SPECIAL VARIATION APPLICATION

COOTAMUNDRA-GUNDAGAI REGIONAL COUNCIL

FROM 2021–22

Final Report

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The Independent Pricing and Regulatory Tribunal (IPART)

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Tribunal Members

The Tribunal members for this review are:

Ms Deborah Cope, Acting Chair

Ms Sandra Gamble

Mr Mike Smart, Acting Tribunal member

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

Sheridan Rapmund (02) 9290 8430

Kumi Cuthbertson (02) 9290 8479

Other staff members that contributed to this document include:

Shalini Prasad, Albert Jean and Edward Jenkins.

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1 Executive Summary

Cootamundra-Gundagai Regional Council's (the council) operating results, excluding grants, have been in deficit and will continue to decline. Without further funding, the council will be financially unsustainable and will be unable to maintain current service levels or undertake asset renewal in the longer term. Following a review of its financial sustainability, the council has applied to increase its general income through a special variation (SV) over 4 years of 20%, 16%, 5% and 5% (including the rate peg).[i] It has proposed to retain the cumulative increase of 53.5% permanently in its rate base.[ii]

IPART has approved the SV increase proposed by the council, to apply to its general income from 2021–22.

Impact on council's income

$27m

Additional income above the rate peg over the next ten years

Purpose

- Improve financial sustainability
- Maintain delivery of existing services

We consider that the council's application has demonstrated a need for additional income. In addition to increasing its revenue through the SV, the council has realised savings through operating more efficiently and reducing its costs. We note that the council harmonised its rates in 2019–20[1], prior to submitting its SV application. As a result, the illustration below captures only the impact of the proposed SV on the council's post-merger rates and does not include impacts from harmonisation.

Impact on rates from 2021-22 to 2024-25

	Residential	Business	Agriculture
	+53.5%	+53.5%	+53.5%

[1] Rate harmonisation is the process of setting and adopting one rating system across the newly merged council.

We assessed the council's application against the Guidelines issued by the Office of Local Government (OLG) and determined that it has met the criteria for a special variation.

Demonstrated

Financial Need

Without the special variation, the council's financial position will continue to deteriorate. The council will be unable to renew its assets, which will impact on its ability to deliver existing services.

Demonstrated

Community awareness

The council used a wide variety of consultation methods to communicate the proposed rate increases. It clearly communicated the need for, purpose of and impact of the rate rise to its ratepayers.

Demonstrated

Reasonable impact on ratepayers

The council considered the impact on its ratepayers. It compared economic indicators and considered that ratepayers could afford the proposed rates. The council's average rates will be comparable to neighbouring and similar councils.

Demonstrated

IP&R documentation

The council exhibited, approved and adopted relevant documents showing it had planned for the special variation and considered alternatives.

Demonstrated

Productivity Improvement and Cost Containment

Through a series of initiatives, the council has realised annual savings. The council has also proposed future cost reduction strategies.

2 Cootamundra-Gundagai Regional Council's application

The council has applied for an SV to increase its general income by a cumulative 53.5% over 4 years from 2021–22 to 2024–25. The SV includes increases of:

- 20% in 2021–22
- 16% in 2022–23
- 5% in 2023–24
- 5% in 2024–25.[iii]

The requested increase would remain permanently in the council's rate base. The council indicated that the increase would be applied across all rating categories equally.[iv]

The council has an existing temporary SV of 15.12% for the former Gundagai Council. The SV was approved by IPART in 2014-15 and is due to expire on 30 June 2024.[v] The purpose of the SV was to finance ongoing debt servicing costs of the bank loan to fund the Gundagai main street upgrade.[vi] The council reports on the purpose of this SV, and the status of its expenditure in its annual reports.[vii]

The council advised that in February 2020, the Minister referred to the Boundaries Commission a proposal to demerge the Cootamundra and Gundagai local government areas. The Boundaries Commission has now submitted its examination to the Minister for Local Government to make a recommendation to the Governor on the proposed demerger.[viii] The outcome of the Boundaries Commission recommendation is not yet known.

2.1 Purpose

The purpose of the proposed SV is to improve financial sustainability, while maintaining service levels including planned asset renewals.[ix] More specifically, the proposed SV is to fund:

- existing service levels
- renewal of assets including buildings and roads, bridges and footpaths.[x]

2.2 Need

The council engaged Professor Joseph Drew to conduct a review of its financial sustainability in early 2020. The review found that the council was not sustainable and would require a significant SV to ensure solvency. [xi] Based on updated 2019-20 data and Professor Drew's report, it undertook a review of its operational efficiency and costs in April 2020.[xii] The council also references the Boundaries Commission's report on financial sustainability to inform its need for the SV.[xiii] The findings in the Boundaries Commission's report notes the need for the SV.[xiv]

The council established the need and the community's capacity to pay through consultation and feedback it received from 11 December 2020 to 19 January 2021.[xv] The consultation included:

- a mail out which included a fact sheet, survey, expression of interest to partake in a Citizen Jury
- videos of the material posted on the council website
- media releases and advertisements
- community meetings, Citizen's Juries and listening posts.[xvi]

2.3 Significance of proposal

Approval of the council's application would mean a cumulative increase in its PGI of $27.0 million above what the assumed rate peg would deliver over 10 years. This represents 23.4% of the council's total cumulative PGI over the 10 year period as set out in Table 2.1.

Table 2.1 Permissible general income (PGI) of Cootamundra-Gundagai Regional Council from 2021–22 to 2030–31 under the proposed SV

Cumulative increase in PGI above rate peg ($m)	Total PGI over 10 years ($m)	SV revenue as a percentage of total PGI over 10 years (%)
27.0	115.4	23.4

Note: The above information is correct at the time of the council's application (8 February 2021).

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

The council would fund the proposed SV by increasing rates for all rating categories equally.[xvii] The council harmonised its rates for 2020-21 and the rate levels for each category were consistent with community expectations.[xviii]

The council submitted that the increase in rates is affordable, as even after applying the SV, average rates for residential and business ratepayers are still lower than the OLG Group 11 average, see Section 4.4.2. [xix]

2.4 Resolution by the council to apply for a special variation

The council resolved to apply for the proposed SV on 3 February 2021. The majority of councillors that attended the meeting were in favour of the resolution.[xx]

3 IPART's approach to assessment and community engagement

IPART assesses SV applications from councils under delegation from the Minister for Local Government, under s506 and s508 and s508A of the *Local Government Act 1993*. As part of our process we accept written submissions from interested stakeholders from the time councils first notify us of their intention to apply for a special variation, until three weeks after applications have been received.

3.1 Criteria for assessing council applications

The criteria for assessing applications are set by the Office of Local Government (OLG) in special variation guidelines. The guidelines are intended to help councils in preparing an application to increase general income, by means of a special variation.

A special variation allows a council to increase its general income above the rate peg. Special variations can be either 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 six criteria for a special variation 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.

More detail on the criteria is available in Appendix A, and the OLG Guidelines. We also provide comprehensive guidance on our approach to assessing special variation 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.

3.2 Stakeholder submissions to IPART

In the first instance, we expect councils to be responsible for engaging with their communities so that ratepayers are fully aware of any proposed special variations and the full impact on them. This is one of the criteria we use to assess council applications as outlined above.

However, as part of our process, we also accept written submissions directly from stakeholders. Our submission portal is accessible to stakeholders from the time councils first notify us of their intention to apply for a special variation, until three weeks after applications have been received.

We consider all stakeholder submissions as well as all information received from councils in making our final decision on each special variation application.

3.2.1 Summary of submissions received by IPART for Cootamundra-Gundagai Regional Council

IPART received 71 submissions, during the consultation period from 1 December 2020 to 7 March 2021 from Cootamundra-Gundagai Regional Council ratepayers.

All submissions made to IPART opposed the SV increase. The key issues and views raised in these submissions were:

- the high magnitude and frequency of past rate increases
- the community expressed negative feedback about the proposed SV of 62.6% in the surveys
- the council needs to work within its current capacity and improve management of its income and expenditure to be more financially responsible
- the council should also look at ways to become more efficient and find cost savings before it increases rates
- the increase is not affordable, particularly for a town where there are a lot of pensioners that are on fixed incomes
- there are too many council employees.

Some submissions also suggested that the merger of Cootamundra and Gundagai has contributed to the dire financial situation and resulting significant increases in rates.

We note the majority of submissions received from the council's ratepayers were on the council's original proposal of 62.6% over a five period, however the themes expressed in these submissions are also relevant to the current proposal. IPART received 13 submissions after the council made its formal application with its current proposed SV on 8 February 2021.

4 IPART’s special variation assessment

To make our decision, we assessed the council’s application against the criteria in the OLG Guidelines as outlined in Chapter 3.

While the criteria for all types of SVs are the same, the OLG Guidelines state that the extent of evidence required for assessment of the criteria can alter with the scale and permanence of the SV proposed.

4.1 Our special variation assessment

We found that the council’s application meets the requirements of the criteria, as set out in the OLG Guidelines. Our findings are summarised below.

- Financial need:
  - Operating Performance Ratio (OPR) does not meet OLG benchmarks with or without the SV. It is forecast to average –20.7% over the next five years under the Baseline with SV expenditure scenario. It will improve to an average –7.8% over the next five years under the Proposed SV scenario, however this still does not meet the OLG benchmark.
  - Net cash position — we forecast that the council will have a net cash position of $5.2 million at 30 June 2021.
  - Infrastructure backlog — under the Proposed SV Scenario, the council forecasts its infrastructure backlog to be 1.5% in 2027–28. Under the Baseline Scenario, the infrastructure backlog ratio increases to 2.5% in 2027-28 which is above the 2% OLG benchmark.

We have therefore assessed that the council is in financial need of the proposed SV to enhance its financial sustainability.

- Community consultation — the council demonstrated that it met this criterion. It undertook a series of engagement events to communicate the need for the SV. Where the community was not in agreement with the initially proposed increase of 62.6%, the council worked with the community to determine a reduced amount.
- Reasonable impact on rates — the council demonstrated that it met this criterion. We consider the impact of the proposed SV would be reasonable given:
  - the council’s proposed average rates for residential and business ratepayers will be below the estimated average rate levels for OLG Group 11 councils by the end of the SV period in 2024-25 and similar to neighbouring councils.
  - the council has a hardship policy to assist ratepayers experiencing financial hardship.
- Exhibition of IP&R documents — the council demonstrated that it met this criterion. The council’s IP&R documents contain sufficient information relating to the proposed SV, and they have been appropriately exhibited, approved and adopted by the council.

- Productivity improvements—the council demonstrated that it met this criterion. While the council has adopted a range of strategies which have already achieved productivity improvements and cost savings, it is recommended that the council continues to consider further productivity improvements to ensure future financial sustainability and efficiency in its operations.

4.2 Financial need for the proposed special variation

This criterion examines the council's financial need for the proposed SV. The OLG Guidelines require the council to clearly articulate and identify the need for, and purpose of, a different revenue path for its General Fund. This includes that:

- the council sets out the need for and purpose of the proposed SV in its IP&R documents, including its Delivery Program, Long-Term Financial Plan (LTFP) and Asset Management Plan where appropriate,
- relevant IP&R documents should canvas alternatives to the rate rise
- the council may include evidence of community need/desire for service levels or projects.

IPART uses information provided by the council in its application to assess the impact of the proposed SV on the council's financial performance and financial position, namely the council's forecast operating performance and net cash (debt).

Where relevant, IPART also uses information provided by the council to assess its need for the proposed SV to reduce its infrastructure backlog and/or increase its infrastructure renewals, by assessing the council's infrastructure backlog ratio and infrastructure renewals ratio.

Generally, we would consider a council with a consistent operating surplus to be financially sustainable. The council's forecast operating result shows whether the income it receives covers its operating expenses each year. We consider that the most appropriate indicator of operating performance is the OPR.

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

$$OPR^{2} = \frac{Total\ operating\ revenue - operating\ expenses}{Total\ operating\ revenue}$$

Based on the council's application and LTFP (where appropriate), we calculate forecasts under three scenarios:

1. **The Proposed SV Scenario –** which includes the council's proposed SV revenue and expenditure.
2. **The Baseline Scenario** – which shows the impact on the council's operating and infrastructure assets' performance without the proposed SV revenue and expenditure.

2 Expenditure and revenue in the OPR measure are exclusive of capital grants and contributions, and net of gain/loss on sales of assets.

3. **Baseline with SV expenditure Scenario** – which 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.

We consider that a council's average OPR over the next 10 years should be 0% or greater, as this is typically the minimum level needed to demonstrate financial sustainability. An OPR consistently well above 0% would bring into question the financial need for an SV. We note that other factors, such as the level of borrowings and/or investment in infrastructure, may affect the need for a council to have a higher or lower operating result than the OLG breakeven benchmark.

While the OPR is a good guide to a council's ongoing financial performance (or sustainability), we may also consider a council's financial position, and in particular its net cash (or net debt).[3] This may inform us as to whether the council has significant cash reserves that could be used to fund the purpose of the proposed SV. We examined the council's net cash position in 2020–21 and as a percentage of income to gauge its financial position.

We note the OPR is a measure of the council's financial performance, measuring how well a council contains its operating expenditure within its operating income. As the ratio measures net operating results against operating revenue, it does not include capital expenditure. That is, a positive ratio indicates operating surplus available for capital expenditure. Therefore, we also further consider the impact of the proposed SV on the council's infrastructure ratios, where relevant to the council's application.

Where relevant, we consider the council's infrastructure backlog ratio, which measures the council's backlog of assets against its total written down value of its infrastructure. The benchmark set by OLG for the ratio is less than 2%.[xxi] 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.

Where relevant, we 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. The benchmark set by OLG for the ratio is greater than 100%.[xxii] It is defined as:

3 Net debt is the book value of the Council's gross debt less any cash and cash-like assets on the balance sheet. Net debt shows how much debt the Council has on its balance sheet if it pays all its debt obligations with its existing cash balances. Over time, a change in net debt is an indicator of the Council's financial performance and sustainability on a cash basis.

$$Infrastructure\ renewals\ ratio = \frac{Infrastructure\ asset\ renewals^4}{Depreciation, amortisation\ and\ impairment}$$

4.2.1 Assessment of the council's IP&R documents and alternatives to the rate rise

The council presented the need for, and purpose of, the proposed SV in the:

- Delivery Program—an addendum discussed the need for and the purpose of the proposed SV in trying to remain financially sustainable while maintaining service levels. It also discusses the alternatives to its revenue streams, the impact of the proposed SV on the different rating categories and cost savings that the council is undertaking.[xxiii]
- LTFP—an addendum set out alternatives to the rate rise through various scenarios. Specifically, the LTFP–addendum discussed a status quo scenario with no proposed SV; the original SV of 62.6% and the proposed SV of 53.5%.[xxiv] Each scenario discusses the long-term financial sustainability of the council and its cash position. For example the baseline scenario sets out that without the proposed SV, the council's operating losses before capital income are estimated to be between $3.4 million to $6.2 million over a 10 year period with its unrestricted cash is projected to being exhausted in 2021-22. [xxv]

As a result, the council decided that the proposed SV of 53.5% cumulative, would provide the most feasible funding source assuring financial sustainability while maintaining service levels. [xxvi]

4.2.2 Assessment of the impact of the proposed SV on the council's financial performance and position

Under the Proposed SV Scenario, the council forecasts an improving OPR from -14.7% in 2021-22 to -4.7% by 2030-31. The cumulative value of the forecast operating deficits (before capital grants and contributions) is -$17.7 million to 2030-31. The SV revenue would allow the council to improve its financial sustainability and maintain service levels.

Without the proposed SV and assuming the council's expenditure is the same as under the Proposed SV Scenario (the Baseline with SV expenditure Scenario), it forecasts slower improvements in operating results, as shown by the Baseline with SV expenditure Scenario in Figure 4.1 and Table 4.1. The cumulative value of these forecast operating deficits (before capital grants and contributions) is -$55.7 million to 2030–31 under this scenario.

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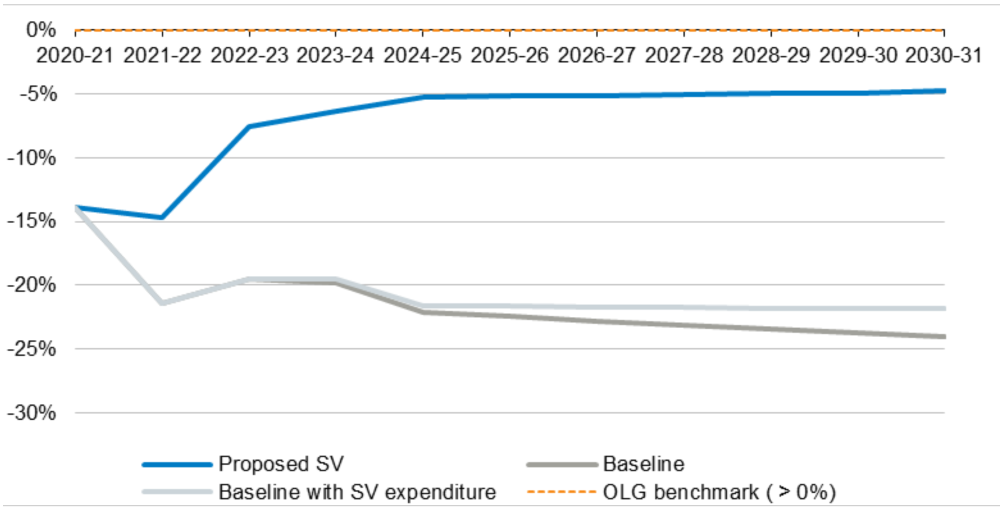
4 Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or refurbishment of old assets) that increases capacity/performance.

Under both the Baseline Scenario and the Baseline with SV expenditure Scenario, the council has forecast similar OPRs. This is because the council intends to use much of the additional SV revenue for capital expenditure, which is not reflected in the operating expenditure used to calculate the OPR. Therefore, in Figure 4.1 and Table 4.1 below, the OPR results for both of these scenarios closely resemble each other.

Figure 4.1 Cootamundra-Gundagai Regional Council's Operating Performance Ratio (%) excluding capital grants and contributions (2020–21 to 2030–31)



Note: The OPR forecast for the Baseline with SV expenditure scenario is better than the OPR forecast for the Baseline scenario as the council has forecast lower expenses under the proposed SV scenario. The council has not incorporated its proposed efficiency measures in its Baseline scenario.

Data source: Cootamundra-Gundagai Regional Council, *Application Part A*, Worksheet 8 and IPART calculations.

Table 4.1 Projected operating performance ratio (%) for Cootamundra-Gundagai Regional Council's proposed SV application (2021–22 to 2004–25)

	2021-22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	2030–31
Proposed SV	-14.7	-7.5	-6.4	-5.2	-5.1	-5.1	-5.0	-5.0	-4.9	-4.7
Baseline	-21.4	-19.5	-19.8	-22.2	-22.5	-22.8	-23.1	-23.5	-23.8	-24.1
Baseline with SV expenditure	-21.4	-19.5	-19.5	-21.6	-21.6	-21.7	-21.8	-21.8	-21.8	-21.8

Source: IPART calculations based on Cootamundra-Gundagai Regional Council, *Application Part A*, Worksheet 8.

Our analysis indicates that over the next five years, the council's financial performance under each scenario results in an average OPR of:

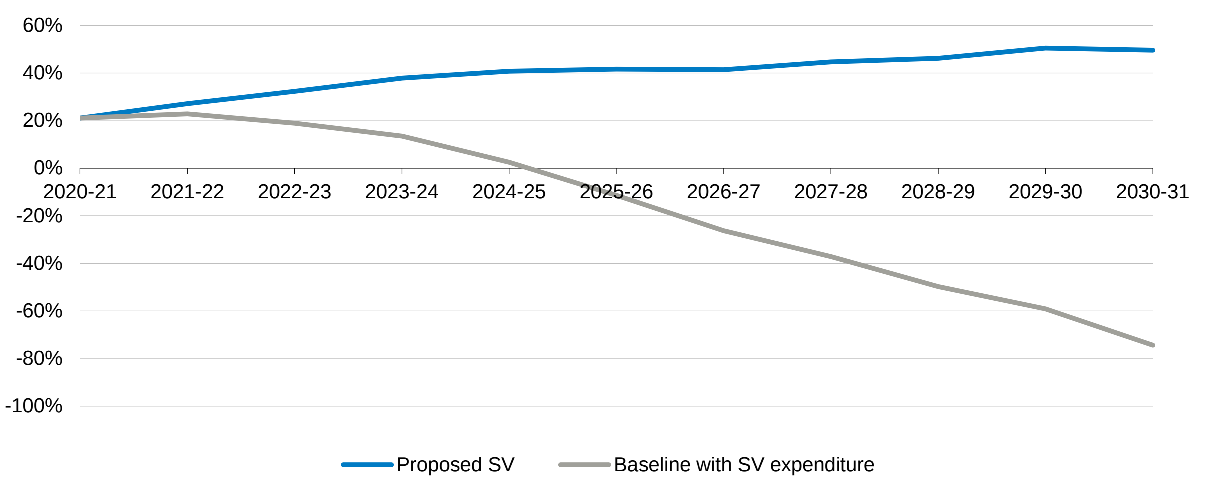
- -7.8% under the Proposed SV Scenario
- -21.1% under the Baseline Scenario
- -20.7% under the Baseline with SV expenditure Scenario.

Impact on the council's net cash (debt)

We calculate the council's net cash is $5.2 million or 27.2% of income in 2021–22. Over the longer term, with the proposed SV revenue, net cash would increase to 49.6% in 2030–31 under the Proposed SV Scenario.

Without the proposed SV, and assuming the council's expenditure is the same as under the Proposed SV Scenario, we estimate that the net cash to income ratio would decline to -74.3% over the next 10 years. The net cash to income ratio in 2024–25 would be 40.8% under the Proposed SV Scenario and 2.6% under the Baseline with SV expenditure Scenario.

Figure 4.2 Cootamundra-Gundagai Regional Council's net cash (debt) to income ratio (%) (2020–21 to 2030–31)



Data source: Cootamundra-Gundagai Regional Council, *Application Part A*, Worksheet 8 and IPART calculations.

Our analysis indicates that over the next 5 years, the council's net cash to income ratio averages:

- 36% under the Proposed SV Scenario
- 9.3% under the Baseline with SV Expenditure Scenario.

Impact on the council's infrastructure backlog ratio

The council submitted that if the proposed SV were approved, it would secure its short term cash position, however, it will be unable to undertake planned asset replacement in the longer term without additional income or further savings.[xxvii]

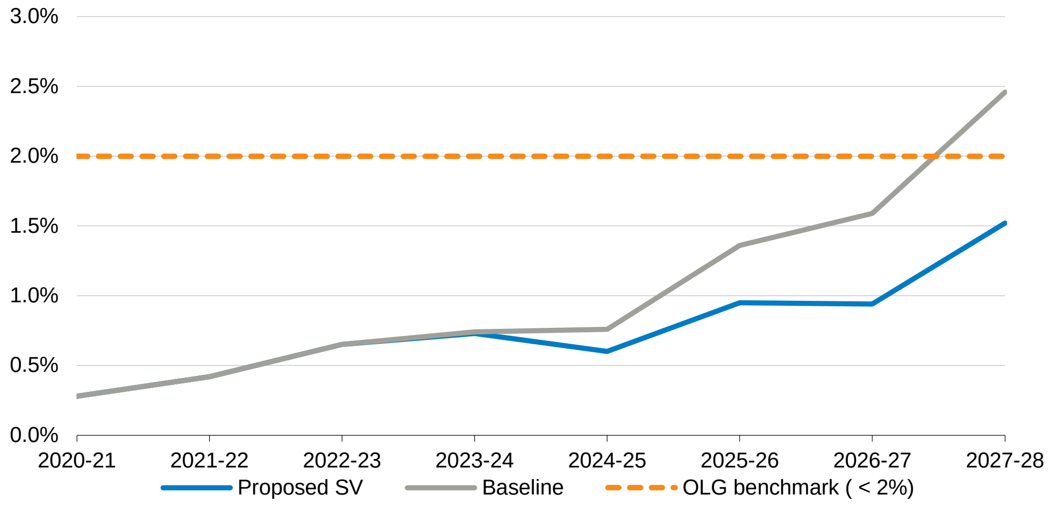
The additional funds allocated to asset renewal, particularly buildings and property, improves both the infrastructure renewal and infrastructure backlog ratios. The council further submits that data is not available for the backlog ratio for the full ten year projection period, but without the proposed SV, it is forecast to deteriorate from 0.4% in 2021-22 to 2.5% in 2027-28.[xxviii]

We note that this does not meet the OLG benchmark of less than 2%.

Under the Proposed SV Scenario, the council's infrastructure backlog would continue to rise but at a decreasing rate compared to the Baseline Scenario. Under the Proposed SV Scenario, it forecasts the infrastructure backlog ratio will increase to 1.5% in 2027–28, whereas this will be 2.5% under the Baseline Scenario.

The council's forecast backlog ratio under the Proposed SV and Baseline Scenarios is shown in Figure 4.3 and Table 4.2 below.

Figure 4.3 Cootamundra-Gundagai Regional Council's infrastructure backlog ratio (%) (2020–21 to 2027-28)



Data source: Cootamundra-Gundagai Regional Council, *Application Part A*, Worksheet 9.

Table 4.2 Cootamundra-Gundagai Regional Council's projected infrastructure backlog ratio (%) (2021–22 to 2030–31)

	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28
Proposed SV	0.4	0.7	0.7	0.6	1.0	0.9	1.5
Baseline	0.4	0.7	0.7	0.8	1.4	1.6	2.5

Source: Cootamundra-Gundagai Regional Council, *Application Part A*, Worksheet 9.

Our analysis indicates the over the next five years, the council's infrastructure backlog ratio averages:

- 0.7% under the Proposed SV Scenario
- 0.8% under the Baseline Scenario.

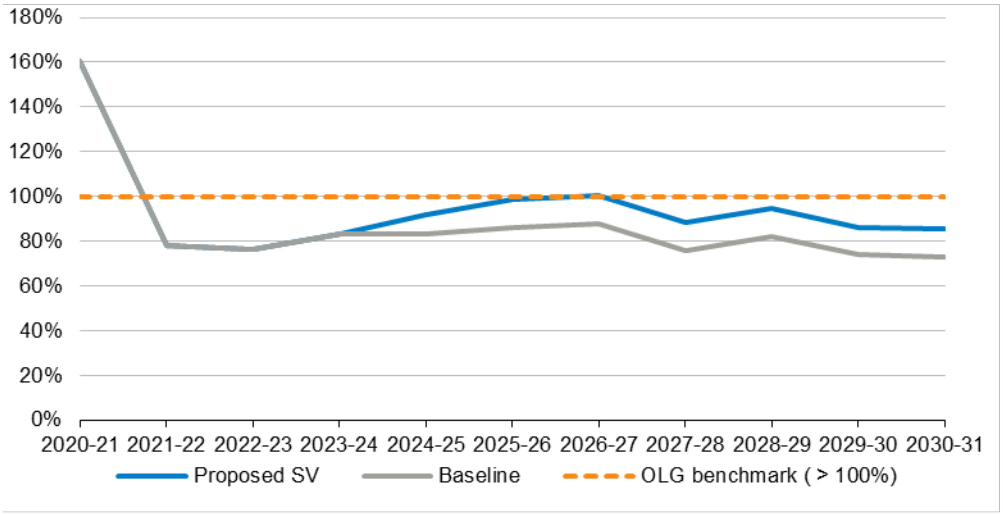
We note the infrastructure backlog ratios under the two scenarios diverge further beyond 5 years.

Impact on the council's infrastructure renewals ratio

The council's application identifies that the SV revenue will be used to fund asset renewals, with the aim of maintaining service levels where possible in spite of very significant cost pressures due to the merger in 2016. [xxix]

Figure 4.4 and Table 4.3 illustrate the projected infrastructure renewals ratio under the Proposed SV and Baseline Scenarios. The council will not meet the OLG benchmark of greater than 100% under either scenario over the next five years. Under the Proposed SV scenario, it will meet the benchmark in 2026-27 however the renewals ratio is then forecast to fall below 100% for the following years through to 2030-31. The significant decline in the council's infrastructure renewals ratio is attributed to the state of the council's finances. [xxx]

Figure 4.4 Cootamundra-Gundagai Regional Council's projected infrastructure renewals ratio (%) (2020–21 to 2030–31)



Data source: Cootamundra-Gundagai Regional Council, *Application Part A*, Worksheet 9.

Table 4.3 Projected infrastructure renewals ratio (%) for Cootamundra-Gundagai Regional Council's proposed SV application (2021–22 to 2030–331)

	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	2030–31
Proposed SV	77.9	76.2	83.1	91.6	98.7	100.5	88.3	94.6	86.3	85.4
Baseline	77.9	76.2	83.1	83.3	85.8	87.7	75.6	82.1	73.8	73.1

Source: Cootamundra-Gundagai Regional Council, *Application Part A*, Worksheet 9.

Our analysis shows that in 5 years, the council's infrastructure renewals ratio averages:

- 85.5% under the Proposed SV Scenario
- 81.3% under the Baseline Scenario.

Submissions from the community to IPART

IPART received a number of submissions that claimed there had been some degree of financial mismanagement by the council, including that it could be more efficient with its use of funds as it has excessive staff but does not prioritise community needs.

Our assessment indicates the council has a financial need for the proposed SV. We also consider that the council did explore alternatives to the proposed SV before submitting its application. We have further considered the council's productivity improvements and cost containment strategies in Section 4.6.

4.2.3 Overall assessment of the council's financial need

We found that the council demonstrated that it met this criterion.

We consider that the proposed SV revenue puts the council on a more financially sustainable path, given the program of expenditure set out in its application. We note that:

- the council's OPR would average –20.7% over the next five years, reaching -21.8% in 2030–31 under the Baseline with SV expenditure Scenario and without the additional income from the proposed SV, whereas
- under the Proposed SV Scenario (with SV revenue and expenditure), the council's OPR over the next five years would average –7.8%; reaching -4.7% in 2030–31. This still does not reach the OLG benchmark of greater than or equal to zero by 2030–31.

We forecast that the council will have a net cash position of $5.2 million as at 30 June 2021. The council's application indicates that of the total $16.8 million in cash, and cash equivalents and investments it will hold at 30 June 2021:

- $8.2 million is externally restricted
- $7.4 million is internally restricted
- $1.3 million is unrestricted.

This suggests that the majority of the council's cash and investments are committed to other purposes, and are not available for discretionary use to fund part of the council's proposed SV expenditure.

Under the Proposed SV Scenario, the council forecasts its infrastructure backlog will increase from 0.4% in 2021–22 to 1.5% in 2027–28. Under the Baseline Scenario, the council forecasts the infrastructure backlog ratio would increase to 2.5% in 2027–28, and would not meet the OLG benchmark of less than 2%.

Further, the council will not meet the OLG benchmark of greater than 100% for the infrastructure renewals ratio under either the Proposed SV or Baseline Scenarios for the next five years. Under the Proposed SV scenario, it will meet the OLG benchmark of greater than 100% in 2026–27, however its renewals ratio is forecast to fall to 88.3% in 2027–28, remaining below the OLG benchmark through to 2030–31.

4.3 Community engagement and awareness

The OLG Guidelines outline consultation requirements for councils when proposing an SV application. Specifically:

- The council's Delivery Program and LTFP should clearly set out the extent of the General Fund rate rise under the proposed 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 (see Section 4.4).
- The consultation should include a brief discussion of the council's ongoing efficiency measures in explaining the need for the SV.
- The council's community engagement strategy for the proposed SV must demonstrate an appropriate variety of engagement methods to ensure community awareness and input occurred.

Ultimately, we consider evidence that the community is aware of the need for, and extent of, a rate rise. That is, whether the consultation conducted by the council with ratepayers has been effective.

In this section, we assess the consultation process, including the clarity of the consultation, the timeliness of the consultation, and whether an effective variety of engagement methods was used to reach as many ratepayers as possible across all relevant rating categories.

We also examine the effectiveness of any direct community engagement and any council response to community feedback.

4.3.1 Assessment of consultation with the community

The council has published a Delivery Program–addendum, LTFP–addendum and a fact sheet. It used these to guide and inform the consultation it carried out in relation to the proposed SV.

Process and content

The council's consultation material contained most of the elements needed to ensure ratepayers were well informed and able to engage with the council during the consultation process. Specifically, the council communicated:

- the impact of the proposed rate increase to ratepayers in dollar terms across various categories of ratepayers, including with and without the rate peg
- the cumulative dollar impact and cumulative percentage increase over the four years of the proposed SV by ratepayer category
- the average annual rate and average rate increase over the four years in dollar terms, for each affected rating category

- what the proposed SV would fund
- the ongoing efficiency measures it proposed to implement and its progress towards achieving these measures
- the amalgamation of the Cootamundra and Gundagai Shire councils in 2016 citing this as a cause of the current financial stress it is under and its resulting de-merger proposal to the Boundary Commission.[xxxi]

The council's consultation material discussed ongoing efficiency measures it has implemented and progress made towards implementing these initiatives (see section 4.6). We note that this was a new requirement added for OLG's 2021–22 SV Guidelines.

The council submits that productivity improvements were discussed during:

- Community Meetings which were held in each major town on 18 and 19 January 2021
- Citizen Juries which were held in each major town on 18 and 19 January 2021.[xxxii]

In future years we expect that councils seeking SVs will continue to communicate with their community around how they intend to achieve efficiency savings to mitigate or partially mitigate a need for additional income through SVs.

Overall, we consider the council sufficiently communicated the impact of the proposed SV for its average residential and average business ratepayers.

Clarity

The council's consultation material was largely clear in its presentation of the proposed SV and not likely to confuse ratepayers about the need for the proposed rate increase. The council expressed the total rate increase including the rate peg for each affected rating category and the total cumulative increase of its proposed SV of 62.6% in its Delivery Program and consultation materials.

We note however, that the council subsequently amended its proposal from the original 62.6% to the currently proposed cumulative increase of 53.5% following community feedback.

Timeliness

The council carried out community consultation on its proposed SV from 11 December 2020 to 21 January 2021.

On 11 December 2020 it commenced consultation on the first SV option of a 62.6% increase over five years (19% in first year, 18% in second year and 5% over the remaining years) with a survey mail-out to all (6,500) ratepayers attaching a reply paid envelope. This was also made available at the council offices and online. The mail-out included a factsheet.

Further consultation also included:

- paid advertising in the council area's major newspapers, Cootamundra Times and Gundagai Independent, and information in the Christmas edition of the council newsletter
- media release via all regional media communications including information videos to accompany the fact sheet and survey which were available online, from council offices and listening posts
- reports on financial sustainability, capacity to pay, debt capacity and efficiency are available on the council website, council office and listening posts
- post Community Meeting survey and Community Meetings held in each of the major towns which were open to all ratepayers, residents and interested parties
- Citizen Juries held in each of the major towns. Twelve people were selected at random from Expressions of Interest completed by interested ratepayers. It was in the Cootamundra Citizen's Jury that the proposed amount of 53.5% was first discussed.[xxxiii]
- all day listening posts in each major town.[xxxiv]

This consultation period provided sufficient opportunity for ratepayers to be informed and engaged on the proposed SV.

Engagement methods used

The council provided reasonable opportunities for community feedback, and used a variety of methods to engage with its community, including:

- an information brochure to all ratepayers sent to 6,500 residents
- a dedicated section on the council website set aside for the SV. This included details of the consultation and exhibited IP&R documentation including fact sheets
- social media such as Facebook posts
- media releases and the council's fortnightly newsletters including a mention in its Christmas edition
- newspaper articles and advertisements in local newspapers including the Cootamundra Times and Gundagai Independent
- Citizen's juries to discuss the need and purpose of the SV and provide feedback and questions to the council.[xxxv]

The range of engagement methods used by the council provided sufficient opportunity for ratepayers to be informed and engaged on the proposed SV. Using the various community engagement methods, the council communicated the full cumulative increase of the proposed SV in both percentage terms and average dollar impact per ratepayer category.

We consider these methods were reasonable to communicate the impact of the proposed SV to the community.

4.3.2 Assessment of outcomes of consultation with the community

Although this criterion does not require the council to demonstrate community support for the proposed SV, the council is required to consider the results of community consultation in preparing its application.

The council received 534 survey responses in relation to its proposed SV during the consultation period, of which 155 opposed the proposed SV (the majority of the remaining submissions expressed other concerns such as around reducing staff and expenses).[xxxvi] The main reasons for opposition to the SV included:

- ratepayers are unable to afford further increases in rates
- expectations that the council consider its costs and operate within its budget
- observations of the council being too top heavy and that it should reduce staff
- the timing of the increase during the COVID-19 pandemic was not ideal
- financial situation arising due to the merger. [xxxvii]

Support for the SV in submissions was mainly conditional on:

- the council demerging
- the council efficiently using staff and equipment
- the council making improvements in infrastructure and services. [xxxviii]

In addition, the Your Say (online and hardcopy) survey Round two consultations were conducted by the council from 18–21 January 2021. The council issued a post-community meeting survey during the community meetings; 76 ratepayers responded to this survey. A further 65 expressions of interest were received for the Citizen Juries and 24 residents were selected to participate. The Citizen's Juries were held in Cootamundra and Gundagai. The discussions in the Citizen's juries were very similar, however one jury was stronger in its preference for seeking out a demerger. Consequently, each jury arrived at a different preference for the proposed SV which was:

- Citizen jury 1—recommended a reduced SV 53.5% increase over 4 years
- Citizen jury 2—recommended a single year temporary SV of 25%.[xxxix]

After considering community feedback, the council decided to apply for its proposed SV with a reduced cumulative SV increase of 53.5% over four years.

4.3.3 Overall assessment of community engagement and awareness

We found that the council demonstrated that it met this criterion.

We note that the council clearly communicated the total increase in percentage terms for the average ratepayer by rating category on an annual basis. The council also clearly communicated the rates increases in dollar terms for each year over the proposed 4-year SV period.

4.4 Impact on affected ratepayers

The OLG Guidelines require that the impact of the proposed SV on affected ratepayers must be reasonable, having regard to the current rate levels, the existing ratepayer base and the proposed purpose of the variation. Specifically, the 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
- establish that the proposed rate increases are affordable, having regard to the community's capacity to pay.

Section 4.5 of this report considers the council's Delivery Program and LTFP.

The focus of this criterion is to examine the impact the proposed SV would have on ratepayers, and in particular consider the reasonableness of the rate increase in the context of the purpose of the proposed SV.

In this section, we:

- Consider how the council has assessed the impact on ratepayers of the proposed SV and how it addressed affordability concerns.
- Undertake our own analysis of the reasonableness of the proposed rate increase by considering the average growth in the council's rates in recent years. We consider how the council's average rates compare to similar councils and other socio-economic indicators such as median household income and SEIFA ranking. We consider the impact that rate harmonisation has had on the council's rates.

The council submitted that it harmonised its rates in 2019–20.[xl] As a result, we have assumed the impacts below are a result of the SV alone.

In its application, the council indicated it intended to increase rates evenly for each rating category.[xli] The council has calculated that:

- the average residential rate would increase by 53.5% or $361 over four years, or by $135 in the first year and an average of $75 for the three years after that.
- the average business rate would increase by 53.4% or $836 over four years, or by $312 in the first year and an average of $175 for the three years after that.
- the average farmland rate would increase by 53.5% or $1,555 over four years, or by $581 in the first year and an average of $324 for the three years after that.

Table 4.4 sets out the council's estimates of the expected increase in average rates in each main ratepayer category.

Table 4.4 Indicative annual increases in average rates under Cootamundra-Gundagai Regional Council's proposed amendment and existing SV (2021–22 to 2024–25)

Ratepayer Category	2020–21	2021–22	2022–23	2023–24	2024–25	Cumulative increase
Residential rate $	674	809	939	986	1,035	
$ increase		135	129	47	49	361
% increase		20.0	16.0	5.0	5.0	53.5
Business rate $	1,567	1,879	2,180	2,289	2,403	
$ increase		312	301	109	114	836
% increase		19.9	16.0	5.0	5.0	53.4
Farmland rate $	2,908	3,489	4,048	4,250	4,463	
$ increase		581	558	202	213	1,555
% increase		20.0	16.0	5.0	5.0	53.5

Note: 2020–21 is included for comparison. The average rate is calculated by dividing total Ordinary Rates revenue by the number of assessments in the category and includes the ordinary rate and any special rates applying to the rating category.

Source: Cootamundra-Gundagai Regional Council, *Application Part A*, Worksheet 5a.

4.4.1 Assessment of the council's consideration of impact on ratepayers

The council compared its average rates with other regional councils and examined socioeconomic data such as its SEIFA index ranking, 2016 Census data and outstanding rates and charges ratio to assess the impact on ratepayers. On the basis of these indicators, it concluded that its ratepayers have the capacity to pay the increased rates from the proposed SV. Based on a comparison with the 19 similar councils that are also in OLG Group 11, it found:

- its average residential rates are currently the fourth lowest
- its average business rates are currently the eighth highest
- its average farmland rates are currently the tenth highest
- its SEIFA index ranking indicates that it is less disadvantaged compared to other OLG Group 11 councils
- housing is more affordable being consistently in the lowest quartile for OLG Group 11 councils resulting in lower housing loan repayments
- individual residential income levels in the council's LGA in 2017 are below the OLG 11 Group average
- the average business income levels are the sixth highest in the group. [xlii]

The council considered the community's ability to pay by engaging Professor Drew to undertake a capacity to pay study. The council also considered the outcomes of the:

- first mail–out survey conducted in December 2020 comprising 534 respondents.[xliii] It found that 33% of residents were at least somewhat supportive of an SV with a 5–year spread, and 35% of residents' preferred option was to reduce staff and expenses.
- Community meeting in January 2021 comprising 76 respondents followed by two citizen's juries.[xliv] Citizen Jury 1 recommended a reduced SV of 53.5% over 4 years whereas Citizen Jury 2 preferred a single year temporary SV of 25%.

It also found that the majority of residents were more willing to accept some form of SV if the council were to demerge.[xlv]

The council submitted that it also has a hardship policy to assist ratepayers that are experiencing financial hardship, including situations where ratepayers believe they have suffered financial hardship in the first year following a general revaluation of land. The policy provides assistance by accepting an arrangement for payment of rates and charges over a period, writing off interest on rates and charges incurred, extending the pension concession to a ratepayer, or waiving or reducing rates, charges and interest due by ratepayers who receive benefits and payments from the Commonwealth government.[xlvi]

4.4.2 IPART's consideration of impact on ratepayers

To assess the reasonableness of the impact of the proposed SV on ratepayers, we examined the council's SV history and the average annual growth of rates in various rating categories. In 2014–15 the former Gundagai Shire Council applied for and was approved an SV of 15.12%. The increase was to fund its Main Street Redevelopment project, and to contribute to reducing its infrastructure backlog.[xlvii.]

We also compared 2018–19 rates and socio-economic indicators in the LGA with those of OLG Group 11 and neighbouring councils as shown in Table 4.5 and Table 4.6.

Table 4.5 Cootamundra-Gundagai Regional Council comparison of rates and socio-economic indicators with neighbouring councils and Group 11 councils averages (2018–19)

	Average residential rate ($)[a]	Average business rate ($)	Average farmland rate ($)	Median annual household income ($)[b]	Ratio of average rates to median income (%)	Outstanding rates ratio (%)	SEIFA Index NSW Rank
Junee (OLG 10)	778	1,932	3,092	59,391	1.3	10.6	29
Temora (OLG 10)	608	1,401	2,115	53,864	1.1	5.0	47
Hilltops	580	1,587	2,585	50,891	1.1	9.9	32
Snowy Valleys	684	1,581	1,855	58,400	1.2	3.1	34
Cootamundra-Gundagai Regional Council	**602**	**2,042**	**2,656**	**50 266**	**1.2**	**6.3**	**27**
Group 11 councils average	906	2,084	3,186	59 904	1.5	7.3	-

[a] The average residential rate (ordinary and special) is calculated by dividing total Ordinary Rates revenue by the number of assessments in the category. The table does not capture increases from any SVs granted to councils in 2019–20.

[b] Median annual household income is based on 2016 ABS Census data.

Source: OLG, Time Series Data 2018–19; ABS, *Socio-economic Indexes for Areas (SEIFA) 2016*, March 2020; ABS, 2016 Census DataPacks, General Community Profile, Local Government Areas, NSW, *Median Weekly Household Income* and IPART calculations.

Table 4.6 Comparison of Cootamundra-Gundagai Regional Council, Group 11 councils averages and average of neighbouring councils (2018–19)

	Cootamundra -Gundagai Council	Group 11 councils	Neighbouring councils	Difference between Cootamundra -Gundagai Council and Group 11 (%)	Difference between Cootamundra -Gundagai Council and neighbours (%)
Residential	602	906	753	-33.6	-20.1
Business	2,042	2,084	2,518	-2.0	-18.9
Farmland	2,656	3,186	2,691	-16.6	-1.3

Note: All averages are weighted averages, weighted by number of assessments.

Source: OLG Your Council Report time series data and IPART calculations.

Based on 2018–19 data, we found that the council's:

- average rates to income ratio was similar to the average for OLG Group 11 councils, and to the neighbouring councils
- outstanding rates ratio was lower than the average for OLG Group 11 average and higher than most neighbouring councils
- SEIFA ranking indicates that the council is more disadvantaged than most neighbouring councils.

We also compared the council's average rate levels with the proposed SV to the OLG Group 11 average[5] rate levels over the proposed 4–year SV period; this comparison is shown in Table 4.7.

Table 4.7 Comparison of Cootamundra-Gundagai Regional Council, Group 11 council's averages and average of neighbouring councils (2024–25)

	Cootamundra -Gundagai Council	Group 11 councils	Neighbouring councils	Difference between Cootamundra -Gundagai Council and Group 11 (%)	Difference between Cootamundra -Gundagai Council and neighbours (%)
Residential	1,035	1,048	871	-1.3	18.8
Business	2,403	2,413	2,914	-0.4	-17.5
Farmland	4,463	3,688	3,115	21.0	43.3

Note: All averages are weighted averages, weighted by number of assessments. Based on the 2018-19 data obtained from OLG, IPART has performed calculations to increase the OLG Group 11 and neighbouring council average rate levels by the rate peg each year from 2019–20 to 2021–22 to allow for the comparison of the council's proposed average rate levels with the SV over the proposed SV period.

Source: OLG Your Council Report time series data and IPART calculations.

Submissions from the community to IPART

IPART received 58 submissions during the period 12 January 2021 to 21 February 2021, and 13 submissions during the consultation period from 22 February 2021 to 8 March 2021.

The majority of submissions expressed affordability concerns, particularly for pensioners and families on limited incomes.

4.4.3 Overall assessment of the impact on affected ratepayers

We found that the council demonstrated that it met this criterion.

We consider the impact of the proposed SV on councils' ratepayers would be reasonable. This is because, while the community's capacity to pay based on its SEIFA ranking of 27 indicates a slightly higher level of disadvantage compared to its neighbouring councils, its proposed average residential and business rates with the SV will be below the estimated average rate levels for OLG Group 11 councils by the end of the proposed SV period (i.e., 2024–25) and comparable to neighbouring councils.

5 Based on the 2018-19 data obtained from OLG, IPART has performed calculations to increase the OLG Group 4 average rate levels by the rate peg each year from 2018-19 to 2023-24 to allow for the comparison of Cootamundra-Gundagai Regional Council's proposed average rate levels with the SV over the proposed SV period.

On balance, we consider the impact of the proposed SV on ratepayers would be reasonable. In particular, we have also considered the council's need for the additional funding to be financially sustainable and to allow it to continue to provide the services its ratepayers need and expect. We note that the council has a hardship policy in place to assist ratepayers experiencing financial hardship to provide financial relief to ratepayers that have been affected.

4.5 Integrated Planning and Reporting documents

The IP&R framework provides a mechanism for councils and the community to engage in important discussions about service levels, funding priorities and to plan in partnership for a sustainable future. The IP&R framework therefore underpins decisions on the revenue required by each council to meet the community's needs.

The OLG Guidelines require the council to exhibit, approve and adopt the relevant IP&R documents before submitting an application for a proposed SV, to demonstrate adequate planning.

The relevant documents are the Community Strategic Plan, Delivery Program, 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.

In this section, we assess whether the council has included the proposed SV in its IP&R framework as outlined in Criterion 1 to 3 of the OLG Guidelines and exhibited, approved and adopted its IP&R documents.

According to the OLG Guidelines, the elements that should be included in the IP&R documentation are:

- the need for, and purpose of, the proposed SV
- the extent of the general fund rate rise under the proposed SV
- the impact of any rate rises on the community.

4.5.1 Assessment of content of IP&R documents

The need for, and purpose of, the proposed SV

The council presented the need for, and purpose of, the proposed SV in the Delivery Program 2018–2021–Addendum (Delivery Program—addendum) which was adopted by the council on 3 February 2021 following community consultation.[xlviii] The Delivery Program—addendum was exhibited on the council's website and advertised in the local newspaper.[xlix] The Delivery Program—addendum also canvassed alternatives to its revenue streams, the impact of the proposed SV on the different rate categories and further costs savings to avoid future SVs as discussed in Section 4.6.

The LTFP did not discuss the need for, and purpose of, the proposed SV. However, the LTFP does set out the financial impact of the SV by presenting three scenarios reflecting the following:

- baseline or business as usual model excluding the proposed SV
- the proposed SV Scenario of 53.5% over a four year period
- an alternative SV Scenario of a 62.6% increase over a five year period.[l]

The difference between these scenarios is that the Baseline or "Do nothing" approach will result in:

- operating losses before capital income of between $3.4 to $6.2 million over a 10 year period
- unrestricted cash exhausted in 2021–22.[li]

While the proposed 53.5% SV scenario will not deliver long-term financial sustainability, the council proposes that it will secure the council's cash position.[lii]

The extent of the general fund rate rise under the proposed SV

The Delivery Program does not include information about the SV. The Delivery Program provides an overview of the councils proposed activities over the term of the council.[liii]

In order to incorporate information on its proposed SV, the council added an addendum to the Delivery Program. The Delivery Program–addendum includes the full percentage cumulative increase and annual impact in dollar terms for the average ratepayer, by rating category, over a four year period under a scenario of no SV and the proposed SV. The council applied for the latter option (ie, a permanent SV over four years) in its application.

The Delivery Program–addendum communicated the full cumulative increase over four years on the average ratepayer by categories.[liv] The LTFP also provides a comprehensive overview of the impacts of the permanent SV on the financial statements and key performance indicators for the council over a projected ten years ending in 2030–31.

The impact of any rate rises upon the community

The Delivery Program—addendum did not include the council's consideration of the community's willingness to pay rates under the proposed SV. However, the council did consider the community's capacity to pay in its Delivery Program by comparing its average rates to other regional councils in OLG Group 11. This demonstrated the council's average rates for residential, business and farmland ratepayers are lower than the OLG Group 11 average.[lv]

The council also engaged Professor Joseph Drew to undertake a financial impact analysis of the proposed rate increase in the Capacity to Pay review.[lvi]

The LTFP did not discuss the community's willingness and capacity to pay rates under the proposed SV.

4.5.2 Assessment of the exhibition, approval and adoption of IP&R documents

The council publicly exhibited its Community Strategic Plan from 27 February 2018 and adopted it on 10 April 2018.[lvii] It publicly exhibited its Delivery Program from 29 May 2018 and adopted it on 26 June 2018. [lviii] The Delivery Program was revised to include the addendum; the Delivery Program—addendum, which was exhibited on 4 December 2020. The Delivery Program—addendum was formally adopted by the council with incorporation of amendments arising from community consultation on 3 February 2021.[lix]

The LTFP was revised to include the proposed SV of 53.3%. It was publicly exhibited on 4 December 2020 and adopted on 3 February 2021.[lx] The council advertised the availability of these documents for public comment, promoted them in local newsletters, and placed copies on the council's website.[lxi]

4.5.3 Overall assessment of the IP&R documents

We found that the council demonstrated that it met this criterion.

We consider that, on balance, the council's IP&R documents contain sufficient information relating to the proposed SV, and were appropriately exhibited, approved and adopted by council.

4.6 Productivity improvements and cost containment strategies

The OLG Guidelines require 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 are required to 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.

Achieving cost savings through improved productivity can reduce the need for, or extent of, the increase to general income needed through a proposed SV.

Drawing on our experience in past years, IPART has placed a stronger emphasis on this criterion and how councils demonstrate that they have met it. Councils are required to provide evidence of strategies and activities and robust data quantifying the efficiency gains from productivity improvements in their operations and asset management, as well as cost-saving and revenue-raising initiatives.

In this section we consider the council's strategic approach to improving its productivity and efficiency, its achievements and proposals, and their impact on the council's operational results.

4.6.1 Assessment of efficiency gains achieved

The council's application sets out the productivity improvements and cost containment initiatives it has undertaken in recent years. In particular, the council submitted that the following outcomes have been achieved:

- new commercial waste disposal partnership with business near Gundagai
- improvements in monitoring of plant hire income
- contracting out the operations of the Cootamundra swimming pool and sports stadium
- conversion from landline telephone system to VOIP
- rationalisation of IT subscriptions
- reduction in funding to some community organisations
- significant reduction in costs of saleyard operations.[lxii]

The council submitted that it achieved savings resulting from merging user fees & charges, including those relating to waste, cemeteries and saleyards. These savings are in part derived from harmonisation of charges following the amalgamation of councils.

Further the council submitted that some of the above measures are impossible to quantify in isolation. The council does submit that there is a reduction in operating expenses of $5.9 million. This amount excludes expenditure on grant-funded community projects of $3.7 million and $1.4 million of budgeted expense from 2019–20 that did not proceed. This resulted in efficiency savings of $0.8 million or 3% of total budgeted operating expenditure.[lxiii]

4.6.2 Assessment of strategies in place for future productivity improvements

The council indicated that it is planning future efficiency measures over the proposed SV period. The council held a series of workshops with its finance committee and managers in the lead up to the 2020–21 budget preparation to identify further savings.[lxiv] Specifically, it proposes that it will:[lxv]

- review its organisational structure and reduce employee costs by $500 000 by 2022–23—this has not yet been implemented as it is awaiting the result of its application to the Boundaries Commission. Further, the council submits that the proposed savings will reduce post-merger employee costs to a level consistent with other merged councils with projected savings from 2022–23 representing 1.8% of the total budgeted operating expenditure.
- target savings of $2.1 million in materials and contracts in 2020–21 increasing to $2.4 million thereafter
- proactively seek grants for timber haulage route renewal and bridge replacement for the amount of $2.7 million over 2020 to 2022 or an average of $1.4 million per annum.
- review its waste management operations in 2019–20, including tendering for provision of recycling services, taking over operation of green and putrescible waste disposal and implementing a new fee structure. This is anticipated to generate savings of $156 000 or 0.6% of the total budgeted operating expenditure.

The proposed initiatives have been factored into the council's LTFP.[lxvi]

The council also submits that given its formation by merger in 2016, ongoing efficiency measures are in early development while the council is understanding its business. The council will undertake further workshops to identify specific services for a targeted review as part of its community consultation and review of its Community Strategic Plan and Delivery Program to incorporate into the Operational Plan 2021–22.

4.6.3 Assessment of performance indicators for the council

As well as taking into account the council's cost containment and productivity improvement initiatives and the impact on the council's financial situation as a result of overall improvements in productivity, we also examined a range of productivity indicators. These indicators measure the council's level of efficiency in its operations and asset management, how its efficiency has changed over time and how its performance compares with that of similar councils.

Our assessment included whether there is any scope for the council to achieve further productivity savings. We examined selected performance indicators in Table 4.8 and Table 4.9 below. Our analysis focuses on labour costs, which is the second biggest cost incurred by the council, after materials and contracts expenses.[lxvii]

Table 4.8 Trends in selected performance indicators for Cootamundra-Gundagai Regional Council, 2016–17 to 2018–19

Performance indicator	2016–17	2017–18–	2018–19	Compound annual growth (%)
FTE staff (number)	140	188	157	5.9
Ratio of population to FTE	81	60	72	-5.7
Average cost per FTE ($)	86,379	66,574	79,223	-4.2
Employee costs as % of operating expenditure (General Fund only) (%)	36	34	36	

Note: Except as noted, data is based upon total council operations that include General Fund, Water & Sewer and other funds, if applicable.

Source: OLG, unpublished data and IPART calculations.

We note that from 2016–17 to 2018–19:

- the number of FTE staff increased from 140 in 2016–17 to 188 in 2017–18. However, the number of FTE declined in 2018–19 to 157
- the average cost per FTE decreased by 23% in 2017–18 and then increased by 19% in 2018–19
- employee costs as a percentage of operating expenditure remained steady between 34% and 36% between 2016-17 and 2018–19.

While there has been an increase in FTE staff in 2018–19, the council has submitted it will reconsider these costs in 2022–23.[lxviii]

Table 4.9 Select comparative indicators for Cootamundra-Gundagai Regional Council, 2018–19

	Cootamundra-Gundagai Regional Council	OLG Group 11 Average	NSW Average
General profile			
Area (km^2)	3,981	6,444	5,530
Population	11,260	14,158	62,400
Socio-economic/capacity to pay indicators			
Median annual household income, 2016 ($)[a]	50,266	59,904	77,484
Average residential rates to median income, 2016 (%)	1.2	1.5	1.5
SEIFA, 2016 (NSW rank: 128 is the least disadvantaged)[b]	27		
Outstanding rates and annual charges ratio	6.3	7.3	4.4
Unemployment rate (%)	3.9	5.1	
Productivity (labour input) indicators[c]			
FTE staff	157	172	376
Ratio of population to FTE	71.7	82.4	166.0
Average cost per FTE ($)	79,223	82,773	94,358
Employee costs as % of operating expenditure (General Fund only) (%)	36	35	39
General Fund operating expenditure per capita ($)	2,752	2,435	1,315

a Median annual household income is based on 2016 ABS Census data.

b The Socio-Economic Indexes for Areas (SEIFA) is a measure that ranks areas based on their socio-economic conditions. The Australian Bureau of Statistics (ABS) ranks the NSW Local Government Areas in order of their score, from lowest to highest, with rank 1 representing the most disadvantaged area and 128 being the least disadvantaged area. IPART has referred to the Index of Relative Socio-economic Advantage and Disadvantage (IRSAD) for our assessment, one of the component indexes making up the SEIFA.

c Data includes General Fund, Water & Sewer and other funds, if applicable (unless noted otherwise). There are difficulties in comparing councils using this data because councils' activities differ widely in scope and they may be defined and measured differently between councils.

Note: Except as noted, data is based upon total council operations for General Fund only.

Source: OLG, Time Series Data 2018–2019, OLG, unpublished data; ABS, Socio-Economic Indexes for Areas (SEIFA) 2016, March 2020, ABS, 2016 Census DataPacks, General Community Profile, Local Government Areas, NSW, Median Weekly Household Income and IPART calculations.

We found that for 2018–19, the council has one FTE for every 71.7 residents, whereas the Group 11 average is one FTE for every 82.4 residents. We note that the council has more staff per resident than the NSW average. This is because large metropolitan councils have fewer staff per resident, partly driven by higher population densities. Given Cootamundra-Gundagai Regional Council is a regional council, we consider the Group 11 average to be a suitable benchmark.

Although the council has a higher number of FTE staff, the average cost per FTE is lower than both the Group 11 and NSW average, resulting in reasonably low employee costs as a percentage of operating expenditure.

We note that these performance indicators only provide a high level overview of the council's productivity at a point in time and additional information would be required to accurately assess whether there is scope for the council to achieve future productivity/cost savings.

Submissions from the community to IPART

IPART received many submissions on the council's application for the proposed SV but few addressed productivity improvements. Submissions addressing productivity improvements have noted the following:

- the council is overstaffed
- there is a duplication of services
- there is no observation of council reducing its operational costs
- the council had four years to commence savings.

4.6.4 Overall assessment of productivity improvements and cost containment strategies

We found that the council demonstrated that it met this criterion.

We found that the council has adopted a range of strategies, which have already achieved productivity improvements and cost savings. It plans to undertake continuous review for some of these strategies to improve efficiency in its operations. It has explained its initiatives to improve productivity and contain costs, and in some cases quantified the cost savings resulting from these efficiency measures.

We note the council expressed difficulty in undertaking further productivity measures while it awaits the Boundary Commission's recommendation on its de-merger application. Nevertheless, we consider the council could continue to explore measures to implement ongoing productivity improvements. Productivity improvements and increased efficiencies will help mitigate the need for, or reduce the size of, future SVs.

5 Our decision

We have approved the proposed SV for a percentage increase of 53.5% for a 4-year period from 2021–22 to 2024–25.

We have attached conditions to this decision, including that the council uses the income raised from the SV for purposes consistent with those set out in its application, as outlined in Box 5.1.

The council requested that IPART add a condition to its approval instrument to require the council to re-engage with its community in May 2022. [lxix] The council submitted that this request is in line with the community's wishes to retain a voice after the demonstrated efficiencies have been realised and the outcome of the Boundary Commission's recommendation on the proposed demerger is known.[lxx]

IPART has decided not to impose the condition requested by the council. We consider that the LG Act imposes certain requirements on the council to re-engage with its community on proposed rate rises. In particular, the LG Act provides obligations on the council to consult on its draft operational plan each year which includes the council's revenue policy for the next year[6] (including proposed rates).[7] In deciding on the final operational plan to be adopted, the council must consider any submissions that have been made concerning the draft operational plan.[8] Therefore, the council should have considered public concerns at this stage of the process.

The council also has full discretion to consult with the community during the SV period and may undertake consultation through postal surveys, in accordance with ratepayer preferences.

IPART has imposed a reporting condition on the council for the proposed SV as per Box 5.1. This allows ratepayers to be aware of what programs the SV is funding. However, we do not consider it appropriate to require the council to re-consult during the SV period. We note that an SV instrument sets the cap on the council's general income – within that cap, rate levels and rating structure are matters for council.

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[6] LG Act, section 405.
[7] *Local Government (General) Regulation 2005*, clause 205(1)(b).
[8] LG Act, section 405(5).

Box 5.1 IPART Decision—Cootamundra-Gundagai Regional Council

Approved Special Variation: percentage increase to general income

	2021–22	2022–23	2023–24	2024–25
Increase above rate peg – permanent	14.67	10.67	2.50	2.50
Increase above rate peg - existing SV	3.33	2.83	0.00	0.00
Rate Peg	2.00	2.50	2.50	2.50
Total increase	**20.00**	**16.00**	**5.00**	**5.00**

The approved increase is retained in the council's general income base permanently.

We have attached conditions with respect to this special variation increase as set out below.

Condition attached

IPART's approval of the council's application for a special variation over the period 2021–22 to 2024–25 is subject to the following conditions:

- The council uses the additional income from the special variation for the purposes of improving financial sustainability as outlined in the council's application and listed in Appendix B.
- The council reports in its annual report for each year between 2021–22 to 2030–31 on:
  - the actual revenues, expenses and operating balance against the projected revenues, expenses and operating balance, as outlined in the Long Term Financial Plan provided in the council's application, and summarised in Appendix C
  - any significant variations from its proposed expenditure as forecast in the current Long Term Financial Plan and the reasons for such variation
  - expenditure consistent with the council's application and listed in Appendix B, and the reasons for any significant differences from the proposed expenditure.

The approved variation to general income is the maximum amount the council may increase its income by in 2021–22 and the following 3 years.

5.1 Impact on the council

Our decision means that the council may increase its general income over the 4–year SV period from $7.7 million in 2021–22 to $11.2 million in 2024–25. After 2025–26, the council's PGI can increase up to the annual rate peg unless we approve a further SV.[9]

Table 5.1 shows the percentage increases we have approved, and estimates the annual increases in the council's general income incorporating adjustments.

9 General income in future years cannot be determined with precision, as it will be influenced by several factors in addition to the rate peg. These factors include changes in the number of rateable properties and adjustments for previous under or over-collection of rates. The Office of Local Government is responsible for monitoring and ensuring compliance with the SV conditions.

Table 5.1 Permissible general income (PGI) of Cootamundra-Gundagai Regional Council from 2021–22 to 2024–25 arising from the approved and existing SV

	Increase approved (%)	Cumulative increase approved (%)	Increase in PGI above rate peg and existing SV ($)	Cumulative increase in PGI ($)	PGI ($)
Adjusted notional income 1 July 2020					7,665
2021–22	20.00	20.00	1,380	1,532	9,198
2022–23	16.00	39.20	2,656	3,004	10,669
2023–24	5.00	46.2	2,989	3,537	11,203
2024–25	5.00	53.5	3,330	3,503	11,168
Total cumulative increase approved				11,577	
Total above rate peg			**10,354**		

Note: The information in Table 5.1 is correct at the time of the council's application (February 2021).

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

The council estimates that over the four years from 2021–22 to 2024–25, it will collect an additional $10.4 million in rate revenue compared with the increase limited to the assumed rate peg. This is $10.4 million above the rate peg and the existing SV.

This extra income is the amount the council requested to enable it to improve its financial sustainability, while maintaining service levels including planned asset renewals.

5.2 Impact on ratepayers

IPART sets the allowable increase in general income, but it is a matter for each council to determine how it allocates any increase across different categories of ratepayer, consistent with our determination and legislative requirements.

If the council increases the rates based on the approval of the 53.5% cumulative increase, the impact on ratepayers will be as shown in Table 5.2. Compared to 2020–21 rate levels, the average residential rate will increase by $361 (53.5%), the average business rate by $836 (53.5%) and the average farmland rate by $1,555 (53.5%) by the end of the 4-year approved SV period.

Table 5.2 Indicative annual increases in average rates under Cootamundra–Gundagai Regional Council's approved SV (2021–22 to 2024–25)

Ratepayer Category	2020–21	2021–22	2022–23	2023–24	2024–25	Cumulative increase
Residential rate $	674	809	939	986	1,035	
$ increase		135	129	47	49	361
% increase		20.0	16.0	5.0	5.0	53.5
Business rate $	1,567	1,879	2,180	2,289	2,403	
$ increase		312	301	109	114	836
% increase		19.9	16.0	5.0	5.0	53.4
Farmland rate $	2,908	3,489	4,048	4,250	4,463	
$ increase		581	558	202	213	1,555
% increase		20.0	16.0	5.0	5.0	53.5

Note: 2020-21 is included for comparison. The average rate is calculated by dividing total Ordinary Rates revenue by the number of assessments in the category and includes the ordinary rate and any special rates applying to the rating category.

Source: Cootamundra-Gundagai Regional Council, *Application Part A,* Worksheet 5a and IPART calculations.

A Assessment criteria

A.1 Assessment criteria for special variation applications

Criterion 1 – Financial need

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

In establishing need for the special variation, the relevant IP&R documents should canvas alternatives to the rate rise. In demonstrating this need councils must indicate the financial impact in their Long Term Financial Plan applying the following two scenarios[10]:

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

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

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

10 IP&R Manual for Local Government "*Planning a Sustainable Future*", March 2013, p. 71.

Criterion 2 – Community awareness

Evidence that the community is aware of the need for and extent of a rate rise. The Delivery Program and Long Term Financial Plan should clearly set out the extent of the General Fund rate rise under the special variation. In particular, councils need to communicate the **full cumulative increase** of the proposed SV in percentage terms, and the total increase in dollar terms for the average ratepayer, by rating category. Council should include an overview of its ongoing efficiency measures and briefly discuss its progress against these measures, in its explanation of the need for the proposed SV. Council's community engagement strategy for the special variation must demonstrate an appropriate variety of engagement methods to ensure community awareness and input occur. The IPART fact sheet includes guidance to councils on the community awareness and engagement criterion for special variations.[11]

Criterion 3 – Impact on ratepayers is reasonable

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

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

In assessing the impact, IPART may also consider:

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

Criterion 4 – IP&R documents are exhibited

The relevant IP&R[12] documents must be exhibited (where required), approved and adopted by the council before the council applies to IPART for a special variation to its general income. It is expected that councils will hold an extraordinary meeting if required to adopt the relevant IP&R documents before the deadline for special variation applications.

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11 https://www.ipart.nsw.gov.au/Home/Industries/Local-Government/For-Councils/Apply-for-a-specialvariation-or-minimum-rate-increase

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

Criterion 5 – Productivity improvements and cost containment strategies

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

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

Any other matter that IPART considers relevant.

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

B Expenditure to be funded from the special variation above the rate peg

Table B.1 and Table B.2 show the council's proposed expenditure of the SV funds over the next 10 years under its application.

The council intended to use the additional SV revenue above the rate peg of $27 million over four years to:

- improve financial sustainability
- fund renewals for other assets, buildings and roads, bridges and footpaths.

Under our approved SV, the council will receive $115.4 million over 10 years.

As a condition of IPART's approval, the council will indicate in its annual reports how its actual expenditure compares with its program of expenditure under the approved SV.

Table B.1 Cootamundra-Gundagai Regional Council–Revenue and proposed expenditure over 10 years related to the proposed SV (2021–22 to 2030–31) ($000)

	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	2030–31	Total
SV revenue above assumed rate peg	1,124	2,166	2,487	2,815	2,885	2,957	3,031	3,107	3,185	3,264	**27,021**
Funding for capital expenditure	0	0	0	798	1,198	1,198	1,398	1,398	1,598	1,598	**9,186**
Total expenditure	**0**	**0**	**0**	**798**	**1,198**	**1,198**	**1,398**	**1,398**	**1,598**	**1,598**	**9,186**

Note: Numbers may not add due to rounding. Total SV expenditure equals funding for increased operating expenditures plus funding for capital expenditure. The council's proposed capital expenditure program related to the proposed SV is detailed in Table B.2.

Source: Cootamundra-Gundagai Regional Council, *Application Part A,* Worksheet 5a and IPART calculations

C Cootamundra-Gundagai Regional Council's projected revenue, expenses and operating balance

As a condition of IPART's approval, the council is to report in 2021-22, 2022-23, 2023-24 and 2024–25 against its projected revenue, expenses and operating balance as set out in its LTFP (shown in Table C.1).

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 C.1 Summary of projected operating statement for Cootamundra–Gundagai Regional Council under its proposed SV application (2021–22 to 2030–31) ($000)

	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	2030–31
Total revenue	26,315	26,997	27,746	28,526	29,046	29,578	30,123	30,680	31,251	31,842
Total expenses	28,378	28,419	28,905	29,407	29,923	30,460	31,008	31,567	32,138	32,705
Operating result from continuing operations	-2,063	-1,422	-1,160	-881	-877	-882	-885	-887	-887	-863
Net operating result before capital grants and contributions	-3,628	-1,994	-1,737	-1,464	-1,465	-1,476	-1,486	-1,493	-1,499	-1,482

Note: Numbers may not add due to rounding.

Source: Cootamundra-Gundagai Regional Council, *Application Part A*, Worksheet 8.

D Comparative indicators

Performance indicators

Indicators of council performance may be considered across time, either for one council or for a group of similar councils, or by comparing similar councils at a point in time.

Table D.1 shows how selected performance indicators for the council have changed over the four years to 2018–19. Table D.2 compares selected published and unpublished data about the council with the averages for councils in its OLG Group, and for NSW councils as a whole.

Table D.1 Trends in selected performance indicators for Cootamundra-Gundagai Regional Council (2016–17 to 2018–19)

Performance indicator	2016–17	2017–18	2018–19	Compound annual growth (%)
FTE staff (number)	140	188	157	5.9
Ratio of population to FTE	81	60	72	-5.7
Average cost per FTE ($)	86,379	66,574	79,223	-4.2
Employee costs as % of operating expenditure (General Fund only) (%)	36	34	36	

Note: Except as noted, data is based upon total council operations that include General Fund, Water & Sewer and other funds, if applicable.

Source: OLG, unpublished data and IPART calculations.

Table D.2 Select comparative indicators for Cootamundra-Gundagai Regional Council (2018–19)

	Cootamundra-Gundagai Regional Council	OLG Group 11 average	NSW average
General profile			
Area (km^2)	3,981	6,454	5,530
Population (2016)	11,260	14,158	62,400
General Fund operating expenditure ($m)	31.0	34.5	83.4
General Fund operating revenue per capita ($)	3,178	2,746	
Rates revenue as % General Fund income (%)	26.1	34.2	45.5
Own-source revenue ratio (%)	54.9	55.8	69.7
Average rate indicators[a]			
Average rate – residential ($)	602	906	1,139
Average rate –business ($)	2,042	2,084	5,709
Average rate – farmland ($)	2,656	3,186	2,627
Socio-economic/capacity to pay indicators			
Median annual household income, 2016 ($)[b]	50,266	59,904	77,484
Average residential rates to median income, 2016 (%)	1.2	1.5	1.5
SEIFA, 2016 (NSW rank: 128 is least disadvantaged)	27		
Outstanding rates and annual charges ratio (General Fund only) (%)	6.3	7.3	4.4
Productivity (labour input) indicators[c]			
FTE staff (number)	157	171.8	376
Ratio of population to FTE	71.7	82.4	166.0
Average cost per FTE ($)	79,223	82,773	94,358
Employee costs as % operating expenditure (General Fund only) (%)	36	35	39

a Average rates equal total ordinary rates revenue divided by the number of assessments in each category.

b Median annual household income is based on 2016 ABS Census data.

c Except as noted, data is based upon total council operations, including General Fund, Water & Sewer and other funds, if applicable. There are difficulties in comparing councils using this data because councils' activities differ widely in scope and they may be defined and measured differently between councils.

Source: OLG, Time Series Data 2018-19, OLG, unpublished data; ABS, Socio-Economic Indexes for Areas (SEIFA) 2016, March 2020, ABS, 2016 Census DataPacks, General Community Profile, Local Government Areas, NSW, Median Weekly Household Income and IPART calculations.

Glossary

ABS	Australian Bureau of Statistics
Ad valorem rate	A rate based on the value of real estate.
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
Local Government Act	*Local Government Act 1993* (NSW)
Minimum rate	A minimum amount of the rate specified under section 548 of the *Local Government Act*, 1993.
OLG	Office of Local Government
OLG SV Guidelines	Guidelines for the preparation of an application for a special variation to general income.
OLG MR Guidelines	Guidelines for the preparation of an application to increase minimum rates above the statutory limit.

PGI	Permissible General Income is the notional general income of a council for the previous year as varied by the percentage (if any) applicable to the council. A council must make rates and charges for a year so as to produce general income of an amount that is lower that the PGI.
Proposed SV Scenario	Includes the council's proposed SV revenue and expenditure.
Rate peg	The term 'rate peg' refers to the annual order published by IPART (under delegation from the Minister) in the gazette under s 506 of the *Local Government Act 1993*.
SEIFA	Socio-Economic Indexes for Areas (SEIFA) is a product developed by the ABS that ranks areas in Australia according to relative socio-economic advantage and disadvantage. The indexes are based on information from the five-yearly Census. It consists of four indexes, the Index of Relative Socio-economic Disadvantage (IRSD), the Index of Relative Socio-economic Advantage and Disadvantage (IRSAD), the Index of Economic Resources (IER), and the Index of Education and Occupation (IEO).
SV or SRV	Special Variation is the percentage by which a council's general income for a specified year may be varied as determined by IPART under delegation from the Minister.

[i] Cootamundra-Gundagai Regional Council, *Application Part B*, p 3.
[ii] Cootamundra-Gundagai Regional Council, *Application Part A, Worksheet 1*.
[iii] Cootamundra-Gundagai Regional Council, *Application Part B*, p 3.
[iv] Cootamundra-Gundagai Regional Council, *Application Part B*, p 26.
[v] Cootamundra-Gundagai Regional Council, *Application Part B*, p 6.
[vi] Cootamundra-Gundagai Regional Council, *Application Part B*, p 6.
[vii] Cootamundra-Gundagai Regional Council, *Annual Report 2019–20*, p 71.
[viii] Office of Local Government, Media Release, 23 February 2021.
[ix] Cootamundra-Gundagai Regional Council, *Application Part B*, p 4.
[x] Cootamundra-Gundagai Regional Council, *Application Part A*, Worksheet 6.
[xi] Cootamundra-Gundagai Regional Council, *Application Part B*, p 9.
[xii] Cootamundra-Gundagai Regional Council, *Application Part B*, p 10.
[xiii] Cootamundra-Gundagai Regional Council, *Application Part B*, p 10.
[xiv] Local Government Boundaries Commission, *Cootamundra Gundagai Demerger Proposal-Key findings from the Deloitte Financial Analysis*, p.9.
[xv] Cootamundra-Gundagai Regional Council, *Application Part B*, p 17.
[xvi] Cootamundra-Gundagai Regional Council, *Application Part B*, pp 10–11.
[xvii] Cootamundra-Gundagai Regional Council, *Application Part B*, p 26.
[xviii] Cootamundra-Gundagai Regional Council, *Application Part B*, p 26.
[xix] Cootamundra-Gundagai Regional Council, *Application Part B*, p 11.
[xx] Cootamundra-Gundagai Regional Council, Council Meeting, 3 February 2021, Minutes pp 4–5.
[xxi] Office of Local Government, *Improvement Proposal Reassessment Report Round 3*, June 2018, p 10.
[xxii] Office of Local Government, *Improvement Proposal Reassessment Report Round 3*, June 2018, p 10.
[xxiii] Cootamundra-Gundagai Regional Council, *Delivery Program 2018–2021–Addendum,* p 4.
[xxiv] Cootamundra-Gundagai Regional Council, *Long Term Financial Plan 2020–2021 to 2029-30,* pp 5–11.
[xxv] Cootamundra-Gundagai Regional Council, *Long Term Financial Plan 2020–2021 to 2029-30,* p. 5.
[xxvi] Cootamundra-Gundagai Regional Council, *Delivery Program 2018–2021–Addendum,* p 7.
[xxvii] Cootamundra-Gundagai Regional Council, *Application Part B,* p. 32.
[xxviii] Cootamundra-Gundagai Regional Council, *Application Part B,* p. 13 and Email to IPART, *Cootamundra-Gundagai Regional Council*, 25 March 2021.
[xxix] Cootamundra-Gundagai Regional Council, *Application Part B,* p. 4.
[xxx] Cootamundra-Gundagai Regional Council, *Application Part B,* p. 12.
[xxxi] Cootamundra-Gundagai Regional Council, *Application Part B,* pp 17–18, Email to IPART, *Cootamundra-Gundagai Regional Council*, 25 March 2021 and Cootamundra-Gundagai Regional Council, Media Release, 16 December 2020.
[xxxii] Cootamundra-Gundagai Regional Council, *Application Part B,* pp 17-18.
[xxxiii] Cootamundra-Gundagai Regional Council, *Application Part B*, pp.17–18, 21 and Email to IPART, *Cootamundra-Gundagai Regional Council*, 18 March 2021.
[xxxiv] Cootamundra-Gundagai Regional Council, *Application Part B*, pp.17–18, 21.
[xxxv] Cootamundra-Gundagai Regional Council, *Application Part B*, pp 16–18 and Email to IPART, *Cootamundra-Gundagai Regional Council*, 18 March 2021.
[xxxvi] Cootamundra-Gundagai Regional Council, *Application Part B*, p. 19 and Cootamundra-Gundagai Regional Council, *Pre-meeting survey*, Worksheet-Answers.
[xxxvii] Cootamundra-Gundagai Regional Council, *Pre-meeting survey*, Worksheet-Answers.
[xxxviii] Cootamundra-Gundagai Regional Council, *Pre-meeting survey*, Worksheet-Answers.
[xxxix] Cootamundra-Gundagai Regional Council, *Application Part B*, p 22.
[xl] Email to IPART, *Cootamundra-Gundagai Regional Council*, 22 March 2021.

[xli] Cootamundra-Gundagai Regional Council, *Application Part B*, p 26.
[xlii] Cootamundra-Gundagai Regional Council, *Capacity to Pay*, pp 4–6, 20–22.
[xliii] Cootamundra-Gundagai Regional Council, *Application Part B*, p. 19 and Cootamundra-Gundagai Regional Council, *Pre-meeting survey*, Worksheet-Answers.
[xliv] Cootamundra-Gundagai Regional Council, *Application Part B*, p. 19.
[xlv] Cootamundra-Gundagai Regional Council, *Application Part B,* p.23.
[xlvi] Cootamundra-Gundagai Regional Council, *Hardship Policy,* pp.1–4.
[xlvii] IPART, *Gundagai Shire Council's application for a special variation and to increase the minimum special rate for 2014–15*, p 9.
[xlviii] Cootamundra-Gundagai Regional Council, Delivery Program 2018-21–Addendum and Cootamundra-Gundagai Regional Council, Minutes Extraordinary Council Meeting, 3 February 2021, p 4.
[xlix] Email to IPART, *Cootamundra-Gundagai Regional Council*, 18 March 2021.
[l] Cootamundra-Gundagai Regional Council, *Long Term Financial Plan 2020-21 to 2029-30,* pp 5, 8 & 11.
[li] Cootamundra-Gundagai Regional Council, *Long Term Financial Plan 2020-21 to 2029-30,* pp 5-6.
[lii] Cootamundra-Gundagai Regional Council, *Long Term Financial Plan 2020-21 to 2029-30,* p 11.
[liii] Cootamundra-Gundagai Regional Council, Delivery Program 2018-21, p 4.
[liv] Cootamundra-Gundagai Regional Council, Delivery Program 2018-21, p 3.
[lv] Cootamundra-Gundagai Regional Council, *Delivery Program 2019-2029,* p 4.
[lvi] Cootamundra-Gundagai Regional Council, *Delivery Program 2019-2029,* p 4.
[lvii] Cootamundra-Gundagai Regional Council, *Minutes – Extraordinary Meeting of Council on 20 June 2017*, p 2; Cootamundra-Gundagai Regional Council, email–responses to queries.
[lviii] Cootamundra-Gundagai Regional Council, *Minutes – Extraordinary Meeting of Council on 20 June 2017*, p 2; Email to IPART, *Cootamundra-Gundagai Regional Council*, 18 March 2021.
[lix] Cootamundra-Gundagai Regional Council, *Minutes–Extraordinary Meeting of Council on 3 February 2021*, p 4.
[lx] Cootamundra-Gundagai Regional Council, *Minutes – Extraordinary Meeting of Council on 3 February 2021*, p 4.
[lxi] Cootamundra-Gundagai Regional Council, *Application Part B*, p 15.
[lxii] Cootamundra-Gundagai Regional Council, *Application Part B*, p 36.
[lxiii] Cootamundra-Gundagai Regional Council, *Application Part B*, p 37.
[lxiv] Cootamundra-Gundagai Regional Council, *Application Part B*, p 37.
[lxv] Cootamundra-Gundagai Regional Council, *Application Part B*, p 37; Cootamundra-Gundagai Regional Council, *Long Term Financial Plan 2020-21 to 2029–2030,* p 3 and Email to IPART, *Cootamundra-Gundagai Regional Council*, 18 March 2021.
[lxvi] Cootamundra-Gundagai Regional Council, *Long Term Financial Plan 2020-21 to 2029-30,* p 3.
[lxvii] Cootamundra-Gundagai Regional Council, *Application Park A,* Worksheet 7.
[lxviii] Cootamundra-Gundagai Regional Council, *Long Term Financial Plan 2020-21 to 2029-30,* p 3.
[lxix] Cootamundra-Gundagai Regional Council, *Application Part B*, pp 3–4 and Cootamundra-Gundagai Regional Council, *Resolution to adopt revised Community Strategic Plan and Delivery Program*, p. 4.
[lxx] Cootamundra-Gundagai Regional Council, *Application Part B*, pp 3–4.