show, in 2023-24 the council's:

- Average residential rates are currently lower than most comparable councils but by the final year of the SV would be higher than its comparable councils based on SEIFA and the OLG Group and in line with the average of neighbouring councils. By the final year of the SV, the average residential rates would be $1,301.
- Average business rates are currently lower or in line with comparable councils but by the final year of the SV would be higher than most of its comparable councils based on SEIFA and the OLG Group. The average business rates are higher in the neighbouring councils from 2023-24 to 2026-27. By the final year of the SV, the average business rates would be $2,951.
- Average farmland rates are currently low compared to most comparable councils. By the final year of the SV, they would become higher than most neighbouring councils but remain lower than most comparable councils by SEIFA and OLG group.

Mining rates are very difficult to compare across councils, as there is a range of factors that can determine the level of these rates.

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
Snowy Valleys Council (OLG Group 11)	**918**	**1,028**	**1,157**	**1,301**
Neighbouring councils				
Cootamundra-Gundagai Regional	983	1,032	1,058	1,085
Greater Hume Shire	924	972	997	1,022
Snowy Monaro Regional	1,089	1,206	1,336	1,479
Wagga Wagga	1,193	1,253	1,284	1,316
Average	**1,123**	**1,195**	**1,248**	**1,305**
Comparable councils (SEIFA)				
Federation	847	991	1,130	1,243
Cootamundra-Gundagai Regional	983	1,032	1,058	1,085
Parkes	1,079	1,128	1,156	1,185
Leeton	1,173	1,226	1,257	1,288
Average	**1,006**	**1,085**	**1,146**	**1,200**
Group 11 average (excl. Snowy Valleys Council)	**1,002**	**1,058**	**1,093**	**1,129**

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.

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

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

Council	Average business rate ($)				Average farming rate ($)			
	Current	2024-25	2025-26	2026-27	Current	2024-25	2025-26	2026-27
Snowy Valleys Council (OLG Group 11)	**2,075**	**2,332**	**2,623**	**2,951**	**2,705**	**3,060**	**3,444**	**3,875**
Neighbouring councils								
Cootamundra-Gundagai Regional	2,285	2,399	2,459	2,521	4,246	4,458	4,570	4,684
Greater Hume Shire	570	599	614	630	2,487	2,616	2,681	2,748
Snowy Monaro Regional	1,734	1,921	2,127	2,356	2,282	2,527	2,799	3,100
Wagga Wagga	6,351	6,669	6,836	7,007	3,012	3,162	3,241	3,322
Average	**3,842**	**4,061**	**4,205**	**4,358**	**2,800**	**2,987**	**3,134**	**3,292**
Comparable councils (SEIFA)								
Federation	1,151	1,346	1,535	1,688	4,299	5,030	5,734	6,307
Cootamundra-Gundagai Regional	2,285	2,399	2,459	2,521	4,246	4,458	4,570	4,684
Parkes	4,653	4,862	4,984	5,109	3,252	3,398	3,483	3,570
Leeton	1,030	1,076	1,103	1,131	3,920	4,097	4,199	4,304
Average	**2,370**	**2,521**	**2,630**	**2,730**	**3,901**	**4,208**	**4,448**	**4,660**
Group 11 average (excl. Snowy Valleys Council)	**2,489**	**2,616**	**2,692**	**2,767**	**3,921**	**4,139**	**4,281**	**4,420**

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.

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. However, we also note that farmland ratepayers pay a large portion of the rates.[f]

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

[f] 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[g], 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.

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

Table 6.5 below shows that, socio-economically, the residents of Snowy Valleys Council is in a similar position to those in comparable councils, with some indicators suggesting a slightly better ability to pay rates and some suggesting additional hardship. In particular:

- Median income is lower than in neighbouring areas and the Group 11 average, and slightly higher than the average for comparable councils by SEIFA.
- The typical household in Snowy Valleys Council would spend around 1.4% of the household income towards residential rates. This is comparable to those in neighbouring councils (1.4%), comparable councils by SEIFA (1,5%) and OLG Group 11 councils (1.4%).
- 3.5% of the council's rates were outstanding, which is lower than the comparable councils and within the OLG benchmark of less than 10%.
- 8.7% of households may meet the definition of housing cost stress. This is less than the average proportion of housing stress recorded in neighbouring councils (9.7%), comparable councils by SEIFA (9.3%) and OLG Group 11 councils (10.6%).
- 43.3% of dwellings in the council are owned outright, which is higher than the average of neighbouring and comparable councils by SEIFA and OLG Group.

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]
Snowy Valleys Council (OLG Group 11)	**67,912**	**1.4**	**3.5**	**21.6**	**8.7%**	**43.3**
Neighbouring councils						
Cootamundra-Gundagai Regional	58,864	1.7	7.8	26.0	8.2%	47.1
Greater Hume Shire	73,840	1.3	5.5	17.3	7.5%	43.0
Snowy Monaro Regional	82,836	1.3	8.6	16.1	10.6%	40.2
Wagga Wagga	85,176	1.4	6.0	15.6	12.4%	29.5
Average	**75,179**	**1.4**	**7.0**	**16.9**	**11.1%**	**40.0**
Comparable councils (SEIFA)						
Federation	61,724	1.4	5.6	26.6	9.0%	46.2
Cootamundra-Gundagai Regional	58,864	1.7	7.8	26.0	8.2%	47.1
Parkes	69,472	1.6	6.8	22.0	9.7%	36.8
Leeton	73,684	1.6	8.5	18.6	10.3%	36.1
Average	**65,936**	**1.5**	**7.2**	**23.3**	**9.3%**	**41.6**
Group 11 average (excluding Snowy Valleys Council)	**71,754**	**1.4**	**8.4**	**21.9**	**10.6%**	**40.1**

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. The OLG benchmark for outstanding rates is that it should be below 10% for rural and regional councils.

Over the last 5 years, the number of hardship applications have steadily increased from 11 in 2018-19 to 21 in 2022-23, as has the average amount owing per ratepayer on a hardship provision from around $5,200 in 2018-19 to more than $8,000 in 2022-23[h]. Over that same period, the proportion of overdue rates and the amount owing has varied, averaging around 11% and $1,260, respectively.

Impact on farmland rates under the proposed SV

Some farmland ratepayers have stated their rates have or will go up by more than 200% by the end of the proposed SV period. One submission stated the Valuer General has increased their land value by more than 300% over the last few years. They expressed concerns that the impact of this will result in the farmland ratepayers' rates increasing from less than 2% of their income to over 5%.

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 note that the council has a hardship policy in place to assist vulnerable ratepayers, and it has some strategies to make its community aware about how to access this.

The hardship policy provides assistances, such as:

- deferral of rates
- the writing-off of accrued interest for late payments
- payment plans.[35]

The council told us that information on hardship assistance is included on the back of the rates notice and that it makes the policy available on its website.

[h] This is different to the outstanding rates and annual charges ratio (%) mentioned in Table 6.5, which is based on dollar values (see note c of Table 6.5). The overdue rates percentage is calculated by dividing the total number of overdue rates (count) over the total number of issued rates (count).

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

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

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

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

Note: See Appendix A for the full criterion.

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

The adopted LTFP is available on the council's website.

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

The council[36]:

- exhibited its current Community Strategic Plan from 18 March to 15 April 2022, and adopted it on 16 June 2022
- exhibited its current Delivery Program from 19 May to 16 June 2023, and adopted it on 29 June 2023
- exhibited its current LTFP from 19 May to 16 June 2023 and adopted it on 29 June 2023
- adopted its Asset Management Strategy on 16 June 2022
- submitted its SV application on 2 February 2024.

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

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

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

Source: Office of Local Government Integrated Planning and Reporting Guidelines

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

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

For this criterion, we found that the council did not adequately explain and quantify the productivity improvements and cost containment strategies it has realised and plans to realise from 2024-25 to 2026-27.

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 years of the proposed SV period.

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

Note: See Appendix A for the full criterion.

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

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

8.1 Stakeholder comments on productivity and cost containment

Some submissions to IPART expressed that the council should:

- improve its own efficiency to cover the revenue shortfall
- identify possible income generation opportunities
- stop the amount spent on consultants.

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 764 responses. Of these, more than 75% (574) disagreed that the council is effective in providing infrastructure and services for the community while less than 10% agreed, and the remainder neither agreed nor disagreed. More than 80% disagreed that the council had explained past, or future cost-saving strategies (631 and 641 responses respectively). The full results are presented in Figure B.4 in Appendix B.

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

8.2 The council's realised and proposed savings

In its SV application, the council has told us it initiated a Road to Sustainability Plan in 2020, which aims to foster financial sustainability and deliver optimal value to the community. It reviewed and updated this plan in 2023. It indicated that since the introduction of this plan, the council has realised $1.4 million in savings.[37]

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

We consider the council:

- did not sufficiently deliver productivity improvements and cost containment relative to the total increase from the 2022-23 SV
- did not quantify any strategies and activities for further improving its productivity and efficiency in its LTFP
- did not consider service level cuts nor include any discussions of efficiencies made by Audit Improvement and Risk Committee in its LTFP.

There were shortcomings with its planned initiatives. Overall, we assess that the council has not demonstrated this criterion.

Productivity and cost containment strategies to date

We consider the council has made some productivity improvements in recent years. As noted above, it told us that since 2020, it has delivered $1.4 million in cost savings, including[38]:

- $1.1 million in employee cost savings
- $0.3 million in materials and services savings.

However, we note almost $1 million of the total cost savings were already identified in its 2022-23 SV application.[39] This means in the last 2 years the council has only realised a further saving of approximately $0.4 million. We consider the size of this saving is low relative to the total increase in income due to the 2022-23 SV.

In addition, it is not clear that this small saving was actually realised. The council's application stated it has significantly underestimated its expenditure relating to employee costs and materials and services. Employee costs exceeded the budget by over $5 million and material services exceeded the budget by $25.8 million in 2022-23.[40] We also note in Table 8.1 that the average annual cost per FTE has increased by an average of 8.1% per year.

Overall, we found that the council did not adequately explain the productivity gains and cost savings it has realised in recent years.

Planned productivity and cost containment strategies

We found that the council outlined strategies and activities for further improving its productivity and efficiency in its application. These are:

- pursuing efficiency gains and capturing savings to reduce costs
- pursuing commercial opportunities to realise economies of scale and generate commercial returns
- reducing service levels for low value services
- increasing fees and charges
- applying to IPART for approval to increase rates above the annual rate peg via an SRV.[41]

However, we do not consider the SV application to be an applicable planned productivity or cost containment strategy.

We also note that the council provided its Road to Sustainability Plan as supporting material for this criterion.[42] However, this document does not identify the specific productivity and cost containment strategies the council proposes to implement in the coming years, or the estimated financial impact of these strategies.

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 decreased by 4.6% each year
- average annual cost per FTE increased by an average of 8.1% nominal per annum
- employee costs as a percentage of operating expenditure have decreased by 2.6% each year.

We also found that the council has:

- ratio of FTE staff per population is higher than the Group 11 average – it has one FTE for every 79 residents, whereas the Group 11 average is one FTE for every 82 residents.
- operating expenditure per capita is higher than the Group 11 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 Snowy Valleys Council

Performance indicator	2017-18	2018-19	2019-20	2020-21	2021-22	Average annual change (%)
FTE staff (number)	228	213	209	209	189	-4.6
Ratio of population to FTE	63.8	68.2	69.3	69.0	78.8	5.4
Average cost per FTE ($)	80,737	85,488	98,469	96,871	110,175	8.1
Employee costs as % of operating expenditure (General Fund only) (%)	37.5	38.5	40.0	31.5	33.8	-2.6

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

Table 8.2 Select comparator indicators

	Snowy Valleys	OLG Group 11 Average	NSW Average
General profile			
Area (km2)	8,959	6,348	5,501
Population	14,901	14,336	63,605
General Fund operating expenditure ($m)	55.8	39.9	95.2
General Fund operating revenue per capita ($)	4,211	3,573	na
Rates revenue as % of General Fund income (%)	19.1	29.5	44.5
Own-source revenue ratio (%)	52.6	47.9	64.4
Productivity (labour input) indicators			
FTE staff	189.0	174.9	385.8
Ratio of population to FTE	78.8	81.9	164.9
Average cost per FTE ($)	110,175	85,187	97,938
Employee costs as % of operating expenditure (General Fund only) (%)	33.8	31.9	37.5
General Fund operating expenditure per capita ($)	3,743	2,785	1,497

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

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

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

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

IPART approved a permanent Special Variation for the council of 35.95% over the 2-year period from 2022-23 to 2023-24.

The condition of the approval is that the council in its annual report for each year from 2022-23 to 2026-27 must outline[43]:

- the program of expenditure that was actually funded by the SV
- the outcomes achieved as a result
- its actual revenues, expenses, operating results against projections provided in its LTFP
- any significant differences between the actual and projected revenues, expenses, operating results and the reasons for those differences.

The council has not provided any indication in its current SV application that it has complied with this condition. We have reviewed the council's 2022-23 annual report and have assessed that the council has not complied with this condition.[44]

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.

Our decision means that the council may not increase its general income by more than the rate peg applicable to the council in 2024-25 (5.0%). The council is to determine how the rate peg increase will be distributed among ratepayer categories.

If the council needs additional rates revenue in the future, it should carefully consider the shortcomings identified in this report and may apply again to IPART for an SV in future years.

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[9]:

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

- **Baseline scenario –** General Fund revenue and expenditure forecasts which reflect the business as usual model, and exclude the special variation, and
- **Special variation scenario –** the result of implementing the special variation in full is shown and reflected in the General Fund revenue forecast with the additional expenditure levels intended to be funded by the special variation.

The IP&R documents and the council's application should provide evidence to establish 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 fact sheet 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[10] 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.

10 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 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
- their views on the council's past and proposed cost management strategies.

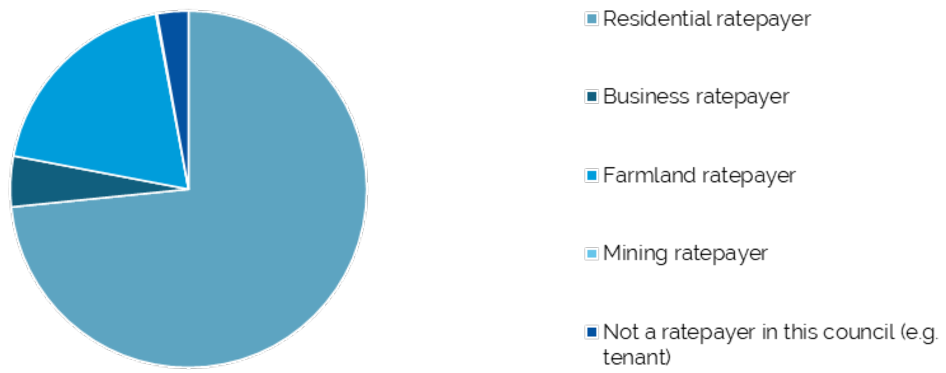
This survey was open for 3 weeks from 27 February 2024 to 18 March 2024.

We received 764 survey responses on Snowy Valleys 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 the council's past and proposed cost management strategies. It also provides the breakdown of the ratepayer type that 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.

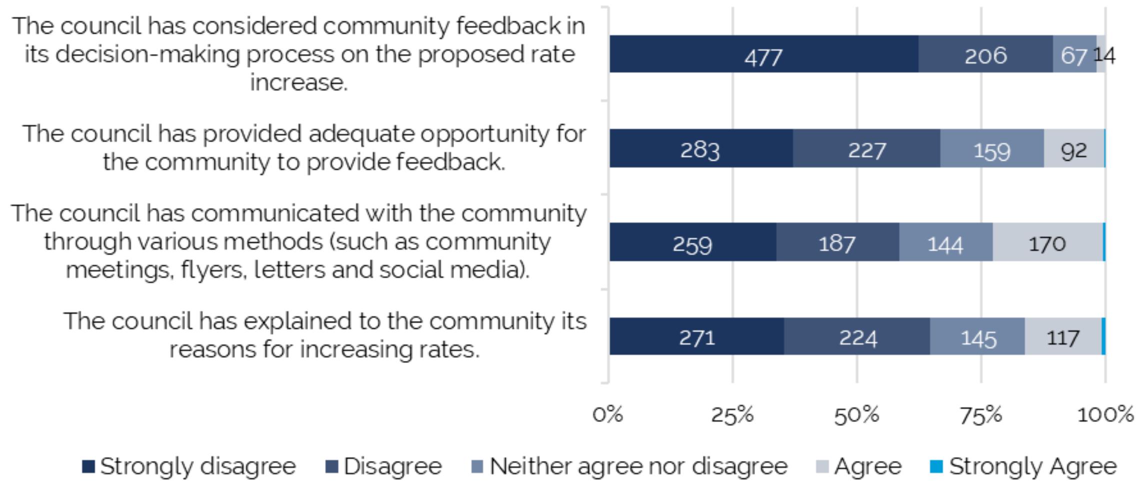
Figure B.1 Respondent ratepayer types



a. The total number of responses for each question was 764. 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

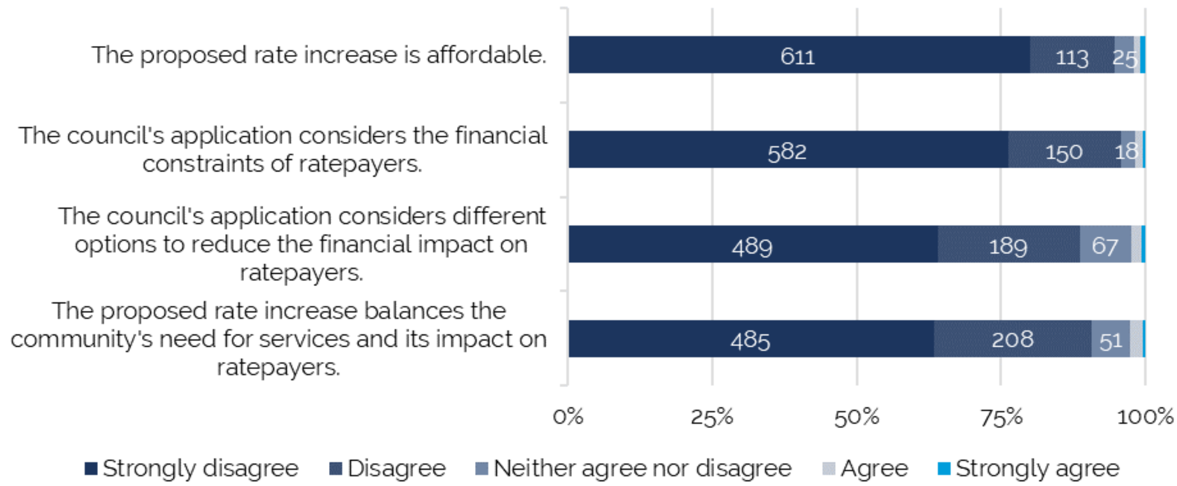
Figure B.2 Responses to questions about awareness and understanding of the proposal



a. The total number of responses for each question was 764. 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

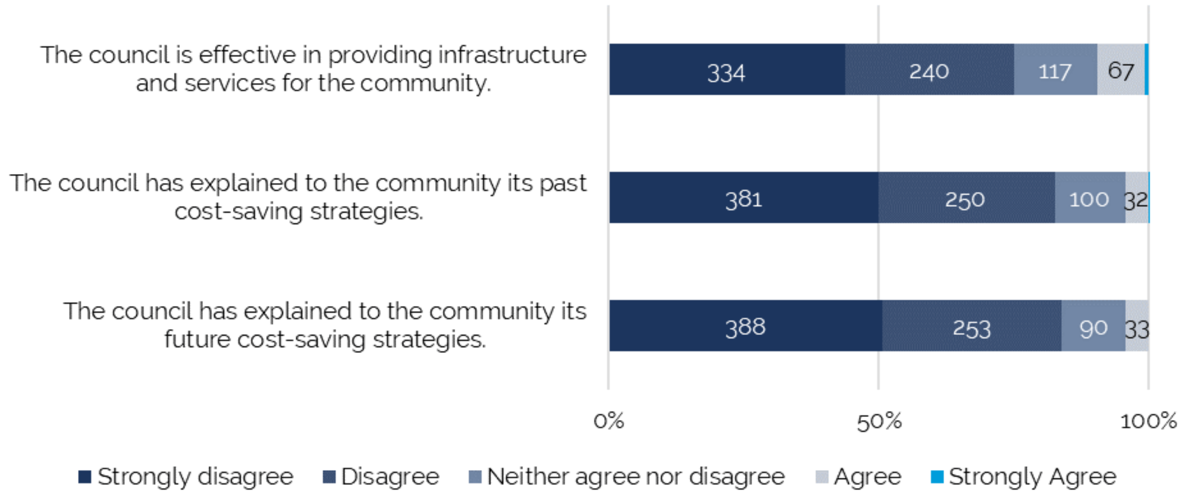
Figure B.3 Responses to questions about affordability



a. The total number of responses for each question was 764. 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 B.4 Responses to questions about the council's cost-saving strategies



a. The total number of responses for each question was 764. 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

C 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] Snowy Valleys Council, Application form part B, p. 4.
[2] Snowy Valleys Council, Application form part A, WK8 – Expenditure Program.
[3] Snowy Valleys Council, Application form part B, p. 20.
[4] Snowy Valleys Council, Application form part B, p. 4.
[5] IPART, Snowy Valleys Council Special Variation Application for 2022-23 Final Report, May 2022, p. 1.
[6] Snowy Valleys Council, Application form part A, WK7 – Impact on Rates.
[7] Snowy Valleys Council, Other Attachment, Capacity to Pay report, p. 3.
[8] Snowy Valleys Council, Other Attachment, Capacity to Pay report, p. 16.
[9] Snowy Valleys Council, Other Attachment, Capacity to Pay report, p. 18.
[10] Snowy Valleys Council, Application form part B, p. 23.
[11] Snowy Valleys Council, Rates Hardship Policy, 18 August 2022.
[12] Snowy Valleys Council, Application form part A, WK3 – Notional General Income, cell L163; Snowy Valleys Council, Application form part A, WK5 – Yrs 2-7 Yield, cell U170.
[13] *Local Government Act 1993* (NSW), section 556(1).
[14] *Local Government Act 1993* (NSW), section 514.
[15] Snowy Valleys Council, Application form part B, p. 4.
[16] Office of Local Government, Performance Benchmarks, May 2020.
[17] IPART, Snowy Valleys Council Special Variation Application for 2022-23 Final Report, May 2022, p. 11.
[18] Snowy Valleys Council, Application Part A, WK9 – Financials.
[19] Snowy Valleys Council, Annual Report 2022-2023, Notes to the Financial Statements, p. 31.
[20] Snowy Valleys Council, Annual Report 2022-2023, Notes to the Financial Statements, p. 32.
[21] Snowy Valleys Council, Long Term Financial Plan 2023-2033, p. 12.
[22] Snowy Valleys Council, Long Term Financial Plan 2023-2033, p. 6.
[23] Snowy Valleys Council, Community Engagement Materials, p. 45.
[24] Snowy Valleys Council, Application form part B, p. 18.
[25] Snowy Valleys Council, Application form part B, p. 18.
[26] Snowy Valleys Council, Business Paper Ordinary Council Meeting 1 February 2024, February 2024, p. 10.
[27] Snowy Valleys Council, Application form part B, p. 20.
[28] Snowy Valleys Council, Business Paper Ordinary Council Meeting 1 February 2024, February 2024, p. 9.
[29] Snowy Valleys Council, Business Paper Ordinary Council Meeting 1 February 2024, February 2024, p. 10.
[30] Snowy Valleys Council, Business Paper Ordinary Council Meeting 1 February 2024, February 2024, p. 9.
[31] Snowy Valleys Council, Application form part B, p. 19.
[32] Snowy Valleys Council, Other Attachment, Capacity to Pay report, p. 18.
[33] Snowy Valleys Council, Rates Hardship Policy, 18 August 2022, p. 1.
[34] Office of Local Government, Australian Classification of Local Governments and OLG group numbers.
[35] Snowy Valleys Council, Rates Hardship Policy, 18 August 2022, pp. 1-2.
[36] Snowy Valleys Council, Application form part B, pp. 25-26.
[37] Snowy Valleys Council, Application form part B, p. 27.
[38] Snowy Valleys Council, Application form part B, pp. 27-28.
[39] IPART, Snowy Valleys Council Special Variation Application for 2022-23 Final Report, May 2022, p. 24.
[40] Snowy Valleys Council, Application form part B, p. 15.
[41] Snowy Valleys Council, Application form part B, p. 28.
[42] Snowy Valleys Council, Financial Sustainability Plan
[43] IPART, Snowy Valleys Council Special Variation Application for 2022-23 Final Report, May 2022, p. 29.
[44] Snowy Valleys Council, 2022-23 Annual report, p. 164.

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