IPART Independent Pricing and Regulatory Tribunal | NSW

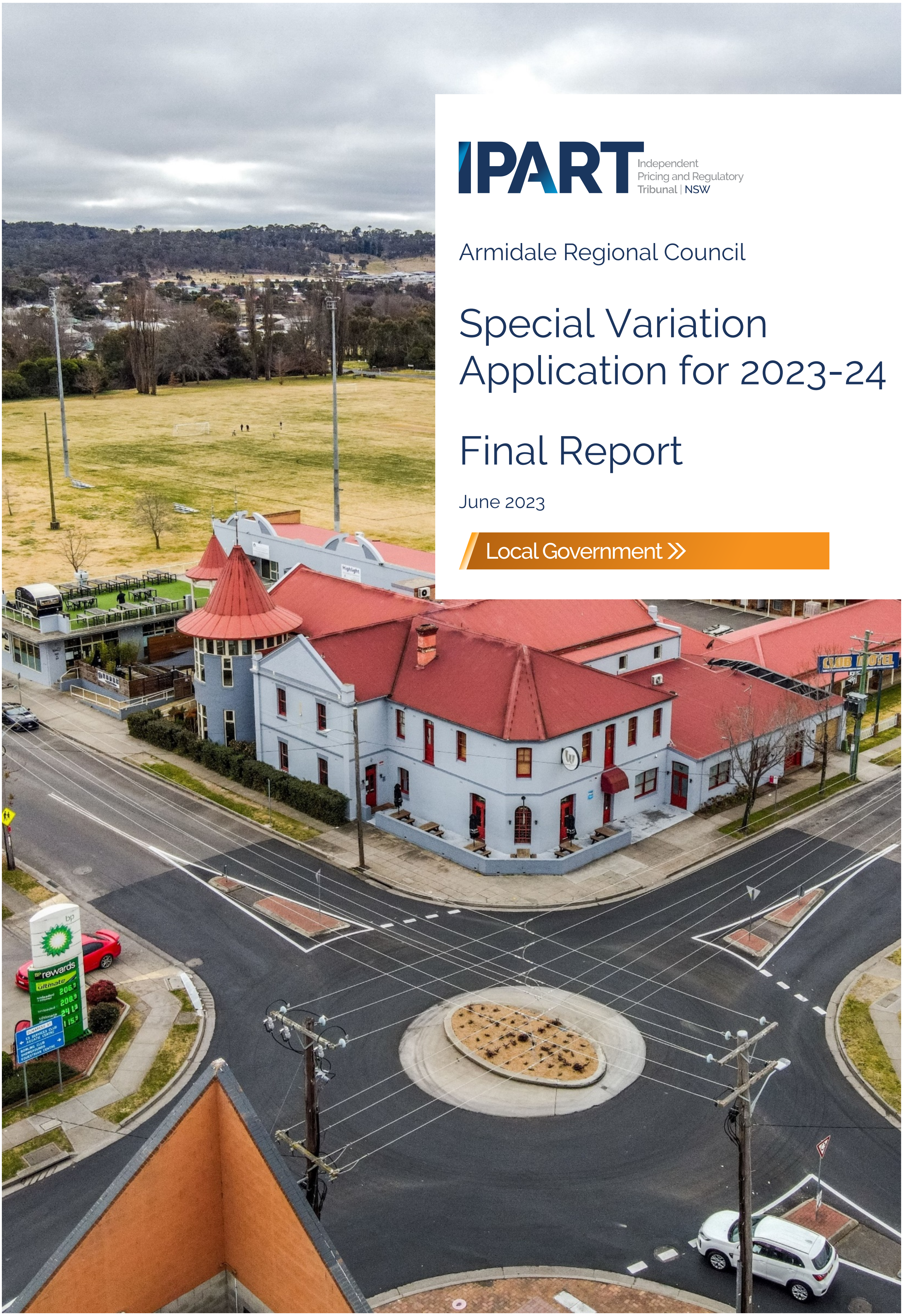
Armidale Regional Council

Special Variation Application for 2023-24

Final Report

June 2023

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
Deborah Cope
Sandra Gamble

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.

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Foreword from the Chair

The 128 councils in NSW are an important part of our democracy and significant providers of essential services. On average they raise about a third of their revenue through rates and the Independent Pricing and Regulatory Tribunal of NSW (IPART) determines how much each council's total rates revenue can increase each year through the rate peg.

IPART has recently consulted widely with ratepayers, councillors, council staff and other stakeholders across NSW about council rates. Our consultation has been an important part of IPART's current review of the rate peg methodology which is how we calculate the rate peg for each council each year.

When councillors decide they need total rates revenue to increase above the rate peg, they can apply to IPART for a special variation. We have also consulted about 17 council special variation applications, received in February and March 2023, seeking rates increases above the rate peg, including some very large proposed increases.

We want to thank every single person who has come forward and provided feedback. We have considered every issue raised in that consultation.

We have heard that some councils are experiencing financial sustainability problems, which they suggest are related to the current financial model for councils. This is requiring strong financial management and council action to either increase rates or cut services, at a time when many people are less able to afford higher rates or to do without essential council services.

We heard that ratepayers are indeed concerned about cost of living pressures and affordability of rates while they also depend on and value council services.

This has raised the question of whether the funding and financial model for councils is as good as it needs to be, at a time when NSW has faced drought, bushfires, floods, COVID, supply chain disruption, labour shortages, higher inflation and rising interest rates.

Feedback to IPART indicates communities want councils to demonstrate good financial management and provide services that are efficient and value for money, so they can be confident the rates they pay are well used. Councillors, as the representatives of the community, play a key role in holding council management to account, and need the tools and information to do so.

Ratepayers have told us they want to be better consulted about council priorities, so councils deliver good quality services that are needed by their local community. We also heard ratepayers would like more consultation about the way rates are set - so rates are fair, reasonable and affordable.

Some councils have stronger financial sustainability than others. A range of reasons have been suggested for why this is the case. We have heard that the capability, workforce shortages, resources and alternative sources of revenue available to councils are not the same across NSW. Populations, economies, distances and geography are quite varied. Councils are very diverse and we have heard that a 'one size fits all' financial model does not make sense.

Our proposed new rate peg methodology is designed to respond to many of the issues raised in the review so far, including being more forward looking and agile, while recognising the diversity of councils. But it cannot address all the issues people have identified.

The rate peg sets the appropriate movement in a council's existing cost base but does not address the cost base itself. Trying to fix the cost base through the rate peg could potentially lead to unwarranted increases for some councils that could do more to control costs, and insufficient increases for councils with genuine financial need.

In assessing special variation applications, in line with current laws and guidelines, the Tribunal has carefully considered the impact of any increases in rates on individual ratepayers and whether increases in total rates revenue are needed so council services can continue to be provided. We note that, within the total rates revenue approved by IPART, it remains the responsibility of councillors to set rates in a way that takes into account the circumstances of their constituents. Councillors also have the authority to provide hardship programs that lessen the impact on people who cannot afford increased rates.

The Tribunal also questions whether the large special variation applications lodged in February and March indicate the financial model needs closer investigation, if the only way a council is able to address financial sustainability is through seeking substantial rates revenue increases.

The Tribunal believes it would be timely for NSW Government to initiate an independent investigation into the financial model for councils in NSW, including the broader issues highlighted in our draft report on the rate peg methodology.

IPART stands ready to work with the NSW Government, councillors, ratepayers and communities to address the issues we have heard through our consultation over recent months.

Carmel Donnelly PSM
IPART Chairperson

1 Executive summary

Armidale Regional Council (the council) applied for a permanent special variation (SV) to increase its general income by 58.8% over 3 years. This includes increases of 16.67% in each of 2023-24 and 2024-25, and 16.66% in 2025-26.

The council received a 10.5% SV in 2021-22 to make an existing temporary special variation permanent[1]. However, in its current application, the council noted that this has not addressed its unsustainable financial position.

The council has explored options to avoid or minimise the need for a further rate rise. These include reviewing its service offering and implementing a range of productivity improvements and cost containment initiatives. These have delivered around $12.7 million in savings to date[2].

Having reviewed these options and determining that it is not feasible to increase borrowing or raise fees and charges further, the council is now seeking a special variation to:

- improve its financial sustainability by eliminating its general fund operating deficit
- deliver the services outlined in its draft Integrated Planning and Reporting (IP&R) documents
- meet its asset renewal funding requirements and appropriately manage the infrastructure backlog.
- meet compliance obligations under the *Local Government Act 1993* (LG Act) and other legislation.

1.1 IPART's decision

We found that the council met the Office of Local Government's criteria for its proposed SV. We have approved the council's application. Our decision means the council can raise up to an additional $18.9 million in total general income (above the rate peg) over the period 2023-24 to 2025-26. The council can permanently retain the increased income in its rate base.

Some stakeholders told us that the SV is likely to create affordability challenges for some ratepayers – particularly when combined with other cost-of-living pressures, such as high inflation and increases in mortgage interest rates. In making our decision we had regard to the purpose of the SV, which is to ensure the council's ongoing financial sustainability, enable it to continue to provide services that the local community depends on and manage its infrastructure backlog.

The council has advised without the SV, its financial position will continue to deteriorate. The council has an operating deficit, meaning its revenue does not cover its operating costs. This shortfall is expected to be around $4.5m in 2023-24 and is forecast to increase[3], despite the range of cost savings initiatives put in place in recent years.

We found that the council's average residential, business and farmland rates (if the council increases rates in line with the SV) will be higher than those of neighbouring councils. However, the council's median household income is higher than neighbouring councils and the level of disadvantage is lower. We also note that the council has proposed the SV over 3 years rather than all in 1 year as a way of mitigating the impact on ratepayers. In making our decision, we considered both the affordability of rates and the level of revenue the council requires to enable it to continue to provide the infrastructure and services its residents need and want.

As noted, the council has taken steps to increase its income and reduce its costs before applying for the SV. The council has increased user fees and charges such as for parking, and has sold surplus assets. It has lowered its employee and overhead costs, and made ongoing savings on the purchase of property, plant and equipment.

1.2 IPART's assessment of the council's application

To make our decision, we assessed the council's proposed SV against the 6 criteria set by the Office of Local Government (OLG) in its *Guidelines for the preparation of an application for an SV to general income* (OLG Guidelines). We found that the proposal met these criteria. Our assessment against each criterion is summarised below.

Criteria	Grading	Assessment
01	Demonstrated	**Financial need** The council demonstrated a financial need for the SV to address its operating deficit, meet its infrastructure priorities and maintain service levels. The council's IP&R documentation details the SV proposal and considers funding alternatives.
02	Demonstrated	**Community awareness** The council informed its community about the need for, and the size of the SV. The council used a wide range of engagement methods to communicate the SV with the community including community meetings, targeted stakeholder meetings and mailouts to all ratepayers.
03	Demonstrated	**Reasonable impact on ratepayers** This SV means that ratepayers will pay an additional 16.67% per year for the next 3 years. The council's average rates with the SV will generally be higher than its neighbouring councils' average rates. However the council's median household income is also higher than its neighbouring councils, and its level of disadvantage measured by the SEIFA index, is lower.

Criteria	Grading	Assessment
04	Demonstrated	**Integrated Planning and Reporting documentation** The council updated all relevant IP&R documents and has exhibited core documents multiple times since 2021.
05	Demonstrated	**Productivity improvement and cost containment** The council listed and quantified past and planned productivity and cost containment strategies.
06		**Other matters IPART considers relevant** The council was granted a permanent single-year SV increase of 10.5% (including the rate peg) for 2021-22 to improve its financial sustainability, reduce its infrastructure backlog, maintain service levels and implement the requirements under its Performance Improvement Order. We consider the council complied with the conditions attached to this SV. The council was also granted a permanent additional SV of 2.50% in 2022-23.

1.3 Community feedback

We expect the council to engage and consult with its community so that ratepayers are fully aware of any proposed SV and the impact on them and have opportunities to provide feedback to the council. This is one of the criteria we use to assess the council's application.

Armidale Regional Council consulted on its proposed SV with its community using a variety of engagement methods. It received 102 written submissions and 362 survey responses, held public meetings attended by 250 participants and published website content that had 2300 visitors[4].

As a further input to our assessment, we published the council's application on our website for a three-week consultation period in which stakeholders could make submissions directly to IPART. Through this process we received 47 submissions on Armidale Regional Council's proposed SV. Stakeholders that made submissions to us raised concerns around:

- the council's financial management and accountability
- the affordability of the proposed rates increase
- the council's consultation with the community
- the impact of recent land valuations on the council's income.

We also received some stakeholder submissions that supported the increase in rates and the need to maintain service levels and conduct infrastructure renewals.

We consider the council's community engagement in more detail in Chapter 4.2, and stakeholder feedback to IPART in more detail in Chapter 3 and throughout this report where relevant.

1.4 Next steps for the council

Our determination sets the maximum amount by which the council can increase its general income over the 3-year period. We encourage the council to consult with its community to decide how best to implement the increase. The council can choose how it sets its rates in accordance with our determination, including deferring any increases for up to 10 years.[5] Below are the council's proposed increases. It retains the discretion to revise how it raises its general income across the rating categories.

The council will still need to deliver on the additional productivity improvements it has identified. Increasing rates as proposed will not be sufficient on its own to achieve long-term financial stability.

Table 1.1 The council's proposed increase in rates

	2023-24	2024-25	2025-26	Cumulative increase
Residential	16.8%	18.3%	16.4%	60.9%
Business	17.7%	16.3%	16.9%	60.1%
Farmland	17.8%	14.4%	18.1%	59.1%
Mining	23.3%	13.9%	16.9%	64.1%

Note: These figures have been rounded in calculation therefore summations on a whole may not appear to be correct. These are the council's proposed increases, and it retains the discretion to apply the general income across the rating categories.
Source: Armidale Regional Council, Application Part A and IPART calculations

The rest of this report explains how and why we reached our decision on Armidale Regional Council's proposed SV in more detail.

2 The council's special variation application

Armidale Regional Council applied to increase its general income through an SV of 16.67% per year (including the rate peg) in 2023-24 and 2024-25 and 16.66% in 2025-26. This is a cumulative increase over the 3 years of 58.8%.[6] The council has explored options to avoid or minimise the need for an SV. These include reviewing its service offering and implementing a range of productivity improvements and cost containment initiatives. These have delivered around $12.7 million in savings to date[7].

Having reviewed these options and determining that it is not feasible to increase borrowing or raise fees and charges further, the council explained that it needs to increase its general income with the SV to:

- improve its financial sustainability by eliminating its general fund operating deficit
- deliver the services outlined in its draft IP&R documents
- meet its asset renewal funding requirements and appropriately manage the infrastructure backlog
- meet compliance obligations under the *Local Government Act 1993* (LG Act) and other legislation.

2.1 Impact of the SV on ratepayers

The council proposed reasonably similar rate increases for all rating categories over the 3-year SV period. On average, it proposed:

- residential rates would increase by 17.2% per year or a cumulative increase of 60.9% by 2025-26
- business rates would increase by 17.0% per year or a cumulative increase of 60.1% by 2025-26
- farmland rates would increase by 16.8% per year or a cumulative increase of 59.1% by 2025-26
- mining rates would increase by 18.0% per year or a cumulative increase of 64.1% by 2025-26.

The council has provided the number of rate notices that will be issued for 2022-23 in Table 2.1.

Table 2.1 Number of ratepayers per category in 2022-23

Ratepayer category	Number of rate notices
Residential	10,818
Business	723
Farmland	1,487
Mining	11

Source: Armidale Regional Council, Part A application Worksheet 2

The council indicated it would have to further reduce its services and infrastructure provision if the SV was not approved. This could impact ratepayers through slower response times from the council or less frequent road maintenance. The SV would enable the council to maintain its existing level of services and infrastructure.

2.2 Assessment of affordability and capacity to pay

The council assessed the affordability of the proposed SV, including the community's capacity to pay the proposed rates increases beyond 2023-24. The council's analysis recognised that while the community will face financial challenges, it must consider the consequences of not addressing the financial situation for future generations. In assessing these consequences, it considered the public safety risks, social and economic impacts, and impact on essential or valued infrastructure.

The council relied on capacity to pay analysis undertaken by consultants. This analysis examined the socio-economic characteristics of the Armidale Regional local government area (LGA). For example, these characteristics include the Socio–Economic Indexes for Areas (SEIFA), household income, employment status, housing loan repayment and trends in the cost of living.

The council has a hardship policy in place to assist ratepayers experiencing financial hardship. The council's policy allows eligible ratepayers[a] to enter into different types of payment arrangements and get relief from interest on rates. This is on top of the support to pensioners provided by the LG Act.

Under the LG Act, eligible pensioners are provided concessions on their ordinary rates, funded by the NSW State Government and local councils[8]. Eligible pensioners are entitled to a maximum concession of up to $250 applied to their ordinary rates.

The council also grants pensioners an additional rebate of up to $25 on ordinary rates, $25 on annual water charges and $25 on annual sewerage charges.[9]

2.3 Impact of the special variation on the council's general income

The council estimated that the proposed SV would result in a cumulative increase in the council's permissible general income of $18.9 million in total above what the assumed rate peg would deliver over 3 years.

[a] Eligible to ratepayers where: the property is in the name of the applicant, the property is the applicant's principal place of residence, the property is rated as residential or farmland; and there is overdue debt.

2.4 Further information provided

Following our preliminary assessment of its application, we asked the council to provide further evidence of its:

- analysis of its operating and infrastructure ratios
- waste levy management
- consideration of ratepayers' support for the SV.

In response to our request, the council provided:

- calculations to explain the ratios and impact of the waste levy on council's operations
- references to documents such as the Community Engagement report and a summary of the public submissions it received.

3 Stakeholders' submissions to IPART

We expect the council to engage with its community so that ratepayers are fully aware of any proposed SV and the impact it may have on them. This is one of the criteria we use to assess the council's application (see Appendix A).

As a further input to our assessment, we published the council's application on our website for a 3-week consultation period, and stakeholders could make submissions directly to us. The Tribunal has taken all submissions into account in making its decision in accordance with our Submissions Policy, including any confidential submissions. In this section, we summarise the key issues raised in all published (non-confidential) submissions.

3.1 Summary of submissions we received

We received 47 submissions during our submission period from 10 February 2023 to 3 March 2023. The key issues and views raised in these submissions, and our response to them, are summarised below. There are approximately 13,000 ratepayers in the council's local government area.

3.1.1 The council's financial management

More than half the submissions we received said that the council has not used its resources efficiently. Several submissions in this category put the view that the need for rate increases is a result of poor financial management and oversight.

The council's financial management is not part of the criteria we use to assess SV applications. However, we do consider whether the council has sufficiently shared its plans with the community through its IP&R documentation. We have considered this issue as part of Criterion 4 (see section 4.4).

3.1.2 Affordability of proposed rates increases

More than half the submissions raised concerns about the impact of the council's proposed SV on the affordability of rates, and suggested this would lead to financial hardship. Many noted worsening financial circumstances brought about by a high inflationary environment.

We have considered the impact of the SV on ratepayers as part of Criterion 3 (section 4.3).

3.1.3 The council's consultation on the proposed SV

Around half of the submissions we received said the council had not effectively communicated with the community about the proposed SV. Some stated that the council's consultation had not reached everyone in the community.

We have considered the council's consultation with its community as part of Criterion 2 (see section 4.2).

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

A small number of submissions suggested the SV was not necessary because the recent land valuation increases in the Armidale Region would automatically increase council's income.

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.

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.[b] However, 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
- the property's unimproved land value.

The variable component of rates, ad valorem, is determined by:

$$\textit{ad valorem component} = \textit{amount in the dollar} \times \textit{land value}$$

Generally, the council recalculates the 'amount in the dollar' rate every year to ensure the council does not collect rates above its PGI.

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.

[b] 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.

3.1.5 Support for the increase in rates

A small number of submissions were supportive of the plan to increase rates to maintain the service levels and renew infrastructure. Stakeholders in this category acknowledged the Armidale Region is in a position that requires funding to allow it to grow and for infrastructure to be maintained.

Half of the supportive submissions agreed with the full rate increase to enable the Armidale Region to grow under the new mayor's leadership. The other half of the supportive submissions were positive about an increase in rates but not at the level indicated in the current SV proposal.

We considered the council's financial need for the SV as part of Criterion 1 (see section 4.1).

4 IPART's assessment of the council's application

The Minister for Local Government has delegated the power to grant SVs to IPART.[c] We are required to assess the council's SV application against the 6 criteria set out in the OLG's Guidelines. We found that the council met all OLG criteria for its proposed SV. Specifically, we found Armidale Regional Council:

- Demonstrated a financial need for the special variation to address its operating deficit, fund infrastructure priorities and to maintain the existing levels of service.
- Had undertaken adequate community consultation to inform ratepayers of the need and purpose of the SV.
- Assessed the impact of the SV on ratepayers and shown that it is reasonable given the area's demographics.
- Exhibited its IP&R documentation appropriately.
- Implemented part of its Financial Recovery Plan and included further productivity and cost savings in its Long-term Financial Plan (LTFP).
- Demonstrated compliance with the conditions of the 2021-22 SV.

Our assessment against each criterion is discussed below.

4.1 OLG Criterion 1: The council demonstrated a financial need

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 full details

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 in the submissions we received. We do not audit council finances, as this is not part of our delegated authority.

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

[c] By delegation dated 6 September 2010, the Minister for Local Government delegated to the Tribunal all her 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.

4.1.1 Stakeholder comments on financial need

In their submissions to us, stakeholders said that:

- Investment in infrastructure is required but raised concerns the additional revenue from the SV will not be used for its intended purpose.
- The financial need for the SV resulted from poor financial management and oversight.
- The rate rises are necessary to maintain the service levels and deliver infrastructure projects.

In making this assessment we considered all submissions. We understand that approving this SV may have a significant impact on some ratepayers, particularly when considered in combination with other factors such as the economic impacts of high inflation. However, the council requires a more sustainable financial base to deliver the services and infrastructure the community needs.

4.1.2 Council's IP&R documents and application

We found that the council's IP&R documents, including its LTFP, Delivery Program and Asset Management Program, clearly identify and articulate the need for, and purpose of, the SV. The documents state that the proposed SV of 16.67% per year (including the rate peg) for 3 years is needed to:

- improve financial sustainability by eliminating the General Fund operating deficit
- deliver the services as outlined in the draft IP&R documents
- meet asset renewal funding requirements and appropriately manage the infrastructure backlog
- meet compliance obligations under the LG Act and other legislation.

The council's assessment of the financial impact of the SV on its financial performance and position states that without the SV, it would be required to:

- Decrease operational service levels by $2 million per year and require significant reductions and/or removal of services.
- Further decrease capital service levels, which are already underfunded by approximately $6 million per year. The council said that, with a further decrease, the condition of infrastructure would deteriorate faster, and the infrastructure backlog would increase.

The council's IP&R documents indicate that it canvassed alternatives to the SV to meet the financial need.

4.1.3 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 do our own analysis of the impact of the proposed SV on the council's financial performance and financial position. This involved calculating financial forecasts under 3 scenarios:

1. **Proposed SV Scenario** – which includes the council's proposed SV revenue and expenditure.
2. **Baseline Scenario** – which does not include the council's proposed SV revenue or 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. Finally, we examined the IP&R documents to assess whether the council had canvassed alternative sources of funding to the SV.

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 0% is considered to be financially sustainable because the OPR measures a council's ability to contain operating expenditure within operating revenue.[10] The OLG has set a benchmark for the OPR of greater than 0% (see Appendix A for the full assessment criteria).

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 breakeven benchmark as set by OLG.

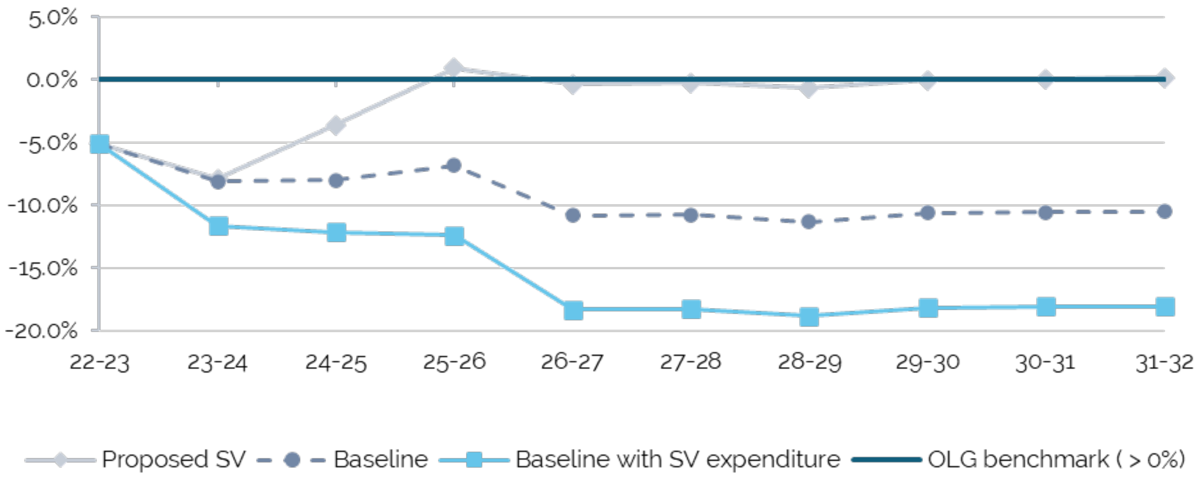
Source: Office of Local Government, *Performance Benchmarks* and *Assets*.

We found that over the next 5 years, under the:

- **Baseline Scenario**, the council's OPR would decline, and be -8.9% on average.
- **Baseline with SV expenditure Scenario**, the council's OPR would decline more sharply, and be -14.6% on average.
- **Proposed SV Scenario**, the council's OPR would improve, reaching around 0% by the second year and be -2.2% on average.

The results of our analysis are presented in Figure 4.1 and Table 4.1.

Figure 4.1 The council's OPR from 2022-23 to 2031-32



Note: OPR shown excludes capital grants and contributions
Source: Armidale Regional Council, Application Part A and IPART calculations.

Table 4.1 The council's projected OPR with proposed special variation, 2023-24 to 2031-32 (%)

	23-24	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32
Proposed SV	-7.9	-3.6	0.9	-0.3	-0.2	-0.7	0.0	0.1	0.1
Baseline	-8.1	-8.0	-6.8	-10.8	-10.7	-11.3	-10.6	-10.6	-10.5
Baseline with SV expenditure	-11.6	-12.1	-12.4	-18.3	-18.3	-18.8	-18.1	-18.1	-18.0

Source: Armidale Regional Council, Application Part A.

Impact on net cash

A council's net cash (or net debt) position is another 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.

On 30 June 2022, the council held a total of $106 million in cash reserves[11]. Of this:

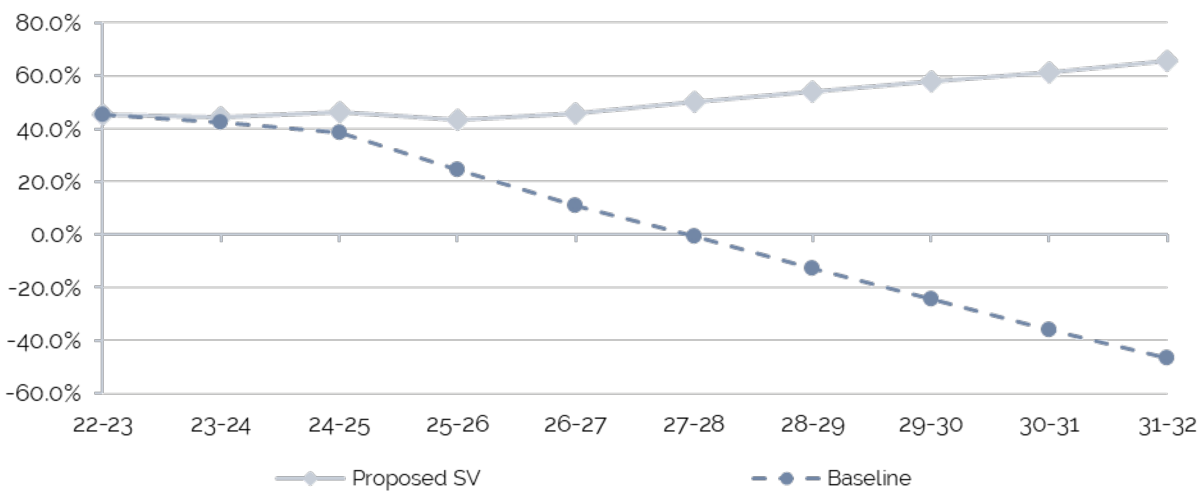
- **$79 million was externally restricted** (i.e. subject to external legislative or contractual obligations such as developer contributions to water and sewer funds, domestic waste management funds, etc.[12])
- **$21 million was internally restricted** (i.e. subject to a council resolution to cover commitments and obligations expected to arise in the future and where it is prudent to hold cash in restrictions to cover those obligations such as plant and vehicle replacement, infrastructure replacement. employee leave entitlements, etc.[13])
- **$6 million was unrestricted** (so was available to fund the purpose of the proposed SV).

This shows that most of the council's cash reserves are committed to other purposes and are not available to fund the proposed SV expenditure.

We calculate that as at 30 June 2023 the council's net cash will be $28.4 million, or 45.2% of its permissible general income. As Figure 4.2 shows, our analysis indicates that at the end of the 10th period:

- **under the 'Proposed SV' scenario**, the council's net cash to income ratio would increase to 65.7%
- **under the 'Baseline' scenario**, the net cash position to income ratio would decrease to -46.6%.

Figure 4.2 The council's net cash (debt) to income ratio, 2022-23 to 2031-32 (%)



Note: Baseline Scenario includes the council's full expenses from its proposed SV, without the additional revenue from the proposed SV.
Source: Armidale Regional Council, Application Part A.

Taking account of the council's OPR and net cash position, we consider it is in financial need for the proposed SV to enhance its financial sustainability and enable it to deliver adequate service levels.

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 another indicator of its financial position. 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 2.0%.
- **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%.

Box 4.2 Infrastructure ratios for councils

Infrastructure backlog ratio

The infrastructure backlog ratio measures the council's backlog of assets against its total written down value of its infrastructure. It 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:

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

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

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

The council noted the SV revenue will be used to fund a range of infrastructure priorities including:

- **sealed local roads:** resealing target of 55 km per year (currently 11 km per year, with a backlog of $19 million in rehabilitation work)
- **unsealed local roads:** re-sheeting target of 70 km per year (currently 35 km per year). Compounding effect in maintenance cost
- **bridges and culverts:** replacing 5 timber bridges within 10 years
- **footpaths and cycleways:** renewing 6km of footpaths, fixing existing trip hazards and constructing missing links in cycleways and paths
- **kerb and gutter:** renewing 11 km of failed kerb. Currently renewal rate is 1 km per year
- **urban stormwater drainage**: re-lining or replacing pipes at end of life, and upgrading to address capacity and local flooding issues

- **community buildings:** undertaking $10 million of outstanding building upgrades and maintenance
- **playgrounds and parks:** renewing and upgrading playgrounds
- **sporting facilities:** undertaking ongoing maintenance and renewals
- **Armidale Aquatic Centre:** refurbishing/upgrading/replacing assets at the end of life.[14]

The council forecasted a capital expenditure of $60 million over the next 10 years on infrastructure renewal projects alone[15].

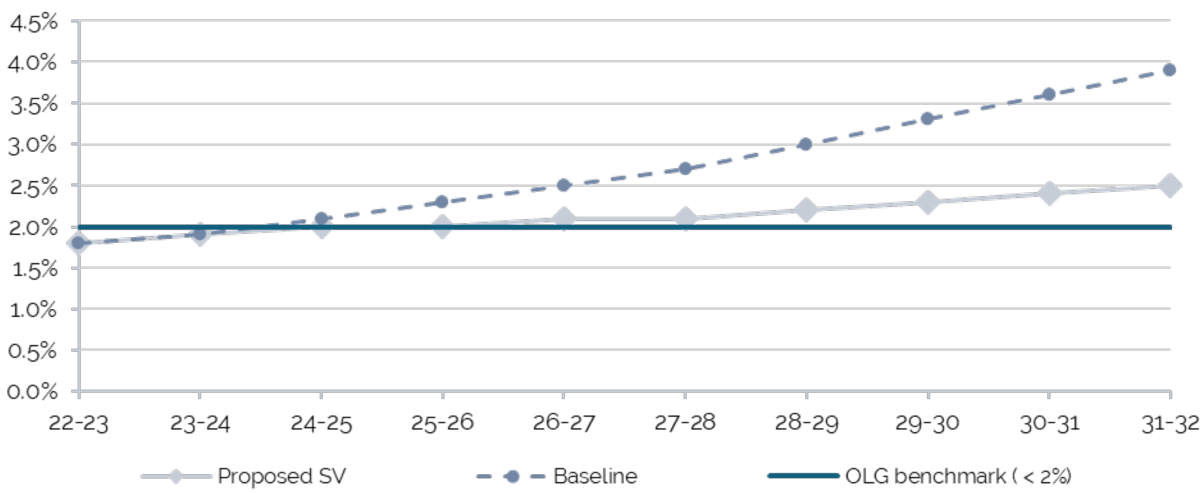
Impact on infrastructure backlog ratio

Under the Baseline Scenario, we found that over the next 9 years, the council's the infrastructure backlog ratio would gradually increase from marginally below the benchmark of less than 2% in 2022-23 (1.8%) to 3.9%. Under the Proposed SV Scenario, it would increase more gradually from the current 1.8% to 2.5% in 2031-32. (See Figure 4.3).

Over the next 5 years, the council's infrastructure backlog ratio would average:

- 2.0% with the Proposed SV
- 2.3% under the Baseline Scenario.

Figure 4.3 The council's infrastructure backlog ratio, 2022-23 to 2031-32



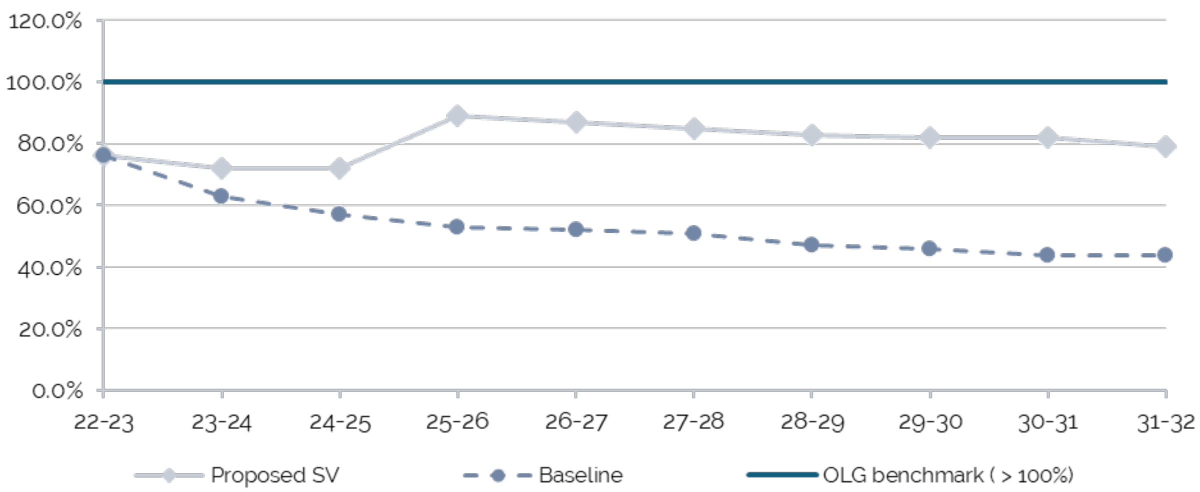
Source: Armidale Regional Council, Application Part A.

Impact on infrastructure renewals ratio

Under the Proposed SV Scenario, we found that the council's infrastructure renewals ratio would be closer to the OLG's benchmark of greater than 100%. Over the next 10 years, the ratio would increase from 76% in 2022-23 to 89% by 2025-26, before declining from 2026-27 onwards[16].

Under the Baseline Scenario, the council's infrastructure renewals ratio would remain substantially below the benchmark, gradually declining from 76% to 44% by 2031-32. (See Figure 4.4.)

Figure 4.4 The council's infrastructure renewal ratio, 2022-23 to 2031-32



Source: Armidale Regional Council, Application Part A.

We consider the council's infrastructure ratios to show that the council has established financial need for the SV to fund infrastructure priorities,

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. The information provided in its application indicates that it did.

In particular, the application outlined that the council considered increasing revenue through the following options:

- **Funding the required increases from general revenue**. The council stated that it had already realised $1.1 million in ongoing savings and must continue to achieve efficiency targets to maintain this position[17]. It has factored in further efficiency savings to its LTFP. It also said that it could not fund further expenditure without substantially cutting or eliminating services in other areas, which was not supported by the community.
- **Implementing new and increasing existing user charges and fees**. The council found it was not feasible to raise the required funds by implementing new and/or increasing existing user charges and fees. For example, it said that it does not have authority to implement road tolls, nor would it be practical to implement entry fees for public parks.

- **Using cash reserves**. The council stated that there are no available funds in cash reserves to redirect to annual operating expenditure without breaking the Performance Improvement Order/Financial Improvement Plan requirements to build unrestricted cash above $5 million.
- **Seeking grant funds**. The council said that there are no grant programs that deliver ongoing funding to the level required to address these issues.[18]

After considering alternative revenue streams the council found that the proposed SV would be the most feasible funding source to address its financial need.[19]

4.2 OLG Criterion 2: The council demonstrated community engagement and awareness

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 full details

To assess this criterion, we considered stakeholder comments about community awareness. We also analysed the council's community engagement on the proposed SV. The sections below discuss our assessment, and why we found that the council met this criterion.

4.2.1 Stakeholder comments on community awareness

In submissions to IPART, stakeholders raised concerns that the council:

- had not responded to their concerns
- did not clearly communicate the reason for the proposed SV and associated rate rise or the alternatives it had considered
- did not take account of the community's input in informing the council's strategic priorities.

We considered these concerns, alongside other available information. Not all ratepayers were aware of the need for, and extent of, the proposed rate rises, or satisfied with the council's engagement process. However, the council submitted sufficient evidence to show that the council met this criterion (see section 4.2.2).

4.2.2 Our analysis of council's engagement and consultation

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

- the information provided to ratepayers was 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 information provided to ratepayers about the proposed SV was clear. The information conveyed all necessary details to ensure ratepayers were well informed and able to engage with the council during the consultation process.

For example, the council mailed out a letter to all ratepayers with a link to an information pack that outlined:

- the impact of the proposed rate increase on ratepayers in dollar terms across various categories of ratepayers
- increases with and without the SV across various categories of ratepayers
- the full impact of the proposed rate increase to ratepayers in cumulative percentage terms by ratepayer category
- the annual change (i.e. the SV increase in dollar terms), for each affected rating category
- the number of assessments and base year rate in dollar terms, for each affected rating category
- what the proposed SV would fund
- the council's proposed ongoing efficiency measures and its progress towards implementing these measures.[20]

This information pack also recognised that circumstances of financial hardship can arise requiring respect and compassion. It noted that in cases of genuine hardship, the council will work with people to put affordable payment plans in place that are generally in line with existing minimum payment arrangement criteria and referred to the Hardship Support page on its website.[21]

Engagement methods used

We consider the council used an appropriate range of engagement methods to promote awareness of its proposed rate increase and obtain community views on the matter.

The council's community engagement methods included the following activities throughout the consultation period:

- reference panels – community and business
- community meetings
- targeted stakeholder meetings
- community survey
- ratepayer newsletter
- advertising through local radio and newspaper
- social media posts via Facebook and Instagram
- ratepayer letter with link to information pack (as described above)
- project page on 'Your Say Armidale' with links to presentations and Q&A information.

Process for community consultation

We found the process that the council used to engage with and consult the community about the proposed SV was effective. In particular, it provided opportunities and sufficient time for ratepayers to understand and provide input and feedback on the proposed SV.

The council consulted with the community on the proposed SV from August to September 2022. The council indicated that during the consultation period:

- It became aware that many in the community didn't understand how total rate revenue was calculated and hence, could be increased. In response, it produced a *Rate Myths Fact Sheet* to help educate the community about rates revenue. It also adjusted some of its presentations to the public to make the community aware of how rate revenue could rise.
- It held public meetings to explain the SV to the community, as well as an online public meeting which it recorded, and published on the 'Your Say Armidale' web page for download.
- It received 102 submissions by email and post.
- It invited residents to complete a survey which included the option for free text. They asked 10 questions including various infrastructure options for renewal, how manageable the rate increase would be and whether the stakeholders would prefer the SV, as opposed to the managed decline of existing service levels.

Outcomes of community consultation

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

The council summarised the results of its residents' survey in a report, including the compiled comments and suggestions respondents made in the free text section. The report has:

- 375 responses, where 28% supported an SV, and 66% did not. 6% did not provide a response[22].
- Feedback from who supported the SV including support for the growth and development of the region and opposition to decline of public assets and amenities.
- Feedback from those who did not support the SV including concern that the increases will be unaffordable at a time when other expenses are also rising and suggestions for a smaller increase or a slower introduction.

We found the council did consider the results of this consultation in preparing its SV application. For example, it:

- summarised the submissions it received from the community
- presented the survey results and submissions summary to the Ordinary Meeting of Council on 23 November 2022 for councillors to consider before voting on the resolution to apply to IPART for an SV. [23]

4.3 OLG Criterion 3: The council demonstrated the impact of the SV 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 full details

To assess this criterion, we considered stakeholders comments on the SV's impact on ratepayers and whether the council has policies in place to mitigate impacts of rate rises, including whether there is a hardship policy. We also analysed the council's assessment of the impact of its proposed SV on ratepayers.

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

4.3.1 Stakeholder comments on the impact on ratepayers

Some submissions to IPART raised concerns that the SV will have:

- a significant impact on ratepayers due to broader circumstances such as ongoing economic pressures of high inflation
- a large impact for ratepayers on fixed incomes.

We have considered these concerns as part of our assessment of this criterion (see section 4.3.2 below).

4.3.2 Our analysis of the council's assessment of the SV's impact on ratepayers

We analysed the council's assessment of the impact of the proposed SV on ratepayers, and the community's financial capacity to pay the associated rates increase. We also considered how the council's rates have changed over the past 5 years, and how its rates compare to those of other councils.

Impact on average rates

The council assessed the impact on ratepayers of the proposed SV and considered the community's capacity to pay. As Table 4.2 shows, it estimated that from 2022-23 to 2025-26:

- average residential rates would increase by $667 or 60.9%
- average business rates would increase by $2,367 or 60.1%
- average farmland rates would increase by $2,047 or 59.1%
- average mining rates would increase by $3,637 or 64.1%.

Table 4.2 Impact of the approved special variation on average rates

	2022-23	2023-24	2024-25	2025-26	Cumulative increase $	Cumulative increase %
Residential average rates ($)	1,096	1,280	1,514	1,763		
$ increase		184	234	249	667	
% increase		16.8	18.3	16.4		60.9
Business average rates ($)	3,936	4,634	5,390	6,303		
$ increase		698	757	913	2,367	
% increase		17.7	16.3	16.9		60.1
Farmland average rates ($)	3,462	4,077	4,665	5,509		
$ increase		615	588	844	2,047	
% increase		17.8	14.4	18.1		59.1
Mining average rates ($)	5,672	6,992	7,962	9,310		
$ increase		1,320	970	1,348	3,637	
% increase		23.3	13.9	16.9		64.1

Note: These figures have been rounded in calculation therefore summations on a whole may not appear to be correct.
Source: IPART calculations

Community's capacity to pay

The council commissioned a capacity to pay report[24], which found that:

- Although there are pockets of significant wealth and advantage in the Armidale LGA, there is also significant disadvantage. There is a noticeable disparity between the urban and non-urban/rural areas.
- Household net savings have increased to $25,913 per household in 2020-21 (in line with Regional NSW averages), and these increases in net savings indicate a capacity to pay within the community.
- The council has a relatively low proportion of outstanding rates at 5.0% (2021), which is a strong indicator of both capacity and willingness to pay rates especially given that the benchmark for outstanding rates is less than 10% for regional and rural areas.[25]

How the council's rates changed over time

Table 4.3 presents average annual increases in the council's rates for residential, business, farmland and mining ratepayers since 2017-18. It shows, for example, that over this period residential, farmland and mining rates have increased at an annual average of 1.2%. This compares to the average rate peg of 2.1% over the same period.

Table 4.3 Historical average rates Armidale Regional Council, 2017-18 to 2022-23 ($)

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	Average annual growth (%)
Residential	899	1,014	1,022	1,044	1,154	1,096	4.0%
Business	7,623	3,649	3,738	3,779	4,176	3,936	-12.4%
Farmland	2,790	3,202	3,166	3,283	3,628	3,462	4.4%
Mining	3,706	5,909	5,818	5,167	5,709	5,762	8.9%

Note: FY22 and FY23 are estimated based on FY21 escalated by the rate peg or the council's SV.
Source: IPART calculations

How the council's rates compare to other councils

We compared the council's current average rates to:

- neighbouring councils
- comparable NSW councils in terms of their SEIFA score (which measures their population's relative socio-economic disadvantage) and their population's median household income
- the average for the other councils in its OLG Group (Group 4).

As Table 4.4 shows, in 2022-23 the council's:

- Average residential rates are relatively low**.** They are higher than 4 of its 6 neighbouring councils, but lower than most comparable councils based on SEIFA score, all comparable councils based on income, and the average for other Group 4 councils.
- Average business rates are relatively high. They are higher than all but one of its neighbouring councils, half the comparable councils based on SEIFA score, most of the comparable councils based on income but similar to the average of other Group 4 councils.
- Average farmland rates are relatively high. They are higher than 4 of its neighbouring councils, all the comparable councils based on both SEIFA score and income, and the average of other Group 4 councils.

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

Further information about our analysis is available in Box 4.3.

Box 4.3 Comparable Councils

In our analysis, we have compared Armidale Regional Council to other councils in several ways.

Office of Local Government (OLG) groups

- The Office of Local Government (OLG) groups similar councils together for comparison purposes.
- Armidale Regional Council is in OLG Group 4 which is considered a Regional Town/City and also includes 25 other councils.
- The OLG groupings are based on broad demographic variables such as total population, level of development, and typical land use. It should be noted that there can still be broad differences between councils within the same OLG group.

Socio-economic Indexes for Areas (SEIFA) rank

- SEIFA is a product developed by the Australian Bureau of Statistics that ranks areas in Australia according to relative socio-economic advantage and disadvantage.
- Armidale Regional Council has a SEIFA rank of 87 out of 130 councils in ABS 2016 which is above average and indicates it is a slightly advantaged area.
- The 4 councils with closest SEIFA rank to Armidale Regional Council within the OLG group 4 are Wagga Wagga City Council, Snowy Monaro Regional Council, Singleton Shire Council, and Bathurst Regional Council.

Median household income

- The councils can be ranked by the median household income.
- We compared Armidale Regional Council to the 4 councils within OLG group 4 with closest median income ranking. These are Tamworth Regional Council, Ballina Shire Council, Lismore City Council and Bega Valley Shire Council.

Neighbouring councils

- We compared Armidale Regional Council to the neighbouring councils of Walcha Council, Uralla Shire Council, Inverell Shire Council, Glen Innes Severn Council, Clarence Valley Council and Kempsey Shire Council.
- These councils are geographically close to Armidale Regional council but do not necessarily share a common border.

Table 4.4 Comparison of the council's average rates and socio-economic indicators with those of other councils prior to the SV (2022-23)

Council (OLG Group)	Average residential rate[a] ($)	Average business rate ($)	Average farmland rates	Median annual household income[b] ($)	Average rates to median income ratio (%)	Outstanding rates ratio	SEIFA Index NSW Ranking[c]
Armidale Regional (4)	**1,096**	**3,936**	**3,462**	**73,008**	**1.5**	**5.5**	**87.0**
Neighbouring councils							
Walcha	536	887	4,145	63,648	0.8	5.6	80
Uralla	729	692	4,036	69,992	1.0	8.7	76
Inverell	1,080	4,599	3,188	60,476	1.8	5.0	11
Glen Innes Severn	905	1,817	3,257	48,568	1.9	6.7	18
Clarence Valley	1,269	3,161	1,722	58,396	2.2	7.1	16
Kempsey	1,325	2,740	2,193	56,420	2.3	6.5	4
Average	**974**	**2,316**	**3,090**	**59,583**		**6.6**	**34**
Comparable councils (SEIFA)							
Wagga Wagga	1,192	6,404	2,964	85,176	1.4	5.1	88
Snowy Monaro Regional	880	2,364	1,942	82,836	1.1	7.7	90
Singleton	1,219	2,564	2,166	104,832	1.2	3.9	85
Bathurst Regional	1,192	4,525	1,591	82,420	1.4	8.6	84
Average	**1,121**	**3,964**	**2,166**	**88,816**		**6.3**	**87**
Comparable councils (Income)							
Tamworth Regional	1,128	337	2,040	73,632	1.5	7.2	53
Ballina	1,164	3,672	1,817	74,308	1.6	3.8	92
Lismore	1,365	4,887	2,566	68,588	2.0	7.7	45
Bega Valley	1,187	2,705	2,445	62,400	1.9	11.1	57
Average	**1,211**	**2,900**	**2,217**	**69,732**		**7.4**	**62**
Group 4 average (excluding Armidale Regional)	**1,242**	**3,953**	**2,549**	**77,700**	**1.6**	**6.6**	**58**

a. The average residential rate (ordinary and special) is calculated by dividing total Ordinary Rates revenue by the number of assessments in the category.
b. Median annual household income is based on 2021 ABS Census data.
c. This is the SEIFA index of Relative Socio-economic Advantage and Disadvantage. The highest possible ranking is 130, which denotes a council that is least disadvantaged in NSW.
Source: OLG, Time Series Data 2018-19; ABS, Socio-economic Indexes for Areas (SEIFA) 2016, March 2020; ABS, 2021 Census DataPacks, General Community Profile, Local Government Areas, NSW, Median Weekly Household Income and IPART calculations.

With the proposed SV, Table 4.5 shows in 2025-26 the council's average business and farmland rates would be higher than those of the neighbouring councils, the average of other Group 4 councils and the average of comparable councils based on both SEIFA score and income. The residential rates are lower than the OLG group 4 average or comparable councils based on SEIFA score and income. We note however at Table 4.4 that Armidale Regional Council has a higher median household income than its neighbouring councils in 2022-23. It is also relatively less disadvantaged as measured by the SEIFA index.

We note there are limitations with the forward looking analysis, as it does not include the impact of other councils potentially receiving an SV from 2023-24 onwards. Therefore, it may overstate, for example, the extent to which the council's rates are higher than other councils.

Table 4.5 Comparison of the council's average rates with those of other councils for the period of the SV ($)

Council (OLG Group)	2022-23	2023-34	2024-25	2025-26
Residential				
Armidale Regional	1,096	1,280	1,514	1,763
OLG Group 4	1,242	1,292	1,325	1,358
Neighbouring councils (average)	974	1,014	1,039	1,065
Comparable councils (SEIFA) (average)	1,121	1,164	1,193	1,223
Comparable councils (Income) (average)	1,211	1,257	1,289	1,321
Business				
Armidale Regional	3,936	4,634	5,390	6,303
OLG Group 4	3,953	4,109	4,212	4,318
Neighbouring councils (average)	2,316	2,411	2,471	2,533
Comparable councils (SEIFA) (average)	3,964	4,117	4,220	4,325
Comparable councils (Income) (average)	2,900	3,012	3,087	3,165
Farmland				
Armidale Regional	3,462	4,077	4,665	5,509
OLG Group 4	2,549	2,651	2,717	2,785
Neighbouring councils (average)	3,090	3,209	3,290	3,372
Comparable councils (SEIFA) (average)	2,166	2,250	2,306	2,364
Comparable councils (Income) (average)	2,217	2,303	2,360	2,419
Mining				
Armidale Regional	5,672	6,992	7,962	9,310
OLG Group 4	380,782	395,590	405,480	415,617
Neighbouring councils (average)	0	0	0	0
Comparable councils (SEIFA) (average)	105,182	109,284	112,016	114,816
Comparable councils (Income) (average)	9,884	10,250	10,506	10,768

Note: The average residential rate (ordinary and special) is calculated by dividing total Ordinary Rates revenue by the number of assessments in the category.
Source: IPART calculations.

4.3.3 The council's hardship policy and availability of rebates

We are satisfied that the council has a hardship policy in place and provides information about the availability of pensioner rebates.

A hardship policy can play an important role in mitigating the impact of an SV on vulnerable ratepayers. The council's hardship policy provides the following assistance to ratepayers experiencing financial difficulties:

- relief from interest accrued on unpaid rates
- provision for payment arrangements to be put in place to minimise financial stress and avoid costs associated with escalated debt recovery.

In its application, the council stated that it generally accepts a minimum payment arrangement under the policy and considers extreme hardship on an individual basis.[26]

It also said that as it is aware there may be some residents who are reluctant to approach it directly with hardship issues, it takes a broad approach including providing support to local community organisations such as the Armidale Neighbourhood Centre. It indicated that it had increased its level of support by $60,000 this year, to assist this organisation in helping disadvantaged community members. The council intends to maintain the higher level of support in future years.[27]

Under the *Local Government Act 1993*, eligible pensioners are provided concessions on their ordinary rates, which is funded by the NSW State Government and local councils.[28] Eligible pensioners are entitled to a maximum concession of up to $250 applied to their ordinary rates. The council also grants an additional rebate of up to $25 on ordinary rates, $25 on annual water charges and $25 on annual sewerage charges for pensioners[29].

4.4 OLG Criterion 4: The council appropriately exhibited and adopted its IP&R documents

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

Note: See Assessment criteria for full details

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

- publicly exhibited its previous Community Strategic Plan, Delivery Program, Long-Term Financial Plan and Asset Management Strategy from 11 May to 8 June 2022
- then adopted these IP&R documents on 29 June 2022
- revised, then publicly exhibited these IP&R documents again (from 16 December to 20 January 2023), and considered submissions on them
- approved and adopted these IP&R documents on 30 January 2023
- submitted its SV application on 3 February 2023.

Box 4.4 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

4.5 OLG Criterion 5: The council explained and quantified its productivity and cost containment strategies

Criterion 5 requires councils to explain the productivity improvements and cost containment strategies that have been realised in past years and are expected to be realised over 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 full details

To assess this criterion, we considered stakeholders' comments on the council's productivity and cost containment strategy, analysed the information provided by the council, and examined some key indicators of the council's efficiency. We also considered the council's characteristics such as population when assessing the quantification of productivity gains or cost savings.

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

4.5.1 Stakeholder comments on productivity and cost containment

Some submissions to IPART raised concerns over whether the council could:

- improve its own efficiency to cover the revenue shortfall
- improve its labour productivity
- demonstrate its ability to deliver on productivity improvements and cost savings.

We have considered these concerns as part of our assessment of this criterion (see section 4.5.2).

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

The council provided information on its past and current productivity and cost containment strategies and initiatives in its SV application, IP&R documents, and correspondence with IPART. The SV application and Long-Term Financial Plan quantify the modest productivity gains it expects to realise over the SV period. We consider the council's quantification of productivity gains is proportionate to the relatively small population of the council.

Past productivity and cost containment strategies to date

The council's application sets out the productivity improvements and cost containment initiatives it has undertaken in recent years. In particular, it submitted that it had made approximately $12.7 million in savings to date, with approximately $1.1 million in ongoing savings as a result of the following initiatives:

- savings in councillor fees and expenses
- reduction of the deficits incurred by the Kolora Aged Care facility
- increased income from parking fines
- increased income from parking fees at the Armidale Regional Airport
- disposal of surplus land, with funds redirected into improving the overall cash position of the council by replacing funding from rates in the budget
- reduction in employee costs and overhead costs
- savings on travel booking fees and staff time
- savings on property, plant and equipment purchases
- lower insurance premium pricing due to council merger
- reduced time for order and payment processing of electricity accounts, along with reduced electricity usage and costs from LED street lighting and installation of solar systems
- savings on environmental monitoring costs.[30]

We consider the council has explained the productivity gains and cost savings realised to date.

Planned productivity and cost containment strategies over the SV period

The council indicated that over the proposed SV period, it is planning improvements in 5 key areas:

- Better asset management:
  - conduct and implement asset condition assessments and data improvement for more efficient financial management
  - improve understanding of asset performance and to provide forward works plans for inclusion in future budgets
  - reclassify roads to transfer management to state government
  - activate and maximise the utilisation of assets (for example, quarries)
  - build relationships with new business partners such as Fire and Rescue NSW to utilise its assets.
- Improved customer service:
  - deliver a program of service planning across the organisation to understand customer experience, services challenges, future trends and service levels
  - review the community engagement website for usability, cost efficiency and integration
  - prepare a plan for the development and delivery of service reviews, including order of review for each department and mode of delivery.

- More efficient systems and processes:
  - review and improve the cemetery booking and management system
  - introduce an online rates and e-invoicing system
  - introduce a new staff human resources system including online timesheets
  - roll out a program of service reviews beginning 2023-2024, to review 2 services per year.
- Additional cost savings:
  - additional savings in councillor fees and expenses (reducing numbers from 11 to 9)
  - further reduction in employee costs
  - review of waste, water and sewer charges and reserve provisions
  - implement Stage 2 of the Property Working Group
  - further savings on travel booking fees and staff time
  - further savings on property, plant and equipment purchases
  - further savings on environmental monitoring cost
  - savings on contract costs for services no longer provided externally
  - use of council-produced materials from quarries
  - continued review of energy usage, and adoption of identified methods, to reduce energy consumption and to use renewables
  - increased cost recovery within commercial enterprises which are strategically and socially important and operate within the region (such as Armidale Airport and Guyra Preschool)
  - implementation of recommendations from service reviews and internal audit initiatives.
- Property Review
  - development of property and lands strategy to guide future asset priorities for the community and council
  - long-term asset renewal through funding and partnerships with investment groups (local, regional, state and federal)
  - provision of investment fund for future grant and sponsor opportunities for key assets and projects.[31]

We consider the council has:

- demonstrated past achievements in delivering productivity improvements and cost containment
- outlined strategies and activities for further improving its productivity and efficiency, quantifying savings for some initiatives.

We assess that the council has demonstrated this criterion.

4.5.3 Indicators of the council's efficiency

We examined a range of indicators of the efficiency of the council's operations and asset management, including looking at how these indicators have changed over time and how they compare with those of similar councils. This data is presented in Table 4.6 and Table 4.7 below.

We found that, over 2017-18 to 2020-21, the council's:

- number of full time equivalent (FTE) employees decreased from 275 to 269
- average costs per FTE fluctuated from year to year with an overall average annual increase of 1.4%
- employee costs as a percentage of operating costs increased, but this is likely due to a reduction in total operating expenditure rather than an increase in employee costs (we note the current employee costs are now a similar percentage of operating expenditure as found in other councils).

We also found that:

- The council's FTE employees to LGA population is similar to the Group 4 average. It has one FTE for every 110.4 residents, whereas the Group 4 average is one FTE for every 106.4 residents.
- The council's general fund operating expenditure per capita is similar to the Group 4 average.

These indicators suggest that the council's relative performance in efficiency has remained consistent since 2020-21, and it has further scope for productivity and cost containment strategies.

However, we note that these indicators only provide a high-level and partial overview of the council's productivity at a point in time, and additional information would be required to accurately assess the council's efficiency and its scope for future productivity gains and cost savings. The council should quantify its productivity gains and cost savings in its IP&R document or annual report as they come to pass.

Table 4.6 Trends in selected indicators for Armidale Regional Council, 2017-2021

Performance indicator	2017-18	2018-19	2019-20	2020-21	Average annual change (%)
FTE staff (number)	275	277	272	269	-0.7
Ratio of population to FTE	111	111	113	110	-0.2
Average cost per FTE ($)	87,575	88,032	87,316	91,260	1.4
Employee costs as % of operating expenditure (General Fund only) (%)	31	37	36	35	3.5

Source: IPART Calculations.

Table 4.7 Select comparator indicators for Armidale Regional Council, 2020-21

	Armidale Council	OLG Group 4 Average	NSW Average
General profile			
Area (km^2)	8,621	4,165	5,505
Population	29,704	39,743	64,070
General Fund operating expenditure ($m)	612	79	95
General Fund operating revenue per capita ($)	2,486	2,447	
Rates revenue as % of General Fund income (%)	36	37	46
Own-source revenue ratio (%)	63	57	67
Productivity (labour input) indicators			
FTE staff	269	374	381
Ratio of population to FTE	110	106	168
Average cost per FTE ($)	91,260	88,090	98,960
Employee costs as % of operating expenditure (General Fund only) (%)	35	36	38
General Fund operating expenditure per capita ($)	2,081	1,980	1,478

Source: OLG, Time Series Data 2020-21 and IPART calculations.

4.6 Any other matter that IPART considers relevant

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 over the past 5 years, and if so, whether the council has complied with any conditions.

The council has received 2 SVs over the past 5 years. In 2021-22, IPART approved a one-year permanent increase of 10.5% to the council's general income (inclusive of the rate peg).

As a condition of this SV approval, the council was required to:

- use the additional income for the purposes of improving its financial sustainability, reducing its infrastructure backlog, maintaining service levels and implementing the requirements under the Performance Improvement Order, as outlined in the council's application
- report on its expenditure, outcomes, productivity savings and significant variations from its forecasted financial results in its annual report.

The council has provided evidence in the 2021-22 annual report to demonstrate compliance with these conditions.

We also approved a permanent Additional Special Variation (ASV) of 2.50%, for 2022-23[d].

[d] IPART, Determination Armidale Regional Council Additional special variation application 2022-23, June 2022.PDF

A condition of the approval is that the council in its 2022-23 annual report must outline.[32]

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

We are unable to assess the council's compliance at the time of this determination. This is because the council's 2022-23 annual report is not yet available.

5 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 submissions, we have approved the council's proposed permanent SV to increase its general income from 2023-24 to 2025-26.

The approved increase to general income is set out in the table below.

Table 5.1 IPART's decision on the special variation to general income (%)

	2023-24	2024-25	2025-26
Permanent increase above the rate peg	13.0	14.2	14.2
Rate peg	3.7	2.5	2.5
Total increase	16.67	16.67	16.66
Cumulative increase	16.67	36.12	58.8

Note: The 2023-24 rate peg is the actual rate peg issued by IPART. The rate peg of 2.5% from 2024-25 is the assumed rate peg that the OLG Guidelines advise councils to use in their forecasts. The approved total increase will not change when an actual rate peg is set in future years.
Source: Armidale Regional Council Application Part A, Worksheets 1 and 4 and IPART calculations.

The SV is subject to the following conditions:

- The council use the additional income for the purpose of funding the proposed program.
- The council report in its annual report for each year from 2023-24 to 2027-28 (inclusive):
  - the program of expenditure that was actually funded by the additional income, and any differences between this program and the proposed program;
  - any significant differences between the council's actual revenues, expenses and operating balance and the projected revenues, expenses and operating balance as outlined in the Long-Term Financial Plan, and the reasons for those differences;
  - the outcomes achieved as a result of the additional income;
  - the productivity savings and cost containment measures the council has in place, the annual savings achieved through these measures, and what these savings equate to as a proportion of the council's total annual expenditure; and
  - whether or not the productivity improvements identified in its application have been implemented, and if not, the rationale for not implementing them.

5.1 Impact on ratepayers

IPART sets the maximum allowable increase in the council's general income, but the council determines how it allocates any increase across different categories of ratepayer. Based on what the council has told us in its application, the expected impacts on ratepayers under the approved SV are shown in Table 5.2 below. This shows that from 2023-24 to 2025-26, if the council chooses to increase rates, so as to recover the maximum permitted general income under the approved SV:

- the average residential rate would increase by $667 or 60.9% by 2025-26

- the average business rate would increase by $2,367 or 60.1% by 2025-26
- the average farmland rate would increase by $2,047 or 59.1% by 2025-26
- the average mining rate would increase by $3,637 or 64.1% by 2025-26.

The council has a hardship policy to assist customers experiencing financial hardship, The council also grants a pensioner rebate of up to $25 on ordinary rates, $25 on annual water charges and $25 on annual sewerage charges.[33] These are in addition to the concessions provided for in the LG Act as outlined in Chapter 4.

The SV will allow the council to maintain its current service levels to the community,

Table 5.2 Indicative annual increases in average rates under the approved SV from 2022-23 to 2025-26

	2022-23	2023-24	2024-25	2025-26	Cumulative increase $	Cumulative increase %
Residential average $ rates	1,096	1,280	1,514	1,763		
$ increase		184	234	249	667	
% increase		16.8	18.3	16.4		60.9
Business average $ rates	3,936	4,634	5,390	6,303		
$ increase		698	757	913	2,367	
% increase		17.7	16.3	16.9		60.1
Farmland average $ rates	3,462	4,077	4,665	5,509		
$ increase		615	588	844	2,047	
% increase		17.8	14.4	18.1		59.1
Mining average $ rates	5,672	6,992	7,962	9,310		
$ increase		1,320	970	1,348	3,637	
% increase		23.3	13.9	16.9		64.1

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

5.2 Impact on the council

Our decision means that the council may increase its general income by:

- $2.6 million above the rate peg in 2023-24
- $6 million above the rate peg in 2024-25
- $10.1 million above the rate peg in 2025-26.

These increases can remain in the rate base.

Table 5.3 shows the percentage increases we have approved and the estimated annual increases in the council's general permissible income (PGI).

Table 5.3 Permissible general income from 2023-24 to 2025-26 from the approved SV

	Increase approved (%)	Cumulative increase approved (%)	Increase in PGI above rate ($'000)	Cumulative increase in PGI ($'000)	PGI ($'000)
2023-24	16.67	16.67	2,641	3,394	23,755
2024-25	16.67	36.12	6,073	7,354	27,715
2025-26	16.66	58.8	10,149	11,972	32,333
Total cumulative increase approved	58.8	58.8	18,863		

Source: Regional Armidale Council, *Application Part A*, Worksheets 1 and 4 and IPART calculations.

We estimate that over the 10 years from 2023-24 to 2032-33, the council will collect an additional $97.4 million in rates revenue compared with an increase limited to the assumed rate peg.

This extra income will enable the council to renew its assets and improve its operating position. It will specifically fund a range of infrastructure priorities:

- sealed local roads: resealing target of 55 km per year (currently 11 km per year, with a backlog of $19 million in rehabilitation work)
- unsealed local roads: re-sheeting target of 70 km per year (currently 35 km per year).
- bridges and culverts: replacing 5 timber bridges within 10 years
- footpaths and cycleways: renewing 6km of footpaths, fix existing trip hazards and construct missing links in cycleways and paths
- kerb and gutter: renewing 11 km of failed kerb. Currently renewal rate is 1 km per year
- urban stormwater drainage: re-lining or replacing pipes at end of life, and upgrading to address capacity and local flooding issues
- community buildings: undertaking $10 million of outstanding building upgrades and maintenance
- playgrounds and parks: renewing and upgrading playgrounds
- sporting facilities: undertaking ongoing maintenance and renewals
- Armidale Aquatic Centre: refurbishing/upgrading/replacing assets at the end of life.[34]

With the SV, the council's projected:

- OPR will improve and move closer to the consistent OLG benchmark of greater than 0% over the 9-year period to 2031-32 (as shown in Figure 4.1 in Section 4.1.3)
- infrastructure backlog ratio is projected to be more manageable and be closer to the OLG benchmark of less than 2% over the 9-year period to 2031-32 (as shown in Figure 4.3 in Section 4.1.3).
- infrastructure renewal ratio is projected to be more manageable and be closer to the OLG benchmark of greater than 100% over the 9-year period to 2031-32 (as shown in Figure 4.4 in Section 4.1.3).

Appendices

A Assessment criteria

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

A SV allows a council to increase its general income above the rate peg. SV 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 SV include:

- 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
- there must be evidence that the community is aware of the need for and extent of a proposed rate rise
- the impact on affected ratepayers must be reasonable
- the relevant IP&R documents must be exhibited (where required), approved and adopted by the council
- the IP&R documents or the council's application must explain and quantify the productivity improvements and cost containment strategies of the council
- any other matter that IPART considers relevant.

We also provide comprehensive guidance on our approach to assessing SV applications in fact sheets and information papers available on our website. Additionally, we publish information for councils on our expectations of how to engage with their community on any proposed rate increases above the rate peg.

Criterion 1: Financial need

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

In establishing need for the special variation, the relevant IP&R documents should canvas alternatives to the rate rise. In demonstrating this need councils must indicate the financial impact in their LTFP applying the following 2 scenarios[e]:

- Baseline scenario – General Fund revenue and expenditure forecasts which reflect the business-as-usual model, and exclude the SV, and
- SV scenario – the result of implementing the SV 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.

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

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 LG 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 LTFP should clearly set out the extent of the General Fund rate rise under the SV. 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 SV 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 SVs.

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 LTFP 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:

- 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 LG Act.

Criterion 4: IP&R documents are exhibited

The relevant IP&R documents[f] must be exhibited (where required), approved and adopted by the council before the council applies to IPART for a SV 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 SV 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 SV 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 LTFP.

Any other matter that IPART considers relevant

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

[f] 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 website.

B Armidale Regional Council projected revenue, expenses and operating balance

As a condition of IPART's approval, the council is to report over the next 5 years against its proposed SV expenditure and its projected revenue, expenses and operating balance as set out in its LTFP (see Table B.1 and Table B.2).

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

Table B.1 Summary of projected operating statement for Armidale Regional Council under its proposed SV application 2023-24 to 2032-33 ($'m)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2032-33
Total revenue	59.9	64.0	68.5	70.2	71.9	73.7	75.5	77.4	79.3
Total expenses	62.9	64.6	66.2	68.8	70.5	72.6	73.9	75.8	77.6
Operating result from continuing operations	-3.0	-0.7	2.2	1.4	1.4	1.1	1.6	1.6	1.7
Net operating result before capital grants and contributions	-4.6	-2.3	0.6	-0.2	-0.2	-0.5	0.0	0.0	0.1
Cumulative net operating result before capital grants and contributions	-4.6	-6.9	-6.2	-6.5	-6.6	-7.1	-7.2	-7.1	-7.0

Note: Numbers may not add due to rounding.
Source: Armidale Regional Council, *Application Part A*, Worksheet 8 and IPART calculations.

Table B.2 Summary of projected expenditure plan for Armidale Regional Council under its proposed SV application 2023-24 to 2032-33 ($'000)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
Maintain services - materials	1,000	1,025	1,051	1,077	1,104	1,132	1,160	1,189	1,219	1,249
Maintain services - wages	1,000	1,025	1,051	1,077	1,104	1,132	1,160	1,189	1,219	1,249
Additional materials costs	0	325	1,183	2,213	2,268	2,323	2,382	2,442	2,503	2,566
Transport infrastructure	1,111	2,069	5,141	5,224	5,233	6,090	6,211	7,034	6,891	6,891
Buildings	239	451	829	846	837	985	1,004	1,106	1,099	1,099

Source: Armidale Regional Council, *Application Part A*, Worksheet 6..

Glossary

ABS	Australian Bureau of Statistics
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 and Reporting framework
Local Government Act (or LG 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 4indexes, 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] Armidale Regional Council, Application Part B, p 20.
[2] Armidale Regional Council, Application Part B, p 64.
[3] Armidale Regional Council, *Application Part A*, Worksheet 8.
[4] Armidale Regional Council. Attachment – Community Feedback, Doc 9. Community Engagement Report, p 5.
[5] *Local Government Act 1993*, Section 511
[6] Armidale Regional Council, *Application Part A*, Worksheet 1.
[7] Armidale Regional Council, Application Part B, p 64.
[8] Office of Local Government NSW, Pensioner Concession – Factsheet – 2021, August 2021.
[9] Armidale Regional Council, Application Part B, p 59.
[10] Office of Local Government, Performance Benchmarks, May 2020.
[11] Armidale Regional Council, Annual Financial Statements for year ended 30 June 2022, pp 33-34.
[12] Armidale Regional Council, Annual Financial Statements for year ended 30 June 2022, p 33.
[13] Armidale Regional Council, Annual Financial Statements for year ended 30 June 2022, p 34.
[14] Armidale Regional Council, Delivery Program, p 51.
[15] Armidale Regional Council, Application Part B. p 36.
[16] Armidale Regional Council, *Application Part A*, Worksheet 9.
[17] Armidale Regional Council, Application Part B, p 78.
[18] Armidale Regional Council, Application Part B, February 2023, pp 26-27.
[19] Armidale Regional Council, Application Part B, p 26.
[20] Armidale Regional Council. Attachment – Community Feedback, Doc 9. Community Engagement Report, pp 20-26.
[21] Armidale Regional Council. Attachment – Community Feedback, Doc 9. Community Engagement Report, p 26.
[22] Armidale Regional Council. Attachment – Community Feedback, Doc 6. ARC SRV Survey Analysis, pp 3-4.
[23] Armidale Regional Council, Application Part B, pp 46-47.
[24] Armidale Regional Council. Attachment – Other Attachment, Doc 14. Capacity to Pay Report.
[25] Armidale Regional Council, Application Part B, p 58.
[26] Armidale Regional Council, Application Part B, p 59.
[27] Armidale Regional Council, Application Part B, p 60.
[28] Office of Local Government NSW, Pensioner Concession – Factsheet – 2021, August 2021.
[29] Armidale Regional Council, Application Part B, p 59.
[30] Armidale Regional Council, Application Part B, pp 77-78.
[31] Armidale Regional Council, Application Part B, pp 78-80.
[32] IPART, Instrument - Armidale Regional Council permanent s 508(2) ASV instrument 2022-23, June 2022.
[33] Armidale Regional Council, Application Part B, p 59.
[34] Armidale Regional Council, Delivery Program, p 51.

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