IPART Independent Pricing and Regulatory Tribunal | NSW

Federation Council

Special Variation Application 2025-26

Final Report

May 2025

Local Government »

Acknowledgment of Country

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

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

Tribunal Members

The Tribunal members for this review are:

Carmel Donnelly PSM, Chair
Dr Darryl Biggar
Jonathan Coppel
Sharon Henrick

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The Independent Pricing and Regulatory Tribunal

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

Contents

1 Executive summary

Federation Council applied to IPART to permanently increase its general income by 69.94% over 2 years from 2025-26 to 2026-27 (inclusive).

We approved the application.

Federation Council (the council) applied to IPART[a] to increase its general income through a permanent special variation (SV) of 69.94% over 2 years from 2025-26 to 2026-27.[1] This included increases of 52.01% in 2025-26 and 11.80% in 2026-27 (Table 1.1).

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

Table 1.1 Increase in general income under Federation Council's SV application

	2025-26	2026-27
Annual increase (%)	52.01	11.80
Cumulative increase (%)		69.94
Additional annual income ($'000)	5,266.6	1,816.4

The council advised us it sought the SV to:

- continue its journey to improved financial sustainability
- address infrastructure maintenance and renewal shortfalls
- maintain other legislated and non-legislated services where possible.[2]

The council recently applied for a permanent SV of 74.59% over 4 years from 2023-24 to 2026-27 for a similar purpose.[3] Instead, IPART granted the council a temporary SV of 39.2% over 2 years from 2023-24 to 2024-25.[4] In its current SV application, the council indicated it is now applying to replace and extend the expiring temporary SV with a permanent SV.[5] If approved, the proposed SV would apply immediately after the current temporary SV period.

[a] On 6 September 2010, the (then) Minister for Local Government delegated to IPART all functions under sections 506, 507, 508(2), 508(6), 508(7), 508A, 548(3) and 548(8) of the *Local Government Act 1993* (NSW), including the power to grant SVs.

1.1 IPART's decision

We approved the council's SV application in full, as set out in Table 1.1.

Table 1.2 Maximum increase in general income under our decision

	Retain temporary SV in 2025-26	2025-26	2026-27
Annual increase (%)	33.0[b]	19.0	11.80
Cumulative increase (%)			69.94
Additional annual income ($'000)	2,806.7	2,459.9	1,816.40

Note: the amounts listed for 2025-26 are indicative and are based on IPART calculations.

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

- uses the additional income for the purpose outlined in its application
- reports in its annual report for 2025-26 until 2031-32 the actual program of expenditure funded by the additional income and the outcomes achieved.

The full conditions are set out in Chapter 10.

Our *Instrument Under Section 508A of the Local Government Act 1993 - Special Variation for Federation Council for 2025-26* gives legal effect to this decision and sets out the conditions of approval.

1.2 IPART's assessment of the council's application

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

We made this decision after balancing the council's need for additional income to improve its financial sustainability with the impact of the proposed rates increase on its ratepayers.

Federation Council previously applied for a permanent SV of 74.59% over 4 years from 2023-24 to 2026-27 to fund asset renewals and improve its financial sustainability.[6] Instead, IPART granted the council a temporary SV of 39.2% for 2 years from 2023-24 to 2024-25.[7] We found that the council's 2023-24 application had shortcomings in its community consultation process.[8] The council did not clearly communicate the cumulative percentage increase, and it did not provide the baseline scenario in the Long-Term Financial Plan (LTFP) until December 2022, after its initial consultation period in May 2022.[9] However, we noticed a marked improvement in the council's community consultation in this SV application compared to its previous SV application.

b The percentage increase includes both the increase required to maintain the previous SV as well as its compounding effect with the 19% increase. For 2025–26, IPART has confirmed that the increase beyond the previous SV will be 19%, resulting in a total rate increase of 52.01% in the first year of the SV.

The proposed rate increase above the rate peg in the council's current SV application remains consistent with the size of the increase over the 4-year period from 2023-24 to 2026-27 in its previous SV application. The approved permanent SV will replace the existing temporary SV which expires at the end of 2024-25.

We found that the financial need identified in the council's previous SV application[10] persists in its current SV application as the additional income is needed for the council to renew infrastructure and continue delivering the services in its adopted plans. Currently, the council's operating expenses exceed its revenue, and without the SV, this gap would continue to widen over the next 10 years. The council stated in its application that more than half of the additional income will be used for asset renewals including roads,[11] which it identified as being a priority for the community.[12]

We found that the council's community consultation process was satisfactory. The council communicated key information including the full cumulative increase of the proposed SV to the community, used a variety of engagement methods, and the IP&R documents clearly set out the extent of the general fund rate rise under the SV.

We acknowledge that the majority of feedback we received expressed that the proposed rates increase is likely to create affordability challenges, particularly with the current cost-of-living pressures. We found that, on balance, the council demonstrated the impact on ratepayers is generally reasonable, considering its current rates and the community's capacity to pay. With the approved SV, we found the council's average residential and business rates for the next 2 years are within the range of comparable councils. We found that the council's average farmland rates are above the range of comparable councils. However, the council stated the rate revenue relative to income for farmland ratepayers is low compared to other council areas.[13] In response to community feedback, the council has updated its hardship policy by adding a rates assistance program to assist vulnerable ratepayers, and enabled pensioners to defer rates to their estate.[14] The hardship policy also offers short and long-term payment plans for ratepayers experiencing financial hardship.[15]

The council has continued pursuing productivity improvements since its previous SV application in 2023-24. It listed and quantified cost savings of approximately $4.3 million in past savings over 5 years, $3.5 million of which had been identified in its previous SV application and around $823,000 for 2023-24.[16] It also identified and quantified $3.1 million in future improvements from 2024-25 to 2027-28 which are outlined in the LTFP.[17] We consider the council has sufficiently pursued efficiency gains over this period, relative to its size. It will still need to continue to deliver on these productivity improvements, as rates increases alone are insufficient to achieve long-term financial stability.

We found that the council generally met the reporting conditions attached to its two previously approved SVs and one ASV.

We have attached reporting conditions to our approval of this SV and we expect the council to fully comply. While the OLG is the body responsible for enforcing compliance with these conditions, we will consider the council's compliance in assessing any future SV applications it makes.

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

Figure 1.1 Summary of our assessment against the OLG criteria

Criteria	Grading	Assessment
01	Demonstrated	**Financial need** The council demonstrated a financial need for the SV to address its financial sustainability issues, its infrastructure maintenance and renewal shortfalls, and maintain other legislated and non-legislated services where possible.
02	Demonstrated	**Community awareness** The council satisfactorily engaged with and consulted its community. It provided sufficient information about the need for and extent of the proposed SV. It used an appropriate variety of engagement methods and considered the community's feedback.
03	Demonstrated	**Reasonable impact on ratepayers** On balance, the council demonstrated that the impact on ratepayers is generally reasonable. The council assessed the community's capacity to pay and concluded it does have the capacity to pay its proposed rates increases. The council's outstanding rates and annual charges ratio are below the average of other comparable councils, and it has a higher rate of home ownership when compared with the other councils. The council has updated its hardship policy in response to pre-consultation stakeholder feedback.
04	Demonstrated	**Integrated Planning and Reporting documentation** The council exhibited and adopted all necessary Integrated Planning and Reporting (IP&R) documents before submitting its SV application.
05	Demonstrated	**Productivity improvement and cost containment** The council met this criterion. The council listed and quantified its productivity improvement and cost containment initiatives, including $4.3 million in past savings over the last 5 years. It also identified and quantified $3.1 million in estimated future savings from 2024-25 to 2027-28.
06		**Other matters IPART considers relevant** The council generally complied with the conditions attached to SVs it was granted in the past 10 years. IPART has approved 2 previous special variations for Federation Council in 2021-22 and 2023-24, and one Additional Special Variation (ASV) of 2.5% in 2022-23.[18] The actual revenues, expenses and operating balances in the 2021-22 annual report were not reported against the projected revenues, expenses and operating balances in the LTFP but it has complied with the conditions for subsequent years.

1.3 Stakeholders' feedback

Councils are required to consult with their communities as part of the Integrated Planning and Reporting (IP&R) framework. The OLG criteria that we assess SV applications against requires us to look at this consultation as part of our assessment.

Federation Council consulted on its proposed SV with its community using a variety of engagement methods. The council consulted with various community groups,[19] received 74 post-meeting survey responses,[20] and held public meetings attended by 161 participants.[21] The consultation period took place in mid-May[22] and from July to early August 2024.[23]

The council has 8,134 rateable properties.[24]

As a further input to our assessment, we published the council's application on our website for a 4-week consultation period and invited stakeholders to provide feedback directly to IPART.

Through this process, we received 537 responses to our feedback form and 129 submissions from stakeholders on Federation Council's proposed SV. These submissions and responses raised concerns about the:

- affordability of the proposed rate increases
- council's financial management
- general service levels and infrastructure
- council's consultations with the community.

We also received a few submissions that supported the increase in rates to maintain service levels and conduct infrastructure renewals and maintenance.

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

1.4 Next steps for the council

Our determination sets the maximum amount by which the council can increase its general income over the 2 years from 2025-26 to 2026-27. The council can defer rate increases up to this maximum amount for up to 10 years.[25]

The council has proposed to increase rates as set out in Table 1.3. As the approved SV replaces the council's current temporary SV, part of the increase in rates has already been applied. Subject to the council's final decision on increasing rates in line with the approved special variation, we understand average rates will increase by 19.0% in 2025-26 and 11.8% in 2026-27.

The council retains the discretion to revise how it raises its general income across the rating categories. We encourage the council to consult with its community to decide how best to implement the increase and any changes to the rating structure.

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

Table 1.3 Average rates increases under the approved SV

	Retain temporary SV in 2025-26[c]	2025-26	2026-27	Cumulative increase
Residential	33.0%	19.0%	11.8%	69.94%
Business	33.0%	19.0%	11.8%	69.94%
Farmland	33.0%	19.0%	11.8%	69.94%

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

Source: IPART calculations.

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

[c] The percentage increase includes both the increase required to maintain the previous SV as well as its compounding effect with the 19% increase. For 2025–26, IPART has confirmed that the increase beyond the previous SV will be 19%, resulting in a total rate increase of 52.01% in the first year of the SV.

2 The council's special variation application

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

The council applied for a multi-year SV with a cumulative increase of 69.94% over the 2 years from 2025-26 to 2026-27. Table 2.1 sets out the percentage by which the council proposed to increase its general income and the expected annual revenue this would raise.

Table 2.1 Proposed SV

	Retain temporary SV in 2025-26	2025-26	2026-27
Annual increase (%)	33.0[d]	19.0	11.80
Cumulative increase (%)			69.94
Additional annual income ($'000)	2,806.7	2,459.9	1,816.40

Source: Federation Council Application Part A, WS 2 and WS 6 and IPART calculations

The council proposed a permanent SV. This means, if approved, the increases would remain in the rates base permanently. The council's general income would not be reduced at the end of the final SV year.

The council advised us it sought the special variation to:

- continue its journey to improved financial sustainability
- address infrastructure maintenance and renewal shortfalls
- maintain other legislated services and non-legislated services where possible. [26]

2.1 Impact of the proposed special variation on ratepayers

The council proposed that rates would increase for all rating categories over the 2-years the SV is in place.[27] It proposed that, on average:

- **residential rates** by 2026-27 would increase by $318 or 33.1%
- **business rates** by 2026-27 would increase by $590 or 33.0%
- **farmland rates** by 2026-27 would increase by $1,770 or 33.0%.

The impact on average rates is lower than the proposed SV of 69.94% because the 2024-25 average rates already include the temporary SV which is expiring at the end of 2024-25. The council applied to replace and extend the current temporary SV with a permanent SV.[28]

The council provided the number of rates notices that it expects to issue for 2025-26. See Table 2.2.

[d] The percentage increase includes both the increase required to maintain the previous SV as well as its compounding effect with the 19% increase. For 2025–26, IPART has confirmed that the increase beyond the previous SV will be 19%, resulting in a total rate increase of 52.01% in the first year of the SV.

Table 2.2 Number of rates notices per category in 2025-26

Ratepayer category	Number of rate notices
Residential	6,392
Business	712
Farmland	1,030
Total	**8,134**

Source: Federation Council, Application Part A, Worksheet 4.

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

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

The council's capacity to pay report provides an analysis and evaluation of relative wealth and financial capacity to pay the proposed rates increase in the Federation Council local government area (LGA). It also noted that currently residential rates are relatively low compared to other rural councils, whereas farming rates are relatively high compared to other councils. It concluded that ratepayers do have capacity to pay,[29] particularly if the council has measures to support low-income ratepayers.[30] The council's analysis also found the proposed SV would result in residential rates that were above average compared to other rural councils in OLG Group 11.[31]

The council indicated that it has a financial hardship policy to assist ratepayers who have difficulty paying their rates.[32] The policy allows residents to enter different types of payment plans, and the council can write-off additional charges for ratepayers under the rates assistance program, as well as defer amounts owing against estates for pensioners.[33]

However, the report did not examine the proposed rates increases by area within the LGA.

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

The council's proposed SV reflects a total cumulative increase of 69.94%, or an incremental 33% increase in addition to the current temporary SV expiring at the end of 2024-25.[34] The council estimated its proposed SV would increase its permissible general income from $10.1 million (assuming the current temporary SV were removed at the end of 2024-25) to $17.2 million after the 2 years, which would remain permanently.[35] If the current temporary SV were retained as part of the proposed SV, the council's permissible general income would increase from $12.9 million instead.[36]

2.4 Further information provided

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

- resolution to apply for the SV
- base amount percentage of residential rating category for Part A of the application
- permissible general income summary for Part A of the application
- forecast of the SV expenditure
- reporting of the infrastructure ratios, key assumptions and balances for cash and investments in the LTFP
- incorporation of present and future savings into its LTFP
- expiring SV percentage
- supporting documents for 2024-35 of LTFP data for Part A of the application
- debt service ratio
- reason for the cumulative percentage increase in the current application compared to the percentage increase in the 2023-24 SV application.

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

3 Stakeholders' feedback to IPART

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

As a further input to our assessment, we published the council's application on our website for a 4-week consultation period from 25 February 2025 to 24 March 2025, inclusive. Stakeholders could complete a survey-style feedback form and make submissions directly to us.

We have taken all stakeholder feedback into account in making our decision in accordance with our Submissions Policy, including responses to our feedback form and submissions. The key issues raised in the feedback form and all published (non-confidential) submissions are outlined below.

3.1 Summary of feedback we received

We received 537 responses to our feedback form and 129 total submissions from stakeholders, of which 74 were not confidential.

There are approximately 8,134 rateable properties in the council's local government area. There are 6,392 residential assessments, 712 business assessments, and 1,030 farming assessments.[37]

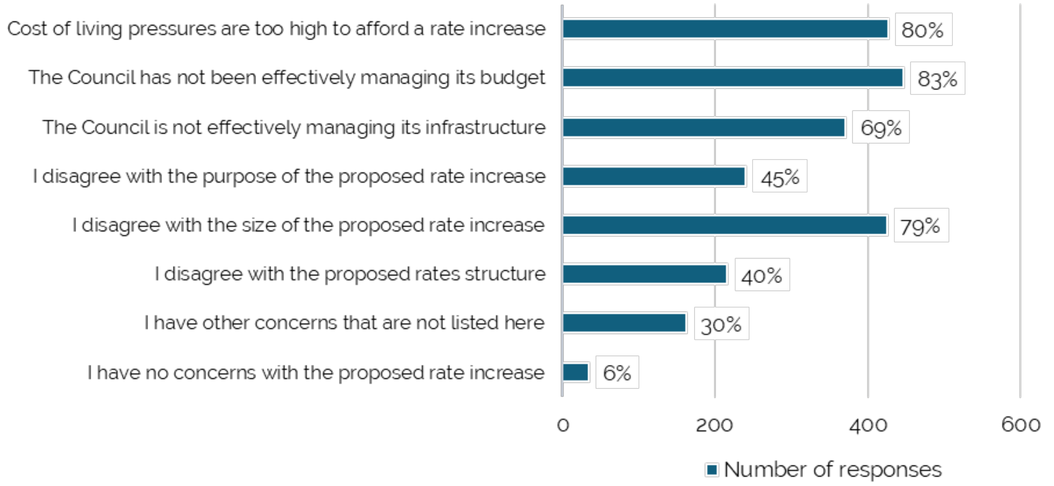
3.2 Responses to the feedback form

We published a feedback form to assist stakeholders to provide their views to IPART on the proposed SV generally, and on a range of specific topics. These included the affordability of the proposed rates increases, the council's consultation on the proposed SV, and the council's financial management. We note that while this was a survey-style feedback form, it was not a statistically representative survey and participants self-selected to provide feedback.

We received 537 responses relating to Federation Council's application. Of these, 435 respondents (81.0%) were opposed to the proposed SV, 60 respondents (11.2%) partly supported it, 3 (0.5%) were undecided and 39 respondents (7.3%) supported it.

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

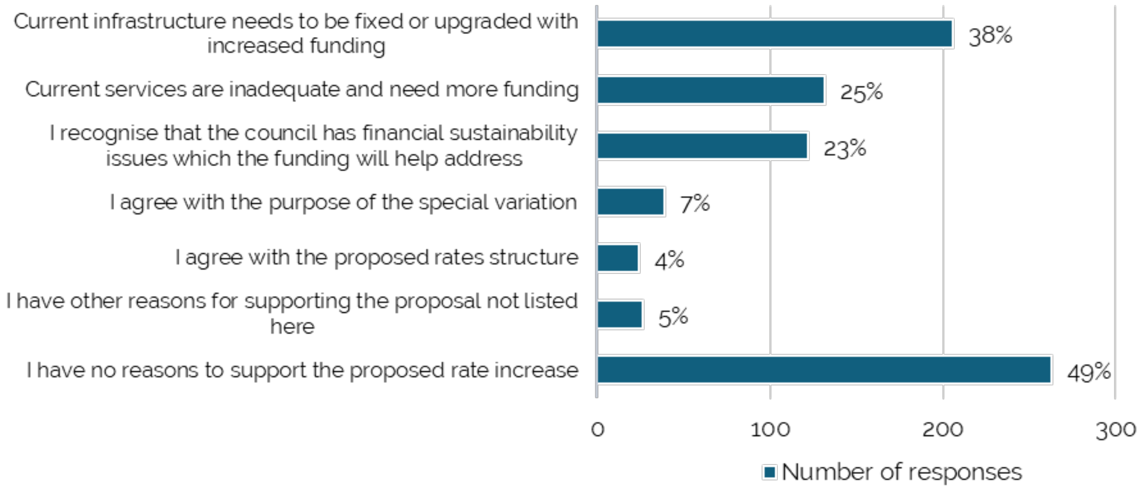
Figure 3.1 Reasons that respondents said they might oppose the proposed SV



Note: We received 537 responses. For this question, respondents could select more than one option. This was a self-selected survey and we cannot guarantee that each response was a unique user. These results may not be representative of the whole community's views.

Source: IPART

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



Note: We received 537 responses. For this question, respondents could select more than one option. This was a self-selected survey and we cannot guarantee that each response was a unique user. These results may not be representative of the whole community's views.

Source: IPART

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

3.3 Summary of issues raised

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

3.3.1 Affordability of proposed rates increases

Around two-thirds of the submissions we received raised concerns about the impact of the council's proposed SV on the affordability of rates and suggested this would lead to financial hardship. Most of the submissions said that the timing of the SV was poor in the current economic climate. They expressed the view that given increasing costs of living and the increased rates they were currently paying under the temporary 2023-24 SV of 39.2%, any further increases in rates would have a detrimental effect. Concerns were raised that it would particularly impact pensioners on fixed incomes, result in potential business closures, and would exacerbate challenges to farmland ratepayers.

We have considered these concerns in Chapter 6.

3.3.2 The council's financial management

Around one-third of the submissions we received raised concerns that the council has not used its resources efficiently and that the proposed SV is a way for the council to mitigate its financial mismanagement. They expressed that it was unfair for ratepayers to have to pay for the council's shortcomings. In particular, they cited the Corowa Aquatic Centre as an example of the council's financial mismanagement. Some submissions were critical of the council's use of consultants.

Submissions also called for greater transparency from the council regarding its financial management and decision-making processes. The elected councillors are responsible for managing council finances. IPART does not have authority to examine the council's financial decisions or financial management more broadly, beyond our assessment of the SV application against the OLG guidelines.

Some submissions also said that to improve the existing services and infrastructure, the council requires a change in management or operating strategy.

We have considered these concerns in Chapter 8.

[e] Where a submission was marked as confidential we have not raised it here to protect confidentiality. Matters raised in the feedback form free-text section have generally been treated as confidential submissions.

3.3.3 The council's current services and infrastructure

Some submissions expressed the view that the council's current services and infrastructure are unsatisfactory. Some stakeholders suggested the council is prioritising non-essential projects or assets such as the Corowa Aquatic Centre over necessary services and maintenance.

We heard some views from rural ratepayers that they receive minimal services for their rates, noting a lack of garbage collection, water, and sewage services, and poor road maintenance. A few conveyed the view that their rates have increased in recent years due to previous SVs but they have not seen an improvement in the services provided to them. The stakeholders viewed the proposed rate increase as unreasonable given these service gaps.

We have considered these concerns in Chapter 8. Box 3.1 sets out further information on how different council services are funded.

3.3.4 The council's consultation with the community

Some of the submissions to us put the view that the council's community consultation on the proposed SV was not transparent. Some submissions questioned why the council was applying for an SV again after being granted a temporary SV in 2023-24. A few other submissions from farmers noted they were unaware of the LTFP being exhibited (incorporating the proposed SV) as the exhibition period occurred during November to December, when they were busy harvesting. One submission said that they only became aware of the SV after the council had submitted the SV application. Another noted they had not received the fact sheet mailed out to ratepayers regarding the proposed SV.

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

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

Councils set different rates and annual charges for different services.

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

A council's special variation application only applies to general income, which is typically made up of 'ordinary rates', and some special rates (e.g. environmental or town-centre levies).

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

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

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

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

The revenue collected from these fees is typically kept separate by the council to ensure it is used on the purpose for which it was collected.

4 Our assessment of OLG Criterion 1 – Financial need

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

Note: See Appendix A for the full criterion.

To assess whether the council met OLG Criterion 1, we reviewed the council's IP&R documents and the information in its application. We also considered stakeholders' comments on financial need received via our feedback form and submissions and undertook our own analysis of the council's financial performance and position. We do not audit council finances, as this is not part of our delegated authority.

We found that the council met this criterion. It clearly identified the need for and purpose of the proposed SV in its IP&R documents. It demonstrated that currently its operating expenses exceed its revenue and, without the SV, this gap would continue to worsen over the next 10 years. This is unsustainable if the council is to continue delivering the services and infrastructure in its adopted plans. It also demonstrated it had canvassed alternatives to the SV to fill this gap.

The sections below discuss our assessment of Criterion 1 in more detail.

4.1 Stakeholder comments on financial need

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

- the council should defer non-essential projects to avoid the need for an SV
- the financial need for rates increases results from poor financial management and oversight
- additional funds could be raised through efficiency savings, including reducing its reliance on consultants
- rural ratepayers seem to receive minimal services despite their rates increasing in recent years due to previous SVs.

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

4.2 The council's IP&R documents

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

The documents state that the proposed SV of 69.94% over 2 years (52.01% in year 1 then 11.80% in year 2) is needed to: [38]

- continue its journey to improved financial sustainability
- address infrastructure maintenance and renewal shortfalls
- maintain other legislated services and non-legislated services where possible.

We found that the IP&R documents canvassed alternatives to the SV. For instance, the council's Delivery Program notes efforts have been made to improve the council's financial position by exploring and progressing with a range of options such as reviewing service levels and identifying opportunities to improve productivity and contain costs.[39] The LTFP outlined various scenarios, including one alternative baseline scenario to address financial sustainability without an SV which implements short-term changes to delay having inadequate unrestricted cash.[40]

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

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

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

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

We have generally used averages of the forecasts over the next 5 years for these indicators to smooth annual variability. In this chapter we also present data over a longer timeframe in some tables and charts however we note that data beyond 5 years is subject to greater variability.

4.3.1 Impact on Operating Performance Ratio

The Operating Performance Ratio (OPR) is a measure of a council's ongoing financial performance or sustainability. In general, a council with an OPR consistently greater than zero is considered to be financially sustainable because the OPR measures a council's ability to contain operating expenditure within operating revenue.[41] The OLG has set a benchmark for the OPR of greater than zero (see Box 4.1 for more information).

Box 4.1 Operating Performance Ratio

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

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

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

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

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

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

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

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

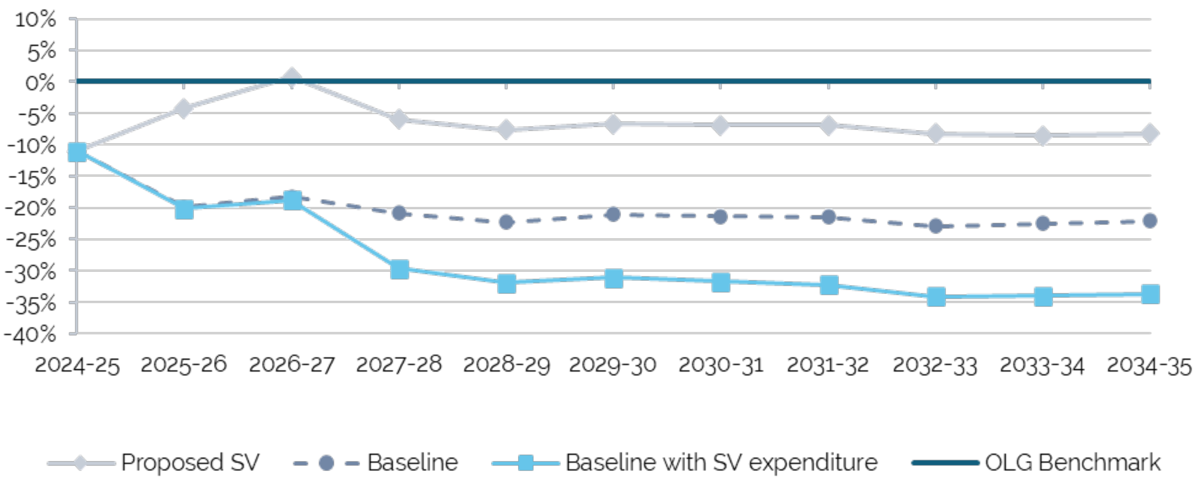
We found that, over the next 5 years:

- **Under the Proposed SV Scenario**, the council's OPR would slightly exceed the OLG benchmark of 0.8% in 2026-27 before falling below 0%. Its average OPR over this period would be -4.7%.
- **Under the Baseline Scenario**, the council's OPR would remain significantly below 0% for the next ten years. Its average OPR over the period would be -20.5%.
- **Under the Baseline with SV expenditure Scenario**, the council's OPR would remain significantly below zero percent and continue to decline. Its average OPR over the period would be -26.3%.

This suggests that all scenarios result in an operating deficit but the impact would be larger without the SV, and would grow over time. This would not be sustainable. Even with the SV, the council would remain below the OLG benchmark in the long term.

Our analysis of the impact of the proposed SV on the council's OPR over the next 10 years is summarised in Figure 4.1 and Table 4.1.

Figure 4.1 The council's projected OPR



Notes: OPR shown excludes capital grants and contributions.
Source: Federation Council, Application Part A.

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

	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34	34-35
Proposed SV	-4.2	0.8	-6.0	-7.7	-6.7	-6.9	-6.9	-8.2	-8.6	-8.2
Baseline	-19.9	-18.3	-20.9	-22.3	-21.1	-21.4	-21.5	-23.0	-22.6	-22.1
Baseline with SV expenditure	-20.2	-18.8	-29.7	-31.9	-31.1	-31.8	-32.2	-34.1	-34.0	-33.7

Source: Federation Council, Application Part A.

4.3.2 Impact on net cash

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

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

Cash and investments

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

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

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

Net cash (debt) to income ratio

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

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

The cash and investments in this formula includes balances subject to *external restrictions* and *internal allocations*.

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

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

Cash and investments

The council advised us that on 30 June 2024, it held a total of $41.7 million in cash and investments. This comprised:[42]

- **$12.5 million externally restricted funds**. For Federation Council, examples include developer contributions, specific purpose unexpended grants and funds tied to its water and sewer funds.[43]
- **$24.3 million internally allocated funds.** For Federation Council, examples include employee leave entitlements, gravel pits restoration and creditor reserve.[44]
- **$4.9 million unrestricted funds.** These funds can be used to fund the council's day to day operations.

This indicates that the majority of the council's cash reserves are committed to other purposes, except for the $4.9 million that is unrestricted. In addition, the council's LTFP indicates, that without an SV, its unrestricted cash reserves would decline to -$14.1 million (or a net debt of $14.1 million) by 30 June 2035.[45]

The OPR does not consider any capital expenditure planned by the council. More than half of the additional income from the proposed SV will be used for asset renewals which are capital expenses.[46] The council's application stated it has been deferring asset renewals as part of its efforts to improve its unrestricted cash position.[47] The council's unrestricted cash reserve of $4.9 million is low considering the council's expenses are expected to exceed $38 million in 2026-27.[48]

Net cash (debt) to income ratio

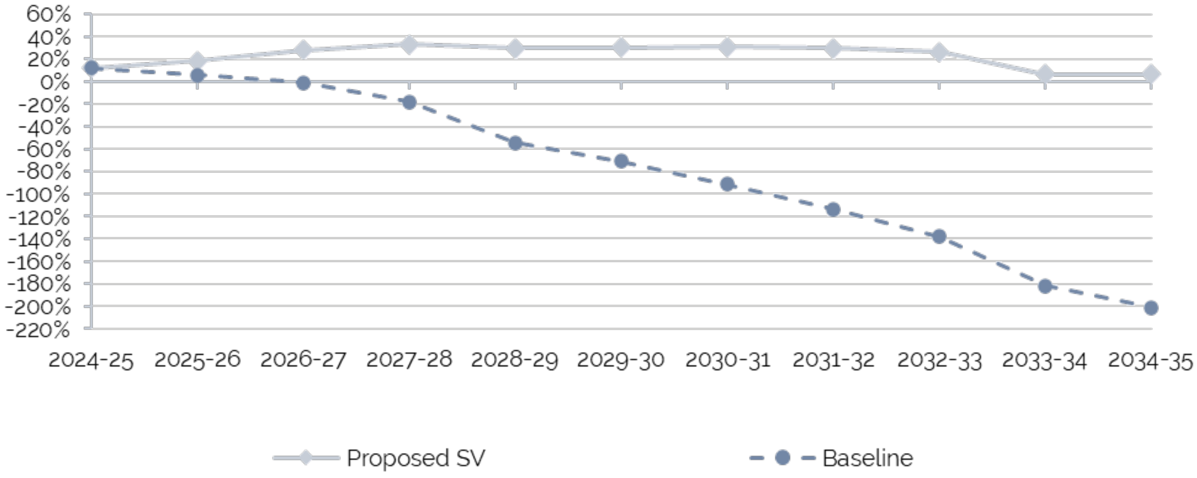
We calculated that as at 30 June 2025, the council would have net cash of $4.2 million. The council would have a net cash (debt) to income ratio of 12.1%.

Over the next 5 years:

- **under the Baseline Scenario**, the council's net cash (debt) to income ratio would increase, with an average net cash (debt) to income ratio of -27.7%
- **under the Proposed SV Scenario**, the council's net cash to income ratio would increase, with an average net cash (debt) to income ratio of 28.0%.

The impact of the proposed SV on the council's net cash (debt) to income ratio over the next 10 years is presented in Figure 4.2.

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



Source: Federation Council, Application Part A, Worksheet 9.

Taking into account the council's OPR and net cash position, we found that the council would need to raise revenue above the rate peg to address its operating deficit, maintain service levels and address infrastructure maintenance and renewals.

4.3.3 Impact on infrastructure ratios

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

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

See Box 4.3 for more information on these ratios.

Box 4.3 Infrastructure ratios for councils

Infrastructure backlog ratio

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

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

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

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

Infrastructure renewals ratio

The infrastructure renewals ratio assesses the rate at which infrastructure assets are being renewed against the rate at which they are depreciating. It is defined as:

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

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

Asset maintenance ratio

Where relevant, we may also consider the council's asset maintenance ratio. This compares the actual versus required asset maintenance.

$$Asset\ maintenance\ ratio = \frac{Actual\ asset\ maintenance}{Required\ asset\ maintenance}$$

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

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

Impact on infrastructure backlog ratio

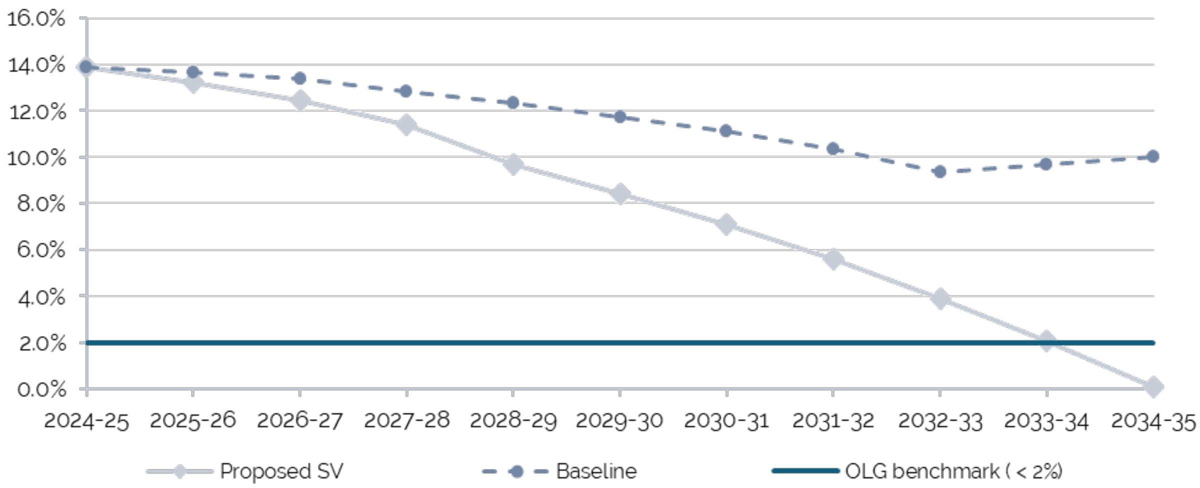
We found that over the next 5 years[f], the council's average infrastructure backlog ratio would be:

- 12.8% under the Baseline Scenario
- 11% under the Proposed SV Scenario.

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

As Figure 4.3 shows, we found that without the SV, the council's infrastructure backlog ratio would remain above (not meeting) the OLG benchmark for the infrastructure backlog ratio of less than 2%. However, with the proposed SV, the council's infrastructure backlog ratio would remain above the OLG benchmark until 2033-34, when it would reach 2%.

Figure 4.3 The council's infrastructure backlog ratio



Source: Federation Council, Application Part A.

Impact on infrastructure renewals ratio

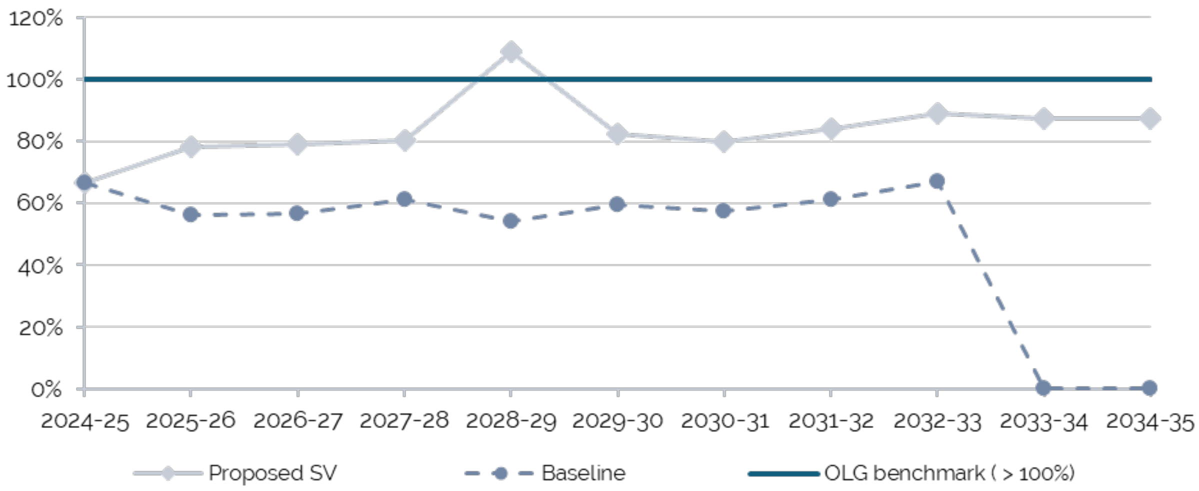
We found that over the next 5 years[g], the council's average infrastructure renewal ratio would be:

- 85.8% under the Proposed SV Scenario
- 57.5% under the Baseline Scenario.

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

As Figure 4.4 shows, we found that both with and without the proposed SV, the council's infrastructure renewals ratio would not meet the OLG benchmark of greater than 100% over the next 10 years. However, the ratio would be higher (i.e. better) and closer to the OLG benchmark under the proposed SV.

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



Source: Federation Council, Application Part A.

Impact on asset maintenance ratio

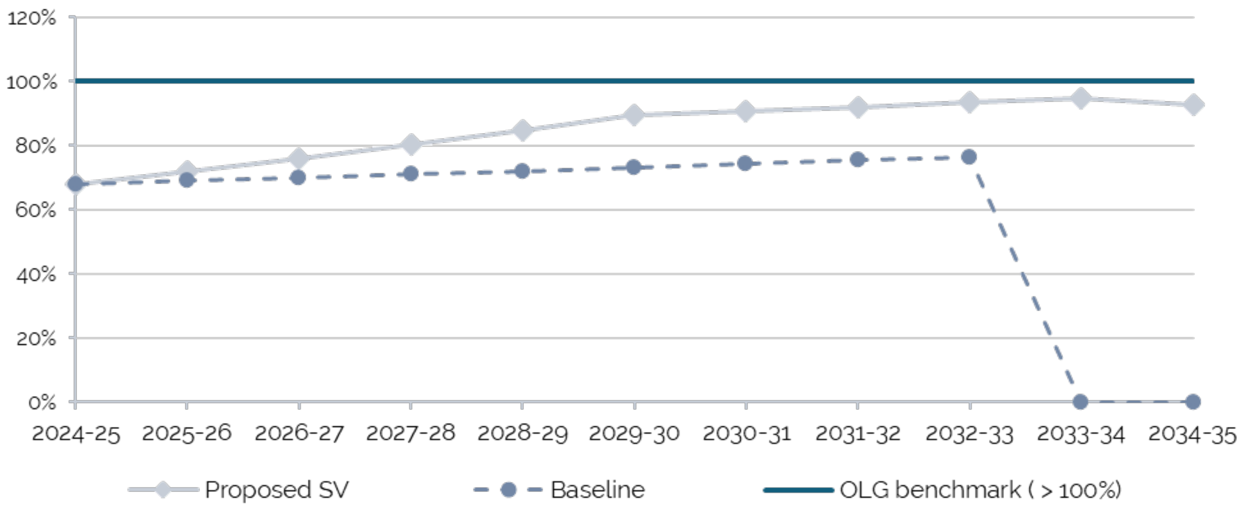
We found that over the next 5 years:

- under the Baseline Scenario the average asset maintenance ratio would be 80.4%
- under the Proposed SV Scenario the average asset maintenance ratio would be 71.1%.

These both fail to meet the OLG's benchmark of greater than 100%. This supports the financial need for the SV.

In our preliminary assessment of the council's application, we asked the council to provide further clarification on why the ratio in 2033-34 and 2034-35 for the baseline scenario is 0% for both years in Figure 4.5. The council has provided in its response that it would have exhausted its cash for investing in both asset renewals and maintenance by year 9 (2033-34), therefore the forecast ratio would be '0' or nil for those two years.[49]

Figure 4.5 The council's asset maintenance ratio (%)



Source: Federation Council, Application Part A.

4.4 Alternatives to the rate rise

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

The LTFP outlined various alternative scenarios to the proposed SV, including one alternative scenario to address financial sustainability without an SV.[50] This scenario involves reducing service levels by around $8 million each year from 2026-27 onwards by ceasing all non-legislated services and reducing services where possible.[51] These measures included: [52]

- ceasing services such as community programs, tourism events, hard copy communications, visitor information services, youth programs and seniors programs
- selling underutilised community halls
- reducing opening hours of libraries, swimming pools, the council's customer service centres, etc.
- reducing the number of parks and gardens maintained by the council and reducing the standard to which remaining parks and gardens are maintained at
- introducing limitations on vehicles able to use roads and in times of wet weather
- leasing out council buildings.

During 2024, the council engaged the University of Newcastle to prepare a Financial Sustainability Report, which looked at various indicators such as the operating performance ratio, infrastructure backlog ratio and infrastructure renewal ratio. The report recommended the council submit an SV application which turns the temporary SV into a permanent one due to the council's financial circumstances,[53] which corresponds to our own findings. The council also engaged the University of Newcastle to prepare other reports including an Efficiency Report and a Debt Capacity Report. The Debt Capacity Report notes that the council already exceeded its liability capacity and does not have the capacity to take on more liabilities in the absence of a large permanent SV being approved.[54]

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

5 Our assessment of OLG Criterion 2 - Community awareness

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

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

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

Note: See Appendix A for the full criterion.

To assess whether the council met OLG Criterion 2, we considered stakeholder comments about community awareness that we received through our feedback form and submissions and we analysed the council's community engagement on the proposed SV.

We found that the council met this criterion.

The council satisfactorily engaged with and consulted its community and provided sufficient information about the need for and extent of the proposed SV. It used an appropriate variety of engagement methods, provided sufficient opportunities for the community to provide feedback, and considered this feedback in preparing its SV application.

The sections below discuss our assessment of Criterion 2 in more detail.

5.1 Stakeholder comments on community awareness

In submissions to IPART, some stakeholders raised concerns related to the council's community consultation, including that the council:

- was not transparent in its consultation on the SV
- was unclear on why it was applying for an SV after being granted a previous temporary SV
- did not make a significant effort to engage with the whole community, as some stakeholders mentioned they were unaware of the proposed SV.

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

We received 537 responses. There were mixed views about whether the council had adequately communicated and provided opportunity for feedback, but the majority did not agree that the council considered the community feedback in its decision making. The full results are presented in Figure C.2 in Appendix C.

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

5.2 Our assessment of the council's engagement and consultation

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

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

5.2.1 Information provided to ratepayers

We found that the information the council provided to ratepayers about the proposed SV was sufficient to create awareness of the proposed SV.

The council's consultation materials were generally clear and set out:

- the need for the SV
- the full cumulative percentage increase of the proposed SV and the projected average rates in dollar terms for the residential, business and farmland rating categories
- what the additional income from the proposed SV would fund, including:
  - financial sustainability
  - mitigating the infrastructure maintenance shortfalls
  - maintaining service levels
- how to find out more information
- how to provide feedback.
- that the council was seeking to convert the current temporary SV of 39.2% expiring in 2024-25 into a permanent SV
- the 2025-26 percentage increase for ratepayers under the proposed SV based on the rates they were paying in 2024-25 under the current temporary SV.

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

- The consultation materials such as the fact sheet mention the council has recently been working on improving efficiency and refers to the past cost savings in its LTFP.[55] However, the fact sheet could have provided a description about the activities the council has undertaken to achieve the past and future cost savings. The fact sheet also did not provide any quantification of the past or future cost savings, although the cost savings have been quantified in the LTFP.[56]
- There were a few survey questions that may be considered leading questions, which may have influenced some of the results.[h]
- There were minor inconsistencies between the average rates for 2025-26 and 2026-27 under the SV scenario in the IP&R documents and consultation material and the submitted application. This is due to the council subsequently correcting the average amounts across the different rating categories based on a change in calculation method of the rates. However, we considered that the minor inconsistencies would not have significantly impacted the community's understanding of the proposed rate increases.

Overall, we found that the council has provided sufficient information about its proposed SV through its fact sheet and other materials for the community to be able to participate in the consultation process.

5.2.2 Engagement methods used

We found the council used an appropriate variety of engagement methods to promote awareness of its proposed rates increase and provided opportunities for ratepayers to provide feedback.

Throughout its main consultation period, its engagement activities included:

- a dedicated SV webpage which included an online survey
- 4 listening posts operating between 11am to 1pm over four days
- 6 face-to-face community consultation forums and 1 live-streamed online meeting
- correspondence to 6,200 ratepayers including a fact sheet and survey regarding the proposed SV and an explanation of why the SV was needed
- 2 surveys: the first posted to residents with the fact sheet, and the second available to people who attended one of the 6 in-person community forums
- electronic and mailed newsletters
- social media channels.[57]

[h] For example, "Do you believe that it is acceptable to fund current consumption of local government goods and services through debt (which will be ultimately paid for by future generations of ratepayers)?", with the options of "Yes, if carefully applied to long-lived assets only"; or "No, I don't agree that our children and grandchildren should be left with additional public debt."

5.2.3 Process for community consultation

We found the process the council used to engage with and consult the community about the proposed SV was effective.

The council consulted with the community in mid-May and from July to early August 2024.[58] These consultation periods provided enough opportunity for ratepayers to be informed and provide feedback on the proposal. These stages of the consultation periods were to:

- hire the University of Newcastle to engage with various stakeholder groups (i.e. Howlong Progress Association, Federation Ratepayers Association, Mulwala Progress Association, Urana Progress Association and the Corowa Business Chambers) to receive feedback on the proposed SV between 14 to 17 May 2024[59]
- post a fact sheet and survey to 6,200 residents in early July 2024 which were also available online
- conduct 4 listening groups around the LGA from 22 to 25 July 2024
- conduct 6 face-to-face community forums from 29 to 31 July 2024 and one online forum on 1 August 2024.[60]

The council also posted articles, reports and videos to its website and social media throughout the process.

Although the council utilised a range of engagement mechanisms listed above, some submissions to IPART were critical of the council's consultation efforts. Key issues highlighted include a lack of transparency and clarity over why the council was applying for an SV after being granted a temporary SV in 2023-24, as well as views that the council did not make a significant effort to engage with the whole community. A few submissions from farmers noted they were unaware of the exhibition of the LTFP incorporating the proposed SV as the exhibition period occurred during November to December, when they were busy with the harvest. Some submissions indicated that some of the community forums and the pop-up listening posts were held during business hours, which made it difficult for them to attend and to be informed of the proposed SV.

The council commissioned Micromex Research to conduct a random phone survey of 201 residents in October 2024 which was designed to be representative of the community's views.[61] In the phone survey, 73% of those surveyed were aware that the council was considering applying for a large increase in rates.[62] Of those who were unaware, the majority indicated they would prefer to be communicated with via mail-outs (78%) and community discussions (71%).[63]

We found that the council demonstrated it provided sufficient opportunities for ratepayers to be informed and provide feedback on the proposal. We found that the engagement methods used by the council allowed sufficient opportunity for its community to be aware of the SV.

5.2.4 Council consideration of outcomes of community consultation

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

We found the council did adequately consider the results of community consultation.

Federation Council engaged consultants to prepare a Community Engagement Report. The report indicates that during the consultation period, its community meetings attracted 161 attendees.[64] The council noted 74 people completed the post-meeting surveys.[65]

The report assessed that the community's response to the proposed SV was largely positive.[66] It noted that responses were generally more positive when the council had the opportunity to fully articulate the background and need for the SV after one of the community consultation forums.[67]

The council's report on community engagement found that:

- of the 171 people who completed the council's first survey,[68] almost half (49%) accepted the need for the proposed SV, with 18% supporting the status quo and 33% preferring to cut capital expenditure.[69] A majority (67%) also said they were aware of why the council needs to apply for the SV, while 33% said they were not aware.[70] A large majority (85%) said they were aware of the proposed SV and the effect on average rates, while 15% were unaware.[71]
- of the 74 people who completed the council's second survey (limited to a proportion of the 161 people who attended one of the in-person community forums)[72], 84% preferred the SV over the 2 alternatives of reducing staff and expenditure, and maintaining the status quo.[73]

Community feedback received by the council included:

- the SV increase would be too high and unaffordable, especially in the current economic conditions of inflation[74]
- concern about affordability for pensioners[75]
- SV was long overdue or people were willing to pay more[76]
- the SV should only be spent on essential services[77] and infrastructure such as roads.[78]

In response to feedback from the pre-consultation meetings in May 2024 with community groups, the council took the following actions in response to the recommendations from the University of Newcastle consultants:[79]

- reduced the proposed SV by 1% and 1.2% for the respective two years
- applied the temporary SV to the ad valorem rate for 2024-25, rather than the base rate. This was done to minimise the impact of the temporary 17% increase on people with properties with lower values, who would be captured by the base rate
- updated its hardship policy in August 2024 to include a rates assistance program to assist vulnerable ratepayers experiencing financial hardship and enable aged pensioners to defer rates to their estate
- proposed 4 alternative distributions of rate increases in the draft 2024-25 Revenue Policy in response to the recommendation to conduct a review into the distributive equity of the council's rating system.

6 Our assessment of OLG Criterion 3 - Impact on ratepayers

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

Note: See Appendix A for the full criterion.

To assess this criterion, we considered stakeholder comments on the proposed SV's impact on ratepayers received through our feedback form and submissions and analysed the council's assessment of the impact of the SV on ratepayers. We also undertook our own analysis to assess whether this impact is reasonable.

We found that on balance the council met Criterion 3, considering the council's proposed rates and the community's capacity to pay. The council's assessment of the proposed SV's impact on ratepayers concluded the community has sufficient capacity to pay the proposed rates increases.

With the approved SV, we found the council's average residential and business rates for the next 2 years are within the range of comparable councils. However, we found that the council's average farmland rates are above the range of comparable councils.

We also found that the council's outstanding rates and annual charges ratio are below the average of other comparable councils, and it has a higher rate of home ownership when compared with other councils. The council also has a hardship policy in place to assist vulnerable ratepayers and provides concessions to eligible pensioners.

The sections below discuss our assessment of OLG Criterion 3 in more detail.

6.1 Impact of the proposed SV on average rates

The council calculated the average impact on ratepayers. Table 6.1 sets out its expected increase in average rates in each ratepayer category under the proposed 2-year permanent SV. It shows that from 2025-26 to 2026-27:

- the average residential rate would increase by $318 or 33.1% in total
- the average business rate would increase by $590 or 33.0% in total
- the average farmland rate would increase by $1,770 or 33.0% in total.

The impact on average rates is lower than the proposed SV of 69.94% because the 2024-25 average rates already include the temporary SV which is expiring at the end of 2024-25. The council applied to replace and extend the current temporary SV with a permanent SV.

Table 6.1 Impact of the proposed special variation on average rates

	2024-25 (Current)	2025-26	2026-27	Cumulative increase
Residential average rates ($)	961	1,144	1,279	
$ increase	0	183	135	318
% increase		19.0	11.8	33.1
Business average rates ($)	1,785	2,124	2,375	
$ increase	0	339	251	590
% increase		19.0	11.8	33.0
Farmland average rates ($)	5,357	6,377	7,127	
$ increase	0	1,020	750	1,770
% increase		19.0	11.8	33.0

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

6.2 Stakeholder comments on the impact on ratepayers

Around two-thirds of the non-confidential submissions we received raised concerns about the impact of the proposed SV on the affordability of rates, particularly for those experiencing financial hardship. We note that there are currently around 6,392 residential ratepayers in the council area and 1,030 farmland ratepayers.

For example, some submissions commented that the SV would have:

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

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

We received 537 responses. Most of the responses disagreed or strongly disagreed that the rates increase was affordable. A similar proportion did not agree that the application considers financial constraints of ratepayers, considers different options to reduce the financial impact on ratepayers, or balances the community's need for services and its impact on ratepayers. The full results are presented in Figure C.3 in Appendix C.

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

However, as outlined above in the introduction to Chapter 6, on balance we consider the impact of the increases is generally reasonable, balancing the financial need of the council for additional income to become financially sustainable and the impact on ratepayers (section 6.4 below discusses our reasons in more detail).

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

The criterion requires that the Delivery Program and LTFP show the impact of any rate rises on the community, demonstrate the council's consideration of the community's capacity to pay rates, and establish that the proposed rate increases are affordable having regard to the community's capacity to pay.

6.3.1 The council's IP&R documents

We found that the council's Delivery Program clearly communicates the average rates per category, if the 2-year SV of 69.94% (52.01% in year 1 then 11.80% in year 2) was implemented.[80] The Delivery Program also clearly shows the total (cumulative) dollar increase per rating category, with the SV.[81] However, there are some minor differences between the average rates published in the Delivery Program submitted to IPART and the updated application. This is due to the incorrect base rate being used. The rates have been subsequently corrected in the Delivery Program in February 2025.

The council's LTFP does not present the impact of the proposed SV on rates.

6.3.2 The council's consideration of capacity to pay

The council's capacity to pay analysis, undertaken by its consultant, the Institute of Regional Futures at the University of Newcastle, provides an analysis and evaluation of the relative wealth and financial capacity to pay the proposed rates increase in the Federation Council local government area (LGA). It also examines the financial vulnerability and exposure of different community groups within the LGA.

The Capacity to Pay Report concluded that the ratepayers had capacity to pay.[82] Using data including the 2020-2023 average rates for some OLG Group 11 councils and the 2021 census, it noted:

- the average residential and business rates appear relatively low compared to other rural councils in OLG Group 11[83]
- there are a higher proportion of aged pensioners in the Federation Council LGA compared to other rural councils in OLG Group 11,[84] but a relatively low proportion of residents on disability support or other government payments[85]
- the average farmland rates appear to be very high in Federation compared to other rural councils.[86] However, the report stated the rate revenue relative to income for farmland ratepayers is low compared to other council areas.[87] The overall market outlook is positive for commodities in the agricultural sector.[88]
- the council area has relatively low levels of income inequality and low rates of mortgage stress[89]
- the average unincorporated business income was relatively high compared to other councils.[90]

However, we consider this report did not include all the relevant analysis and considerations. In particular, the report did not examine the proposed rates increases by area within the LGA, and whether these increases are affordable for ratepayers if any pockets of disadvantage were identified.

The council also conducted its own modelling forecasting the impact of the proposed SV on residential rates over coming years, compared to OLG Group 11 councils. The analysis found that residential rates in Federation Council would be 11% greater than the average general rates in the final year of the proposed SV.[91] Under the baseline scenario, the council's average residential rates in 2026-27 would be the third lowest, and 26% below the average for the group of councils.[92]

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

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

- how the council's rates have changed over time
- how current and proposed rates compare to councils in similar circumstances
- the community's capacity to pay based on socio-economic indicators, historical hardship applications and outstanding rates data
- what hardship provisions the council has in place to mitigate the impact.

We found that on balance the impact on ratepayers is generally reasonable.

In the final year of the proposed SV period (2026-27), residential rates would be lower than average for comparable councils based on the SEIFA rank but higher than average for comparable councils based on locality and OLG group. Business rates would be lower than average for comparable councils based on SEIFA rank and OLG group, but higher than the average for comparable councils based on locality. However, average farmland rates would remain higher than the average for comparable councils based on locality, SEIFA rank and OLG group.

Socio-economic indicators including median income suggest that the Federation community has a lower capacity to pay with greater levels of disadvantage compared to other councils based on locality, SEIFA rank and OLG group. However, its outstanding rates and annual charges ratio is below the average of other comparable councils, and it has a higher rate of home ownership when compared with the other councils.

In response to stakeholder feedback from the pre-consultation engagement, the council has updated its hardship policy in August 2024 to include a rates assistance program and enables aged pensioners to defer rates to their estate. With the availability of the hardship policy, there have been no hardship applications over the last 5 years. The percentage of rates notices overdue has increased over time from 9.6% in 2019-20 to 12.5% for the 2023-24 year, the first year of the current temporary SV.

6.4.1 How the council's rates have changed over time

Over the past 5 years, the average annual growth in the council's residential rates has been higher than the rate peg. As Table 6.2 shows, residential rates have increased at an annual average rate of 10.0%, compared to the average rate peg of 2.9% over the same period. This is due to the previous special variations granted to the council, with a permanent SV of 8% in 2021-22, an Additional Special Variation of 2.5% in 2022-23, and a temporary SV of 39.2% from 2023-24 to 2024-25.

Table 6.2 Historical average rates in Federation Council ($nominal)

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Average annual growth (%)
Residential	597	615	695	720	851	961	10.0
Business	931	958	943	1,044	1,221	1,785	13.9
Farmland	3,226	3,401	3,524	3,620	4,385	5,357	10.7

Source: OLG, Time Series Data 2023-24, Federation Council, Application Part A, IPART calculations

6.4.2 How the council's rates compare to other councils'

We compared the council's current average rates, and what they would be with the SV, with those of comparable councils. We then considered these findings together with the socio-economic comparisons discussed in section 6.4.3 and the available hardship provisions discussed in section 6.4.4 to help us assess the reasonableness of the proposed rate increase. Box 6.1 outlines how we selected the comparable councils for this analysis.

Box 6.1 Comparable councils

In our analysis of rate level and capacity to pay indicators, we have compared Federation Council to other councils that are comparable to it based on their locality, SEIFA rank, and OLG group.

Comparable councils based on locality

Comparable councils based on locality includes neighbouring and nearby local government areas (LGAs). These council areas are not necessarily similar, but as ratepayers are more likely to be familiar with them and the differing service levels they provide, this comparison may help them assess their own rates level.

The councils we used for this comparison are Berrigan Shire Council, Greater Hume Shire Council, Lockhart Shire Council, Murrumbidgee Council, and Narrandera Shire Council. These councils are geographically close to Federation Council, but do not necessarily share a common border.

Box 6.1 Comparable councils

Comparable council based on SEIFA rank

Comparable councils based on SEIFA rank means councils whose LGAs have similar levels of socio-economic advantage and disadvantage, as measured by Socio-Economic Indexes for Areas (SEIFA). SEIFA is a series of indexes that rank Australian LGAs according to relative socio-economic factors. It is developed by the Australian Bureau of Statistics using the latest census results (currently 2021). We used the 'Index of Relative Socio-economic Advantage and Disadvantage' which includes 23 variables covering income, household make-up, housing, education levels and employment.

Federation Council has a SEIFA rank of 28 out of 128 NSW councils. In general, a lower SEIFA rank indicates a higher level of relative disadvantage.

We compared the council's average rates with those of other rural councils with a similar SEIFA rank. The 4 rural councils with the closest SEIFA rank are Cootamundra-Gundagai Regional Council, Hay Shire Council, Parkes Shire Council and Snowy Valleys Council.

Comparable councils based on OLG group

Comparable councils based on OLG group means the other councils in the same OLG group as Federation Council.

The OLG sorts councils into groups for comparison purposes. These groups are based on broad measures such as their LGAs having similar levels of development (metropolitan, regional, rural), and populations. Councils in each group may have some similarities in terms of their service levels and costs, but there may also be some broad differences between them.

Federation Council is in OLG Group 11, which comprises 'rural areas with a population of less than 20,000 but more than 10,000'. Group 11 includes 19 councils in total, including Cootamundra-Gundagai, Hilltops, and Snowy Valleys councils.[93]

Our comparison of the council's average residential rates is set out in Table 6.3. It shows that:

- In 2024-25, its average residential rates are higher than the averages for comparable councils based on locality and OLG group, but lower than the average for comparable councils based on SEIFA rank.
- In the final year of the proposed SV period (2026-27), these rates would remain higher than the averages for comparable councils based on locality and OLG group, and would remain lower than the average for comparable councils based on SEIFA rank.

Our comparison of the council's average business and farmland rates is set out in Table 6.4. It shows that:

- Its current average business rates are higher than the average for comparable councils based on locality, and lower than the averages for comparable councils based on SEIFA rank and OLG group. In 2026-27, these rates would remain higher than the average for comparable councils based on locality and lower than the averages for other comparable councils under the proposed SV.
- Its current average farmland rates are higher than the averages for comparable councils based on locality, SEIFA rank and OLG group. With the proposed SV, in 2026-27 they would remain higher.

Table 6.3 Comparison of the council's average residential rates under the proposed SV (Average residential rate ($))

Council	2024-25 (Current)	2025-26	2026-27
Federation Council (OLG Group 11)	**961**	**1,144**	**1,279**
Comparable based on locality			
Berrigan	914	956	980
Greater Hume Shire	1,055	1,111	1,139
Lockhart	458	481	493
Murrumbidgee	404	426	437
Narrandera	983	1,160	1,195
Average	**882**	**951**	**976**
Comparable based on SEIFA rank			
Cootamundra-Gundagai Regional	1,260	1,318	1,351
Hay	667	696	713
Parkes	1,192	1,240	1,271
Snowy Valleys	1,291	1,346	1,380
Average	**1,205**	**1,257**	**1,288**
Comparable based on OLG group	**1,072**	**1,125**	**1,171**

a. The average rate is calculated by dividing total Ordinary Rates revenue by the number of assessments in the category.
b. To derive the 2024-25 average rates for comparable councils, we used OLG's time series data as at 2023-24 (latest available) and escalated this by its rate peg, or if applicable, its approved SV.
c. To derive the 2025-26 average rates for comparable councils, we used OLG's time series data as at 2023-24 (latest available) and escalated this by its 2024-25, 2025-26 rate peg, or if applicable, its approved SV.
d. To derive the average rates beyond 2025-26 for comparable councils, we used OLG's time series data as at 2023-24 (latest available) and escalated this by its 2024-25, 2025-26 rate peg then an assumed rate peg of 2.5%, or if applicable, its approved SV.

Source: OLG, Time Series Data 2023-24; ABS, 2021 Census DataPacks, General Community Profile, Local Government Areas, NSW and IPART calculations.

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

Council	Average business rate ($)			Average farming rate ($)		
	2024-25 (Current)	2025-26	2026-27	2024-25 (Current)	2025-26	2026-27
Federation Council (OLG Group 11)	**1,785**	**2,124**	**2,375**	**5,357**	**6,377**	**7,127**
Comparable based on locality						
Berrigan	1,489	1,557	1,596	2,680	2,804	2,874
Greater Hume Shire	658	693	710	2,779	2,926	2,999
Lockhart	618	648	664	2,214	2,322	2,380
Murrumbidgee	902	950	974	5,204	5,485	5,622
Narrandera	1,641	1,936	1,994	5,259	6,206	6,392
Average	**1,085**	**1,183**	**1,215**	**3,341**	**3,604**	**3,699**
Comparable based on SEIFA rank						
Cootamundra-Gundagai Regional	472	494	507	5,384	5,632	5,772
Hay	1,530	1,595	1,635	5,998	6,256	6,412
Parkes	5,128	5,333	5,466	3,539	3,681	3,773
Snowy Valleys	2,632	2,745	2,814	3,853	4,019	4,119
Average	**2,811**	**2,927**	**3,000**	**4,272**	**4,456**	**4,568**
Comparable based on OLG group (average)	**2,574**	**2,694**	**2,802**	**4,112**	**4,306**	**4,470**

a. The average rate is calculated by dividing total Ordinary Rates revenue by the number of assessments in the category.
b. To derive the 2024-25 average rates for comparable councils, we used OLG's time series data as at 2023-24 (latest available) and escalated this by its rate peg, or if applicable, its approved SV.
c. To derive the 2025-26 average rates for comparable councils, we used OLG's time series data as at 2023-24 (latest available) and escalated this by its 2024-25, 2025-26 rate peg, or if applicable, its approved SV.
d. To derive the average rates beyond 2025-26 for comparable councils, we used OLG's time series data as at 2023-24 (latest available) and escalated this by its 2024-25, 2025-26 rate peg then an assumed rate peg of 2.5%, or if applicable, its approved SV.
Source: OLG, Time Series Data 2023-24; ABS, 2021 Census DataPacks, General Community Profile, Local Government Areas, NSW and IPART calculations

6.4.3 The community's capacity to pay based on socio-economic indicators

To assess the community's capacity to pay the council's proposed rates, we considered a range of indicators of socio-economic status and levels of vulnerability in the community, which is outlined in Box 6.2. We considered these indicators together with the average rate levels discussed in section 6.4.2 above, and the hardship assistance available discussed in section 6.4.4 below.

This assessment focussed on residential rates, as residential ratepayers represent the majority of ratepayers.[i]

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

Box 6.2 How we assessed capacity to pay

To help us understand the impact of the proposed SV on residential ratepayers, we compared selected socio-economic indicators for the council's community and the comparable councils' communities, using data from the 2021 census. We also considered the council's historical hardship and outstanding rates data. These measures provide an indication of the community's ability to pay additional rates and are useful to consider together with the average rates comparisons.

Socio-economic indicators

We considered:

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

We also note that the cost of living has increased since this data was collected in the 2021 census.

Hardship applications and outstanding rates

We collected 5 years of historical data related to a community's ability to pay rates to understand trends in the area. This included:

- how many applications for hardship assistance were made to the council
- how many ratepayers were on hardship arrangements
- the value of rates ($) that were outstanding as at 30 June.

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

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

Table 6.5 below shows that, socio-economically, Federation Council's area is in a slightly worse position to the comparable councils' areas, with some indicators suggesting a slightly better ability to pay rates and others suggesting additional hardship. In particular:

- Median income is slightly lower in the Federation Council LGA than the average for comparable LGAs based on locality and SEIFA rank, and lower than the average for comparable LGAs based on OLG group.
- The typical household in the Federation Council LGA spends around 1.6% of its household income on residential rates. This is more than average in comparable LGAs based on locality (1.1%), but the same as comparable LGAs based on SEIFA rank (1.6%) and slightly higher for comparable councils based on OLG Group (1.5%).
- 7.9% of the council's rates were outstanding, which is lower than the average for other comparable councils and within the OLG benchmark of 10%.
- 9.0% of households in the Federation Council LGA meet the definition of housing cost stress. This is more than the average in comparable areas based on locality (8.0%) and SEIFA (8.8%), but much lower than the average in comparable areas based on OLG Group (16.2%).
- 46.2% of dwellings in the Federation Council LGA are owned outright, which is higher than in other comparable areas.

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

	Median annual household income ($)[a]	Current average residential rates to median household income ratio (%)[b]	Outstanding rates and annual charges ratio (%)[c]	Proportion of population in receipt of select Government payments (%)[d]	Proportion of households that pay more than 30% of income towards housing costs[e]	Dwelling owned outright (%)[f]
Federation Council (OLG Group 11)	**61,724**	**1.6**	**7.9**	**26.6**	**9.0%**	**46.2**
Comparable councils based on locality						
Berrigan	58,656	1.5	12.3	28.2	8.9%	46.5
Greater Hume Shire	73,840	1.4	7.2	17.3	7.5%	43.0
Lockhart	67,340	0.6	7.9	18.5	6.3%	49.2
Murrumbidgee	72,852	0.5	11.3	18.2	5.4%	40.0
Average	**66,851**	**1.1**	**9.3**	**21.7**	**8.0%**	**43.9**
Comparable councils based on SEIFA rank						
Cootamundra-Gundagai Regional	58,864	2.0	7.2	26.0	8.2%	47.1
Hay	64,272	1.0	10.4	22.2	7.2%	43.0
Parkes	67,912	1.8	7.8	21.6	8.7%	43.3
Snowy Valleys	69,472	1.6	7.2	22.0	9.7%	36.8

	Median annual household income ($)[a]	Current average residential rates to median household income ratio (%)[b]	Outstanding rates and annual charges ratio (%)[c]	Proportion of population in receipt of select Government payments (%)[d]	Proportion of households that pay more than 30% of income towards housing costs[e]	Dwelling owned outright (%)[f]
Average	65,130	1.6	8.1	22.9	8.8%	42.6
Comparable councils based on OLG group (average)	72,098	1.5	9.2	15.5	16.2%	39.1

a. Median annual household income is based on 2021 ABS Census data.
b. The 2024-25 average rates for comparable councils are calculated based on the OLG's time series data as at 2023-24 (latest available data) escalated by a Council's 2024-25 rate peg or approved SV, as relevant.
c. The Outstanding rates ratio (%) is derived from the OLG's Rates & Annual Charges Outstanding Percentage for the General Fund as at 2023-24 (latest available data). The formula is 'rates and annual charges outstanding ($) *divided by* 'rates and annual charges collectible ($).'
d. Proportion of population in receipt of select Government payments (%) is based on the total number of Age Pension, Disability Support Pension and the JobSeeker Payments *divided by* the estimated resident population from the 2021 ABS Data by Region.
e. Proportion of occupied private dwellings where 30% or more of the household's imputed income is put towards housing costs payments is calculated by the following formula = [households where mortgage repayments are more than 30% of the imputed household income (no.) + households where rent repayments are more than 30% of the imputed household income (no.)] / total occupied private dwellings (no.). These measures are from the 2021 ABS Data by Region.
f. Dwelling owned outright (%) is from the 2021 ABS Data by Region.

Source: OLG, Time Series Data 2023-24; ABS, Socio-economic Indexes for Areas (SEIFA) 2021, March 2023; ABS, 2021 Data by Region, Local Government Areas, NSW, Median Weekly Household Income and IPART calculations.

In addition to these socio-economic indicators, we considered historical data on the council's number of overdue rates notices and the number of ratepayers applying for hardship provisions. Recent trends can give an indication of ratepayers' ability to pay current rates levels and the potential impact of other recent cost increases. We note that these remain at a very small proportion of all ratepayers.

We found that over the last 5 years, the council's overdue rates and the total amount owing have been steadily increasing with a notable increase in 2023-24, the first year of the temporary SV.[94] Over the last 5 years, the council has not received any hardship applications,[95] and no ratepayers have been on the hardship policy.[96] However, the council has updated its hardship policy in August 2024 to enable them to write-off charges for ratepayers under the rates assistance program, as well as defer amounts owing against estates for pensioners.[97]

Box 6.3 Rates and annual charges outstanding ratio

The rates and annual charges outstanding ratio measures the impact of uncollected rates and annual charges on a council's liquidity and the adequacy of its debt recovery effort. This is defined as:

$$Rates\ and\ annual\ charges\ oustanding\ ratio = \frac{Rates\ and\ annual\ charges\ outstanding}{Rates\ and\ annual\ charges\ collectible}$$

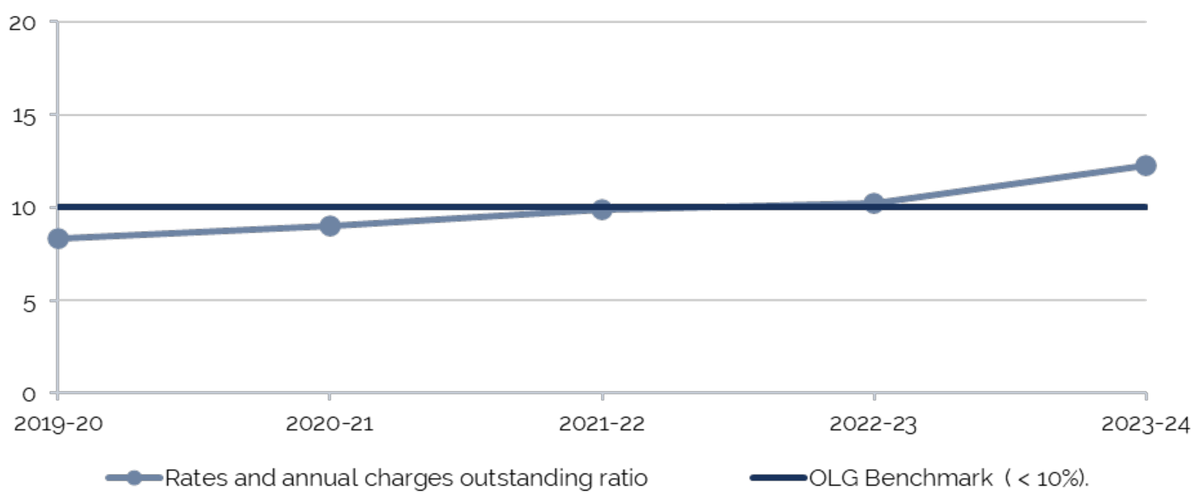
The OLG has set a benchmark for the ratio of less than 5% for metropolitan councils and less than 10% for regional and rural councils.

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

We also considered the council's rates and annual charges outstanding ratio. While a rates and annual charges outstanding ratio above the OLG benchmark can be a reflection of how effectively the council has managed its debt recovery efforts, it can also be an indication that a greater number of ratepayers have been unable to pay their rates on time.

As Figure 6.1 shows, the average rates and annual charges outstanding ratio across 2019-20 to 2023-24 is 9.9%. This meets the OLG benchmark of less than 10% for regional and rural councils. However, the rates and annual charges ratio has been worsening over the past 5 years and in 2023-24, the 12.3% ratio was higher than (i.e. did not meet) the OLG benchmark.

Figure 6.1 The council's rates and annual charges outstanding ratio (%)



Source: Federation Council, Application Part A.

6.4.4 The council's hardship policy and availability of concessions

A hardship policy can play an important role in mitigating the impact of an SV on vulnerable ratepayers. We are satisfied that the council has a hardship policy in place to assist vulnerable ratepayers, and that it has appropriate strategies to make its community aware about how to access this.

The hardship policy provides assistance, such as:

- the deferral of rates for aged pensioners against their estate
- the writing-off of accrued interest for late payments
- a rates assistance program in partnership with local welfare and financial counselling services where the council will write off up to $300 due to financial hardship
- payment plans.

Under the *Local Government Act 1993*, councils must provide concessions to eligible pensioners which is half of the total ordinary rates and domestic waste management service charge, up to a maximum of $250. The council has updated its hardship policy to provide an additional $150 write-off to pensioner ratepayers if they are experiencing financial hardship under its rates assistance program. The updated policy also provides $300 assistance under its rates assistance program to individual non-pensioner ratepayers experiencing financial hardship.

Between 2019-20 and 2023-24, the council received no hardship applications,[98] and no ratepayers have been on the hardship policy,[99] despite the increase in outstanding rates and charges over the same period. However, in 2024, the council sought feedback on the proposed changes to the hardship policy, [100] and later adopted these changes in August 2024. [101] These changes relate to providing additional write-off charges for ratepayers under the rates assistance program, as well as deferring amounts owing against estates for pensioners.[102]

In its application, the council stated its hardship policy has been mentioned on its fact sheets, public meetings, and is available on its website and in its customer-facing centres.[103] The council also noted that it runs quarterly communication campaigns alongside the release of rates notices to notify residents that rates notices have been issued, and provide information on its debt management and hardship policy.[104]

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

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

Note: See Appendix A for the full criterion.

To assess whether the council met Criterion 4, we checked the information provided by the council.

We found that it met the criterion. It exhibited (where required), approved and adopted its IP&R documentation appropriately.

The relevant IP&R documents are described in Box 7.1. The council's LTFP is available on its website.

The council:

- exhibited its current Community Strategic Plan from 16 May to 13 June 2022,[105] and adopted it on 28 June 2022[106]
- exhibited its Delivery Program from 27 November to 24 December 2024,[107] and adopted it on 21 January 2025[108]
- exhibited its LTFP from 27 November to 24 December 2024,[109] and adopted it on 21 January 2025[110]
- adopted its Asset Management Strategy on 21 January 2025[111]
- submitted its SV application on 31 January 2025.

Box 7.1 Integrated Planning & Reporting documents

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

The relevant documents are the Community Strategic Plan, Delivery Program, Long-Term Financial Plan (LTFP), and where applicable, Asset Management Plan. Of these, the Community Strategic Plan and Delivery Program require (if amended) public exhibition for 28 days (and re-exhibition if further amended). Councils are also expected to post its LTFP on its website.

Source: Office of Local Government Integrated Planning and Reporting Guidelines

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

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

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

Note: See Appendix A for the full criterion.

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

We found that the council met this criterion. The council has told us it implemented a range of cost containment initiatives with savings calculated at over $4.3 million for the five-year period from 2019-20 to 2023-24.[112] It also has various planned cost containment initiatives for 2024-25 to 2027-28 which it estimates will save a total of $3.1 million over the four-year period.[113] We consider the size of these savings shows the council has sufficiently pursued efficiency gains over this period, relative to its size.

The council also engaged the Institute of Regional Futures at the University of Newcastle to provide an Efficiency Report. This Efficiency Report concluded the council is operating at near-optimal efficiency compared to rural councils in NSW. It also stated that "future planned improvements will see Federation Council performing at the efficient frontier."[114]

The sections below discuss our assessment of Criterion 5 in more detail.

8.1 Stakeholder comments on productivity and cost containment

Some submissions to IPART expressed that the council should:

- improve its own efficiency to cover the revenue shortfall instead of applying for an SV
- improve its labour productivity
- prioritise necessary services and maintenance instead of non-essential projects or assets such as the Corowa Aquatic Centre
- reduce the amount it spent on consultants.

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

We received 537 responses. Of these, more than three-quarters disagreed or strongly disagreed that the council is effective in providing infrastructure and services for the community while about 8% agreed or strongly agreed, and the remainder neither agreed or disagreed. Around 80% disagreed or strongly disagreed that the council had explained past, or future cost-saving strategies. The full results are presented in Figure C.4 in Appendix C.

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

8.2 The council's information on realised and proposed productivity savings

The council has told us it implemented a range of cost containment initiatives with savings calculated at over $4.3 million for the five-year period from 2019-20 to 2023-24.[115]

It also has various planned cost containment initiatives with estimated impacts for 2024-25 to 2027-28 which will save a total of $3.1 million over the four-year period.[116] It is also investigating several other productivity improvements and cost containment strategies, which have not yet been incorporated into the LTFP.

8.3 Our analysis of the council's information on productivity savings

We analysed the information the council provided on its realised and proposed productivity improvements and cost containment strategies.

8.3.1 Realised productivity improvements and cost containment to date

We found that the council has made some productivity and cost containment gains with past savings calculated at over $4.3 million for the five-year period from 2019-20 to 2023-24.[117] We note around $3.5 million of the total cost savings were identified for 2019-20 to 2022-23 in its 2023-24 SV application.[118] In 2023-24, the council realised further savings of around $823,000,[119] which is around 2.1% of total expenses from continuing operations for 2024-25 which were around $38.2 million.[120]

We consider the size of these savings shows the council has sufficiently pursued efficiency gains over this period, relative to its size.

The council indicated in its application that the savings are the result of the following initiatives:

- implementing various technology improvements to reduce staff time and other costs, and reducing risk to the council
- reducing the cost of energy by transitioning to LED lighting, conducting energy audits and implementing energy-efficient IT infrastructure and equipment to reduce electricity consumption and lower utility costs
- disposing of underutilised assets by selling vacant industrial land and excess vehicles
- protecting and increasing revenue streams by introducing fees for civil works and inspections
- improving financial management practices
- reducing service levels. [121]

8.3.2 Proposed productivity improvement and cost containment strategies in coming years

We found that the council's application outlines various current cost containment initiatives across the same areas outlined in the previous section with estimated impacts for 2024-25 to 2027-28 which will save a total of $3.1 million over the four-year period. This includes around $504,000 in cost savings for 2024-25, which represents 1.3% of total expenses from continuing operations.[122] These proposed initiatives have been incorporated into its LTFP.[123]

It is also investigating several other productivity improvements and cost containment strategies, which have not yet been quantified or incorporated into the LTFP. These include:

- bringing project management inhouse
- bringing capital projects works delivery inhouse
- review rostering practices to enable the delivery of efficient and effective council services
- providing investigation training to reduce external cost factors for investigations
- investigating work patterns to reduce the risk of inefficiency (such as reducing errors, and rework)
- improving internal communication
- developing and embedding appropriate policies and strategies around leave & wellbeing
- developing an effective staff development program to develop leaders, support trainees and apprentices and provide other staff with skills required to be most effective
- implementing GPS tracking of vehicles. [124]

During 2023, the council engaged the University of Newcastle to conduct a financial sustainability review to identify opportunities to improve its financial sustainability and operational performance.[125] The council's application notes that it has been working to implement the list of recommendations including efficiency measures and receives quarterly progress updates, including embedding the notion of 'every dollar counts' in its decision-making. [126] As part of the recommendations, the council has begun undertaking service reviews in 2024 which are monitored by the Audit Risk and Improvement Committee.[127]

The Efficiency Report produced by the Institute of Regional Futures at the University of Newcastle notes that Federation Council is already operating at near-optimal efficiency compared to rural councils in NSW and that "future planned improvements will see Federation Council performing at the efficient frontier."[128]

8.4 Indicators of the council's efficiency

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

We found that between 2018-19 and 2022-23, the council's:

- number of full time equivalent (FTE) staff, on average, decreased by 2.4% each year
- average annual cost per FTE increased by an average of 3.5% nominal per annum

- employee costs as a percentage of operating expenditure have slightly increased by 1.3% each year.

We also found that the council has:

- less staff per population than the Group 11 average – it has one FTE for every 79.4 residents, whereas the Group 11 average is one FTE for every 76.5 residents
- lower operating expenditure per capita than the Group 11 average.

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

Table 8.1 Trends in selected efficiency indicators for Federation Council

Performance indicator	2019-20	2020-21	2021-22	2022-23	2023-24	Average annual change (%)
FTE staff (number)	180	177	170	176	163	-2.4
Ratio of population to FTE	69.2	70.3	74.1	72.8	79.4	3.5
Average cost per FTE ($)	72,383	80,718	83,241	79,420	100,791	8.6
Employee costs as % of operating expenditure (General Fund only) (%)	26.0	24.2	23.4	28.6	27.4	1.3

Source: OLG, Time Series Data 2023-24, IPART calculations.

Table 8.2 Select comparator indicators

	Federation Council	OLG Group 11 Average	NSW Average
General profile			
Area (km2)	5,685	6,530	5,527
Population	12,939	14,565	65,577
General Fund operating expenditure ($m)	39.3	49	115.1
General Fund operating revenue per capita ($)	4,634	4,425	na
Rates revenue as % of General Fund income (%)	23.2	26	41.4
Own-source revenue ratio (%)	35.7	47	64.9
Productivity (labour input) indicators			
FTE staff	163.0	190.3	400.9
Ratio of population to FTE	79.4	76.5	163.6
Average cost per FTE ($)	100,791	92,745	110,014
Employee costs as % of operating expenditure (General Fund only) (%)	27.4	31	36.2
General Fund operating expenditure per capita ($)	3,040	3,379	1,755

Source: OLG, Time Series Data 2023-24 and IPART calculations.

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

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

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

Since IPART was delegated the function of granting SVs in 2010, IPART has granted two SVs to the council, each tailored to address specific funding needs, as well as an Additional Special Variation. We have reviewed the extent to which the council has complied with the conditions imposed on each SV.

In 2021-22, a permanent increase of 8% was approved to increase its general income in order to fund the ongoing operating expenditure of Corowa Aquatic Centre.[129] As conditions of this approval, the council was required to:[130]

- use the additional income for the purposes of funding the ongoing operating expenditure for the Corowa Aquatic Centre
- In its annual reports from 2021-22 to 2030-31 report:
  - any significant differences between the proposed and actual program of expenditure that was funded by the SV, with reasons for the differences
  - outcomes achieved as a result of the SV
  - actual revenues, expenses and operating balance against forecasts provided in its 2021-22 to 2031-32 LTFP and report on significant differences.

The council indicated in its current SV application that these details are in its 2023-24 annual report.[131] Upon review of the council's annual reports for 2021-22 to 2023-24, we consider that the council has largely complied with these conditions. The 2021-22 annual report did report the council's financial performance in delivering the Corowa Aquatic Centre, including its actual income and expenditure, but it did not report them against the projections for its 2021-22 to 2031-32 LTFP. We have reviewed the council's 2022-23 and 2023-24 annual reports and have assessed that the council has complied with these conditions.

In 2023-24, the council applied for a permanent SV of 74.59% over 4 years.[132] Instead, it was granted a temporary SV of 39.2% over 2 years.[133] The conditions for its approval are that the council must report in its annual report for each year from 2023-24 to 2024-25 (inclusive):

- the program of expenditure that was actually funded by the additional Income, and any differences between this program and the proposed program

- any significant differences between the council's actual revenues, expenses and operating balance and the projected revenues, expenses and operating balance, and the reasons for those differences
- the outcomes achieved as a result of the additional income
- the productivity savings and cost containment measures the council has in place, the annual savings achieved through these measures, and what these savings equate to as a proportion of the council's total annual expenditure
- whether or not the productivity improvements identified in its application have been implemented, and if not, the rationale for not implementing them. [134]

The council indicated in its current SV application that it has complied with these conditions in its 2023-24 annual report.[135] We have reviewed the council's 2023-24 annual reports and have assessed that the council has complied with these conditions.

In addition, IPART approved a permanent Additional Special Variation (ASV) of 2.5% for the 2022-23 year.[136] As summarised below, the conditions of the approval are that the council in its 2022-23 annual report must outline:

- its actual revenues, expenses, operating results against projections provided in its ASV application
- any significant differences between the actual and projected revenues, expenses, operating results
- the additional income raised by the ASV. [137]

The council indicated in its current SV application that it has complied with these conditions in its 2022-23 report.[138] We have reviewed this annual report and have assessed that the council has complied with these conditions.

Overall, we found that the council has generally met the conditions imposed on previous SVs.

10 IPART's decision on the special variation

Based on our assessment of the council's application against the 6 OLG criteria and consideration of stakeholder feedback, we have approved in full the council's proposed permanent SV to general income from 2025-26 to 2026-27.

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

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

	Retain temporary SV in 2025-26	2025-26	2026-27
Annual increase (%)	33.0	19.0	11.80
Cumulative increase (%)			69.94

Source: IPART calculations.

Our *Instrument Under Section 508A of the Local Government Act 1993 - Special Variation for Federation Council for 2025-26* gives legal effect to this decision and sets out the conditions of approval.

10.1 Reasons for our decision

We made this decision after balancing the council's financial need for additional income to deliver its core services with the impact of the proposed rates increase on its ratepayers.

Federation Council previously applied for a permanent SV of 74.59% over 4 years from 2023-24 to 2026-27 to fund asset renewals and improve its financial sustainability.[139] Instead, IPART granted the council a temporary SV of 39.2% for 2 years from 2023-24 to 2024-25.[140] We found that the council's 2023-24 application had shortcomings in its community consultation process.[141] The council did not clearly communicate the cumulative percentage increase, and it did not provide the baseline scenario in the LTFP until December 2022, after its initial consultation period in May 2022.[142] However, we noticed a marked improvement in the council's community consultation in this SV application compared to its previous SV application.

The proposed rate increase above the rate peg in the council's current SV application remains consistent with the size of the increase over the 4-year period from 2023-24 to 2026-27 in its previous SV application. The approved permanent SV will replace the existing temporary SV which expires at the end of 2024-25.

We found that the financial need identified in their previous SV application[143] persists in their current SV application as the additional income is needed for the council to renew infrastructure and continue delivering the services in its adopted plans. Currently, the council's operating expenses exceed its revenue, and without the SV, this gap would continue to worsen over the next 10 years. The council stated in its application that more than half of the additional income will be used for asset renewals including roads,[144] which are a priority for the community.[145]

We found that the council's community consultation process was satisfactory. The council communicated key information including the full cumulative increase of the proposed SV to the community, used a variety of engagement methods, and the IP&R documents clearly set out the extent of the general fund rate rise under the SV.

We acknowledge that the majority of feedback we received expressed that the proposed rates increase is likely to create affordability challenges, particularly with the current cost-of-living pressures. We found that, on balance, the council demonstrated the impact on ratepayers is generally reasonable, considering its current rates and the community's capacity to pay. With the approved SV, we found the council's average residential and business rates for the next 2 years are within the range of comparable councils. We found that the council's average farmland rates are above the range of comparable councils. However, the council stated the rate revenue relative to income for farmland ratepayers is low compared to other council areas.[146] In response to community feedback, the council has updated its hardship policy by adding a rates assistance program to assist vulnerable ratepayers, and enabled pensioners to defer rates to their estate.[147] The hardship policy also offers short and long-term payment plans for ratepayers experiencing financial hardship.[148]

The council has continued pursuing productivity improvements since its previous SV application in 2023-24. It listed and quantified cost savings of approximately $4.3 million in past savings over 5 years, $3.5 million of which had been identified in its previous SV application and around $823,000 for 2023-24.[149] It also identified and quantified $3.1 million in future improvements from 2024-25 to 2027-28 which are outlined in the LTFP.[150] We consider the council has sufficiently pursued efficiency gains over this period, relative to its size. It will still need to continue to deliver on these productivity improvements, as rates increases alone are insufficient to achieve long-term financial stability.

We found that the council generally met the reporting conditions attached to its two previously approved SVs and one ASV.

10.2 We have put conditions on the special variation

The approved special variation is subject to the following conditions:

- The council use the additional income for the purpose of funding the proposed program (see Table B.2 in appendix B).
- The council report in its annual report for each year from 2025-26 to 2031-32 (inclusive):
  - the program of expenditure that was actually funded by the additional income, and any differences between this program and the proposed program in Table B.2
  - any significant differences between the council's actual revenues, expenses and operating balance and the projected revenues, expenses and operating balance as outlined in the Long-Term Financial Plan, and the reasons for those differences
  - the outcomes achieved as a result of the additional income
  - whether or not the council has implemented the productivity improvements as set out in Appendix B, and

i if so, the annual savings achieved through these measures, and what these equate to as a proportion of the council's total annual expenditure, and

ii if not, the rationale for not implementing them

– any other productivity and cost containment measures the council has in place, the annual savings achieved through these measures, and what these savings equate to as a proportion of the council's total annual expenditure.

10.3 Impact on ratepayers

IPART sets the maximum allowable increase in the council's general income, but the council determines how it allocates any increase across different categories of ratepayer. Based on what the council has told us in its application, the expected impacts on ratepayers under the approved SV are shown in Table 10.2 below.

This shows that from 2025-26 to 2026-27, if the council chooses to increase rates so as to recover the maximum permitted general income under the approved SV:

- the average residential rate would increase by $318 or 33.1%
- the average business rate would increase by $590 or 33.0%
- the average farmland rate would increase by $1,770 or 33.0%

The total cumulative percentage increases in Table 10.2 appear lower than the approved SV of 69.94% because the 2024-25 average rates already include the temporary SV which is expiring at the end of 2024-25. The council applied to replace and extend the current temporary SV with a permanent SV.

Table 10.2 Indicative annual increases in average rates under the approved SV (2024-25 to 2026-27)

	2024-25 (Current)	2025-26	2026-27	Cumulative increase
Residential average rates ($)	961	1,144	1,279	
$ increase		183	135	318
% increase		19.0	11.8	33.1
Business average rates ($)	1,785	2,124	2,375	
$ increase		339	251	590
% increase		19.0	11.8	33.0
Farmland average rates ($)	5,357	6,377	7,127	
$ increase		1,020	750	1,770
% increase		19.0	11.8	33.0

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

10.4 Impact on the council

Our decision means that the council may increase its general income by $5.3 million in 2025-26, and $1.8 million in 2026-27. These increases can remain in the rates base permanently. When the temporary SV expires in 2024-25, the increase will be removed from the council's rate base on 1 July 2025. The $5.3 million is the increase in general income in 2025-26 after this occurs.

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

Table 10.3 Permissible general income of council from 2025-26 to 2026-27 from the approved SV

	2025-26	2026-27
Increase approved (%)	52.01	11.80
Cumulative increase approved (%)		69.94
Increase in PGI ($'000)	5,266.6	1,816.4
Cumulative increase in PGI ($'000)		7,083.0
PGI ($'000)	15,393.2	17,209.6

Source: IPART calculations.

This extra income will enable the council to:

- continue its journey to improved financial sustainability
- address infrastructure maintenance and renewal shortfalls
- maintain other legislated services and non-legislated services where possible. [151]

With the SV, the council's projected:

- OPR will improve and reach around 0.8% in 2026-27, in line with OLG benchmark of greater than 0% – as shown in Figure 4.1 in Chapter 4. Even with the SV, the forecast average OPR over the next 10 years would remain below 0% and would not meet the OLG benchmark.
- net cash to income ratio, which is currently projected to decline, will improve and reach around 33.3% in 2027-28, averaging 28.0% over the next 5 years – as shown in Figure 4.2 in Chapter 4.

Appendices

A Assessment criteria

A.1 Special Variations assessment materials

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

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

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

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

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

Criterion 1: Financial need

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

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

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

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

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

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

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

Criterion 2: Community awareness

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

Criterion 3: Impact on ratepayers is reasonable

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

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

In assessing the impact, IPART may also consider:

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

Criterion 4: IP&R documents are exhibited

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

Criterion 5: Productivity improvements and cost containment strategies

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

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

Criterion 6: Any other matter that IPART considers relevant

Any other matter that IPART considers relevant.

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

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

B Federation Council projected revenue, expenses and operating balance

As a condition of IPART's approval, the council is to report until 2031-32 against its proposed SV expenditure and projected revenue, expenses and operating balance as set out in its LTFP (see Table B.1 and Table B.2) It also needs to report on its progress against productivity improvements and cost containment strategies that it set out in its application and as summarised below.

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

B.1 Productivity improvements and cost containment strategies

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

As set out in the council's response in section 7.3(a) of its SV application Part B, it included:

- implementing technology improvements to reduce staff time and other costs, and reducing risk to the council
- reducing the cost of energy by transitioning to LED lighting, conducting energy audits and implementing energy-efficient IT infrastructure and equipment to reduce electricity consumption and lower utility costs
- disposing of underutilised assets by selling vacant industrial land and excess vehicles
- protecting and increasing revenue streams by introducing fees for civil works and inspections
- improving financial management practices
- reducing service levels.[152]

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

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34
Total revenue	36,541	38,877	37,374	40,104	38,949	39,951	40,967	41,986	42,823
Total expenses	37,779	38,304	39,322	40,890	41,564	42,713	43,814	45,429	46,504
Operating result from continuing operations	-1,238	573	-1,948	-786	-2,615	-2,762	-2,847	-3,443	-3,681
Net operating result before capital grants and contributions	-1,238	573	-1,948	-2,909	-2,615	-2,762	-2,847	-3,443	-3,681
Cumulative net operating result before capital grants and contributions	-1,238	-664	-2,613	-5,521	-8,136	-10,898	-13,745	-17,188	-20,869

Note: Numbers may not add due to rounding.

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

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

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35
Operating Expenditure										
Increase roads, footpaths and drainage maintenance - Material & Services	-	-	1,774	1,836	1,900	1,967	2,036	2.107	2.181	2,257
Increase roads, footpaths and drainage maintenance - Employee cost	-	-	665	688	712	737	763	790	818	847
Capital Expenditure (Asset Renewals)										
Sealed Roads	1,182	1,223	1,266	1,311	1,357	1,404	1,453	1,504	1,556	1,610
Unsealed Roads	244	253	262	270	280	290	301	311	322	333
Bridge	-	-	-	4,246	-	-	-	-	-	-
Kerb and Channel	52	54	55	57	59	61	64	66	68	70
Footpaths and Pathways	52	53	56	58	60	62	63	66	69	71
Building	326	461	399	688	712	738	763	790	818	847
Stormwater drainage	352	364	376	390	404	418	433	448	463	479
Plant, machinery and equipment	491	434	125	322	490	413	525	512	530	549

Note: Numbers may not add due to rounding.

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

C Results of IPART's public consultation feedback form

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

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

We accepted responses for 4 weeks from 25 February 2025 to 24 March 2025.

We received 537 responses on Federation Council's SV application.

Some results are presented in Chapter 3 of this report and throughout our assessment in chapters 3 – 6, as relevant. This appendix provides the results for questions about affordability, awareness of the SV, and the council's past and proposed cost management strategies. It also provides the breakdown of the categories of ratepayers that responded.

We note that while this was a survey-style feedback form, it was not a statistically representative survey. Respondents were able to self-select to provide feedback and the results may not be representative of the whole community's views.

Table C.1 Responses to reasons that oppose the proposed rate increase

Reasons for opposing the proposed rate increase	Number of responses	Percentage of responses
Cost of living pressures are too high to afford a rate increase	427	80%
The Council has not been effectively managing its budget	447	83%
The Council is not effectively managing its infrastructure	371	69%
I disagree with the purpose of the proposed rate increase	240	45%
I disagree with the size of the proposed rate increase	425	79%
I disagree with the proposed rates structure	216	40%
I have other concerns that are not listed here	163	30%
I have no concerns with the proposed rate increase	34	6%

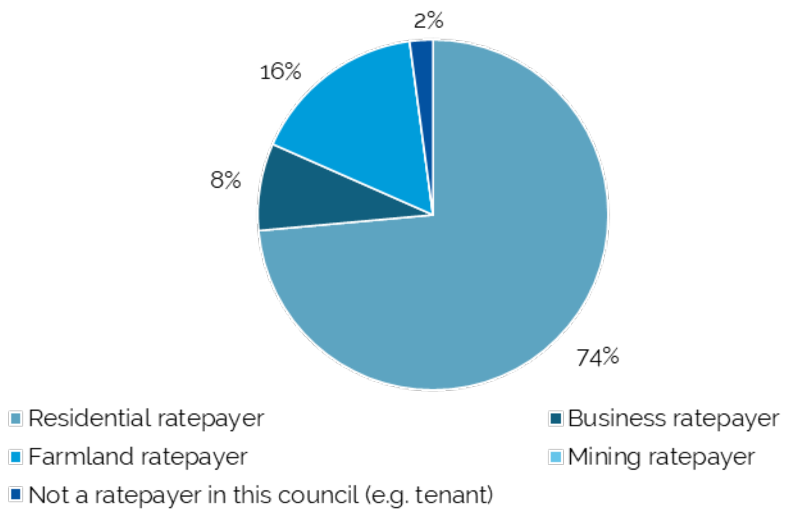
a. The total number of responses for each question was 537. This was a self-selected survey and we cannot guarantee that each response was a unique user. These results may not represent the distribution of ratepayer types in the council area.
b. The reasons were provided by IPART. The respondents were able to select multiple answers.
Source: IPART

Table C.2 Responses to reasons that support the proposed rate increase

Reasons for supporting the proposed rate increase	Number of responses	Percentage of responses
Current infrastructure needs to be fixed or upgraded with increased funding	206	38%
Current services are inadequate and need more funding	132	25%
I recognise that the council has financial sustainability issues which the funding will help address	122	23%
I agree with the purpose of the special variation	39	7%
I agree with the proposed rates structure	24	4%
I have other reasons for supporting the proposal not listed here	26	5%
I have no reasons to support the proposed rate increase	263	49%

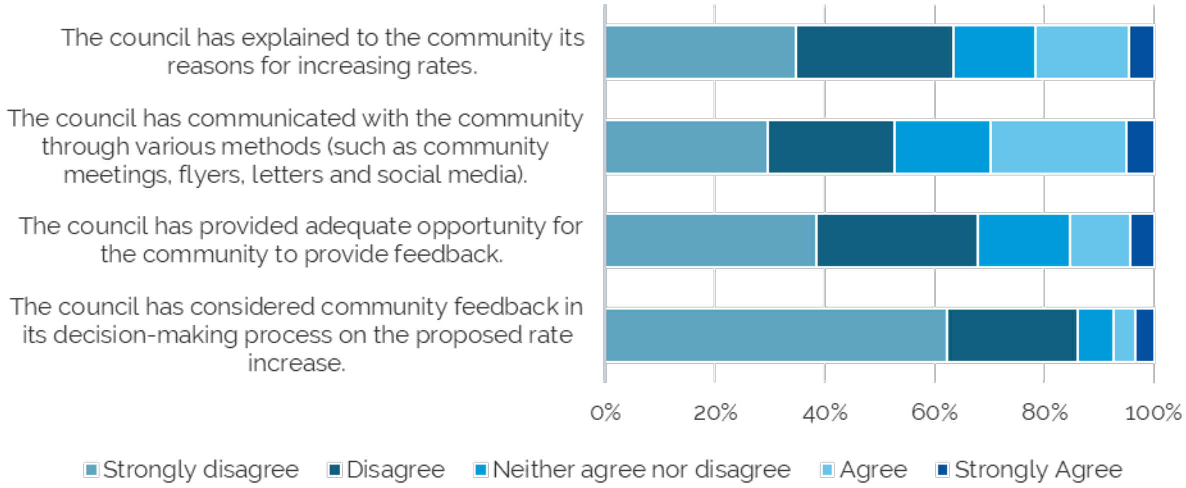
a. The total number of responses for each question was 537. This was a self-selected survey and we cannot guarantee that each response was a unique user. These results may not represent the distribution of ratepayer types in the council area.
b. The reasons were provided by IPART. The respondents were able to select multiple answers.
Source: IPART

Figure C.1 Respondent ratepayer types



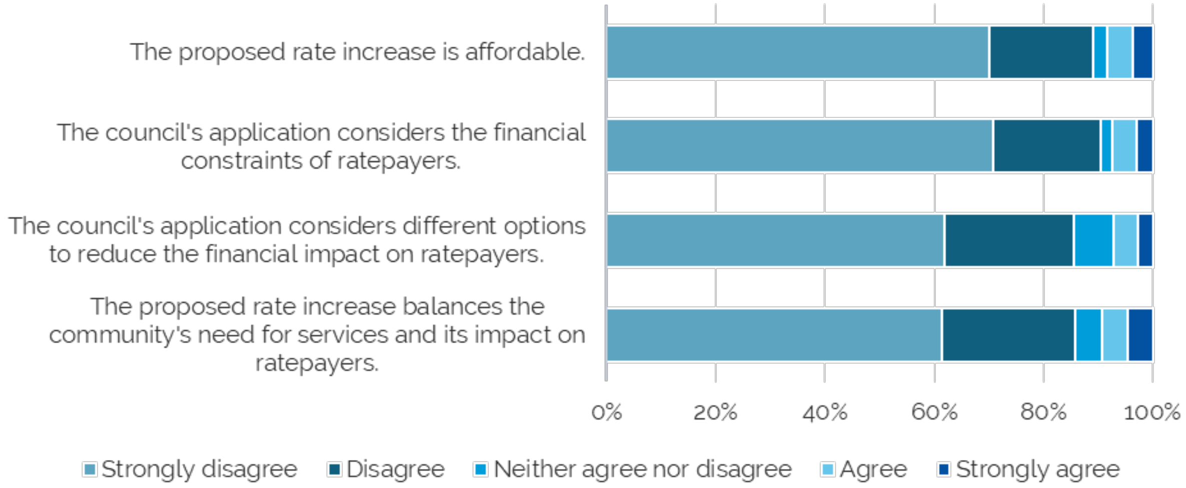
Note: The total number of responses for each question was 537. This was a self-selected survey and we cannot guarantee that each response was a unique user. These results may not represent the distribution of ratepayer types in the council area.
Source: IPART

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



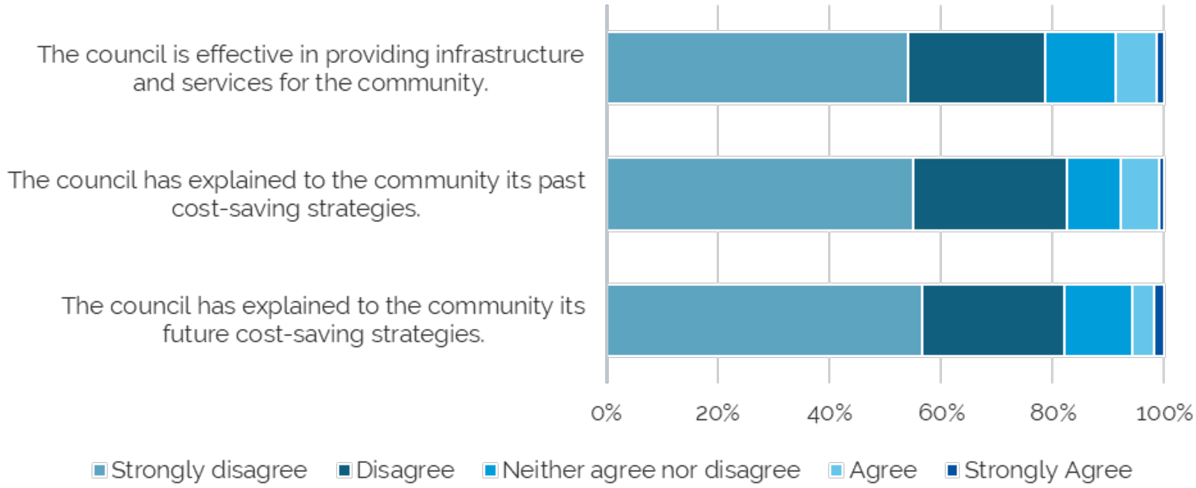
Note: The total number of responses for each question was 537. The numbers in the chart show the number of respondents that selected that response. This was a self-selected survey and we cannot guarantee that each response was a unique user. These results may not be representative of the whole community's views.
Source: IPART

Figure C.3 Responses to questions about affordability



Note: The total number of responses for each question was 537. The numbers in the chart show the number of respondents that selected that response. This was a self-selected survey and we cannot guarantee that each response was a unique user. These results may not be representative of the whole community's views.
Source: IPART

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



Note: The total number of responses for each question was 537. The numbers in the chart show the number of respondents that selected that response. This was a self-selected survey and we cannot guarantee that each response was a unique user. These results may not be representative of the whole community's views.
Source: IPART

D Glossary

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

[1] Federation Council, Application Part B, February 2025, p 3.
[2] Federation Council, Application Part B, February 2025, p 4.
[3] Federation Council, Application Part B, February 2023, pp 8-9.
[4] IPART, LG Determination – Federation Council Special Variation Application for 2023-24, June 2023, p 1.
[5] Federation Council, Application Part B, February 2025, p 14.
[6] Federation Council, Application Part B, February 2023, pp 8-9.
[7] IPART, LG Determination – Federation Council Special Variation Application for 2023-24, June 2023, p 1.
[8] IPART, LG Determination – Federation Council Special Variation Application for 2023-24, June 2023, p 3.
[9] IPART, LG Determination – Federation Council Special Variation Application for 2023-24, June 2023, p 3.
[10] Federation Council, Application Part B, February 2023, p 9.
[11] Federation Council, Application Part A, February 2025, WS8 – Expenditure Program.
[12] Micromex Research, Federation Council Community Research 2024, October 2024, p 8.
[13] Federation Council, Application Part B, February 2025, p 28.
[14] Federation Council, Debt Management and Hardship Policy, August 2024, pp 7-8.
[15] Federation Council, Debt Management and Hardship Policy, August 2024, p 6.
[16] Federation Council, Application Part B, February 2025, pp 35-41.
[17] Federation Council, Application Part B, February 2025, pp 41-46.
[18] Federation Council, Application Part B, February 2025, pp 8-9.
[19] Federation Council, Application Part B, February 2025, p 17.
[20] Federation Council, Community Engagement Materials, February 2025, p 4.
[21]. Institute for Regional Futures at University of Newcastle, Federation Council Community Engagement Report, August 2024, p 19.
[22] Institute for Regional Futures at University of Newcastle, Report on Pre-Consultation Engagement with Stakeholder Groups, May 2024, p 1.
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