IPART Independent Pricing and Regulatory Tribunal | NSW

Gunnedah Shire Council

Special Variation and Minimum Rate 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.

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1 Executive summary

Gunnedah Shire Council applied to IPART to permanently increase its general income by 37.67% over 2 years from 2025-26 to 2026-27.

It also applied to increase its minimum rates in 2025-26 by 14.95% for residential ordinary, residential rural, residential Gunnedah and farmland rating categories, and 14.89% for business Gunnedah ratepayers. For 2026-27, it applied to increase its minimum rates by 14.89% for the above residential and farmland ratepayers and 14.88% for business Gunnedah ratepayers.

We approved the SV application.

We also approved its application to increase its minimum rates.

Gunnedah Shire Council (the council) applied to IPART [a] to increase its general income through a permanent special variation (SV) of 37.67% over 2 years from 2025-26 to 2026-27. [1] This included an increase of 18.00% in 2025-26 and 16.67% 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 Gunnedah Shire Council's SV application

	2025-26	2026-27
Annual increase (%)	18.00	16.67
Cumulative increase (%)		37.67
Additional annual income ($'000)	2,863.0	3,150.1

The council advised us it sought the SV to:

- improve its financial sustainability by addressing a significant operating deficit in the general fund
- maintain its general fund assets in line with its asset management plans, particularly roads, buildings, and open space assets
- reduce the heavy reliance on grant funding for asset renewals
- provide capacity to address the backlog of asset maintenance and renewal works, particularly those related to roads and buildings
- address its unrestricted cash position that is currently forecast to go into a negative balance in year three of the council's Long Term Financial Plan (LTFP). [2]

[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.

The council also applied to increase its minimum rates (MR) for some of its rating subcategories. For 2025-26, it applied to increase its minimum rates by 14.95% for its residential ordinary, residential rural, residential Gunnedah and farmland rating categories and 14.89% for the business Gunnedah rating subcategory.[3] For 2026-27, it applied to increase its minimum rates by 14.89% for farmland and the above residential rating subcategories, and 14.88% for the business Gunnedah rating subcategory.[4] This means that the minimum rates would increase from $555 to $733 for the above residential and farmland categories and from $544 to $718 for the business Gunnedah rating subcategory by the end of the 2-year period (Table 1.2).[5]

Table 1.2 Annual minimum rates under Gunnedah Shire Council's application ($)

Rates category	2025-26	2026-27
Residential – Ordinary	638	733
Residential – Rural	638	733
Residential – Gunnedah	638	733
Business – Gunnedah	625	718
Farmland	638	733

1.1 IPART's decision

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

Table 1.3 Maximum increase in general income under our decision

	2025-26	2026-27
Annual increase (%)	18.00	16.67
Cumulative increase (%)		37.67
Additional annual income ($'000)	2,863.0	3,150.1

We also approved the council's application to increase its minimum rates, as set out in Table 1.2.

Table 1.4 Approved minimum rates ($)

Rates category	2025-26	2026-27
Minimum rate – Residential Ordinary	638	733
Minimum rate – Residential Rural	638	733
Minimum rate – Residential Gunnedah	638	733
Minimum rate – Business Gunnedah	625	718
Minimum rate – Farmland	638	733

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 11.

Our:

- *Instrument Under Section 508A of the Local Government Act 1993 - Special Variation for Gunnedah Shire Council for 2025-26,* and
- *Instrument Under Section 548(3)(a) of the Local Government Act 1993 – Minimum Rates for Gunnedah Shire Council for 2025-26*

give legal effect to these decisions and set 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 financial need for additional income to deliver its core services with the impact of the proposed rates increase on its ratepayers. Currently, the council's operating expenses exceed its revenue, and without the SV, this gap would continue to widen over the next 10 years. This is unsustainable if the council is to continue delivering the services and infrastructure in its adopted plans.

We acknowledge that some stakeholders told us that the proposed rates increase is likely to create affordability challenges, particularly with the current cost-of-living pressures. Although the increase is large, on balance, we found that the council demonstrated the impact on ratepayers is generally reasonable, considering its current rates and the community's capacity to pay.

We found that the council's community consultation process was satisfactory, with the council engaging in two rounds of consultation for its proposed SV. We note the council responded to community feedback from its first round by reducing the size of its initial proposed SV of 38.88% to 37.67%. The council also reduced the impact on residential, business and farmland rating categories to around 32% by shifting a larger proportion of the rating burden to mining rates, which would increase by around 85%. The council subsequently consulted with the community on its revised proposed SV with a variety of engagement methods.

In addition, the population of Gunnedah Shire Council's LGA has less socio-economic disadvantage than comparable councils based on a consideration of socio-economic indicators, including median household income. The council has a hardship policy in place to assist vulnerable ratepayers.[6] The council also noted it has resolved to freeze increases to domestic waste management and sewerage charges during the SV period if the SV application is approved, in consideration of the proposed SV's impact.[7]

We also heard concerns from ratepayers that provided feedback around how well the council manages its budget and how efficiently it operates. As part of our assessment, we considered whether the council had pursued productivity savings. The council demonstrated it has delivered some productivity improvements and put in place cost containment strategies in the past, with around $244,000 in ongoing cost savings each year, or around 0.5% of total expenditure for 2024-25. It also laid out a future plan to achieve further improvements that are proportionate to its size and resources, although none of them have been incorporated into the LTFP and most of them have not been quantified. It will still need 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 past SVs – an Additional Special Variation (ASV) approved in 2022-23 and a permanent SV of 39.7% in 2013-14 over 4 years. Although the council initially failed to report on them as required in 2013-14, the 2014-15 annual report contains the disclosures for 2013-14 and 2014-15. We consider the council has largely reported on the conditions in its annual reports.

We have attached reporting conditions to our approval of this SV and we expect the council to 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 improve its financial sustainability, and address its backlog of infrastructure maintenance and renewal, as well as its unrestricted cash position that is currently forecast to go into a negative balance in year three of the council's LTFP.
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. The council also considered the feedback provided by the community and modified its proposed SV as a result.
03	Demonstrated	**Reasonable impact on ratepayers**

Criteria	Grading	Assessment
		The council demonstrated that the impact on ratepayers is generally reasonable. The council assessed and concluded the community has the capacity to pay its proposed rates increases. Our analysis found that with the SV, the council's average residential rates would be below the averages of comparable councils based on locality, but higher than the averages for comparable councils based on SEIFA rank and OLG group in the final year of the SV. However, we note the median household income in the council's area is higher than in comparable council areas. The council also resolved to freeze increases to its domestic waste management and sewerage annual charges during the SV period, in consideration of the proposed SV's impact.
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 outlined that its past productivity improvement and cost containment initiatives have resulted in ongoing savings of around $244,000 per year (0.5% of total expenditure for 2024-25) and around $403,000 in one-off savings. It also outlined some planned initiatives that it is currently investigating, most of which were not quantified. The council indicated that it has not incorporated the impact of future initiatives into its LTFP. Since its previous SV in 2013-14, it has made efforts to contain costs and improve efficiency, including implementing a service review program.
06		**Other matters IPART considers relevant** The council has generally complied with the conditions attached to SVs it was granted in the past 10 years. It had an Additional Special Variation (ASV) approved in 2022-23 and a permanent SV of 39.7% in 2013-14 over 4 years. After initially failing to report as required in 2013-14, it rectified this in its subsequent annual report for 2014-15. The council has largely reported on the conditions in its annual reports.

To make our decision on the minimum rates increase application, we assessed the council's proposed increase against the 3 criteria set in the *Guidelines for the preparation of an application to increase Minimum Rates above the statutory limit* (OLG Minimum Rates Guidelines). We found that the proposed MR increase met all 3 criteria. Our assessment against each OLG criterion is summarised below.

Figure 1.2 Summary of our assessment against the OLG minimum rates criteria

Criteria	Grading	Assessment
01	Demonstrated	**Rationale for increasing minimum rates** The council explained that its proposed minimum rates increases would maintain a fair and equitable distribution of rates. It also explained that these increases would not make fundamental changes to the current rating structure. The percentage increases are in line with the SV increases the council applied for.
02	Demonstrated	**Impact on ratepayers** The council identified the cumulative MR increase by 2026-27 would be $178 for Ordinary Residential, Residential Rural, Residential Gunnedah and Farmland ratepayers and $174 for Business Gunnedah ratepayers. It indicated that around 604 ratepayers would be subject to one of these minimum rates categories.

Criteria	Grading	Assessment
03	Demonstrated	**Community awareness** The council showed it had made the community aware of the proposed increase in minimum rates and provided the reasoning for this increase. The council did not receive community feedback specific to minimum rates as part of its broader SV community consultation.

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.

Gunnedah Shire Council consulted on its proposed SV with its community using a variety of engagement methods. The council received 27 written submissions,[8] held public meetings attended by 420 participants,[9] and published website content that received 1,358 views across 2 rounds of engagement.[10]

The council has 6,484 rateable properties.

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 196 responses to our feedback form and 18 submissions on Gunnedah Shire Council's proposed SV. These submissions and responses raised concerns about the:

- affordability of the proposed rate increases
- council's financial management
- council's consultations with the community
- equity of the current rating system.

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.[11]

The council has proposed to increase rates as set out in Table 1.5. It retains the discretion to revise how it raises its general income across the rating categories. We encourage the council to consult with its community to decide how best to implement the increase and any changes to the rating structure.

Our determination also sets out the maximum increase by which the council can increase its minimum rates over the 2-year period in Table 1.6.

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 1.5 Average rates increases under the approved SV

	2025-26	2026-27	Cumulative increase
Residential	15.0%	15.0%	32.3%
Business	15.0%	15.0%	32.2%
Farmland	15.0%	15.0%	32.2%
Mining	43.9%	28.8%	85.3%

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.

Table 1.6 Approved Minimum Rates ($)

	2025-26	2026-27
Residential – Ordinary	638	733
Residential – Rural	638	733
Residential – Gunnedah	638	733
Business – Gunnedah	625	718
Farmland	638	733

Source: IPART calculations.

The rest of this report explains how and why we reached our decision on Gunnedah Shire Council's special variation application and minimum rate increase applications in more detail.

2 The council's special variation and minimum rate increase applications

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 37.67% 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

	2025-26	2026-27
Annual increase (%)	18.00	16.67
Cumulative increase		37.67
Additional annual income ($'000)	2,863.0	3,150.1

Source: Gunnedah Shire Council Application Part A, WS 2 and WS 6

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:

- improve its financial sustainability by addressing a significant operating deficit in the general fund
- maintain its general fund assets in line with its asset management plans, particularly roads, buildings, and open space assets
- reduce the heavy reliance upon grant funding for asset renewals
- provide capacity to address the backlog of asset maintenance and renewal works, particularly those related to roads and buildings
- address its unrestricted cash position that is currently forecast to go into a negative balance in year three of the Long Term Financial Plan. [12]

The council also applied to IPART to increase its minimum rates above the statutory limit. It applied to increase the residential ordinary, residential rural, residential Gunnedah and farmland minimum rates from $555 to $733, and the business Gunnedah minimum rates from $544 to $718. [13]

This represents increases in the council's minimum rates by 14.95% and 14.89% for 2025-26 and 2026-27 respectively, or 32.07% cumulatively for farmland and the above residential categories.[14] For the business Gunnedah category, the council's minimum rates would increase by 14.89% in 2025-26 and 14.88% in 2026-27 respectively, or 31.99% cumulatively over the SV period.[15] The council sought these minimum rate increases to maintain a fair and equitable distribution of rates.

2.1 Impact of the proposed special variation and minimum rates increase on ratepayers

The council proposed that rates would increase for all categories over the 2-years the SV is in place. It proposed that, on average: [16]

- **residential rates** by 2026-27 would increase by $356 or 32.3%
- **business rates** by 2026-27 would increase by $1,897 or 32.2%
- **farmland rates** by 2026-27 would increase by $1,719 or 32.2%
- **mining rates** by 2026-27 would increase by $270,148 or 85.3%.

The council also proposed that minimum rates would increase over the same 2-year period, as follows:

- **residential ordinary, residential rural, residential Gunnedah and farmland** rating categories would increase by $178 by 2026-27
- **business Gunnedah** rating category would increase by $174 by 2026-27.[17]

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

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

Ratepayer category	Number of rate notices
Residential	4,820
Business	513
Farmland	1,146
Mining	5
Total	**6,484**

Source: Gunnedah Shire 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.

Its analysis considered the levels of social disadvantage, vulnerable groups and household expenditure in the Gunnedah Shire local government area (LGA) relative to other areas.[18] It noted the LGA has a lower level of disadvantage compared to the New England and north west region, but a higher level of disadvantage compared with regional NSW, NSW and Australia.[19] Although there are pockets of significant wealth and advantage, there is also significant disadvantage.[20] The council observed that these areas with greater disadvantage have lower levels of home ownership, limiting the direct impact of the proposed SV.[21]

The council noted it has a relatively low proportion of outstanding rates at 3.86% (2024), which it viewed as a strong indicator of capacity to pay rates given that the Office of Local Government (OLG) benchmark for outstanding rates is less than 10% for regional and rural areas.[22]

It concluded that ratepayers do have capacity to pay, particularly if supported by appropriate hardship policies.[23] The council indicated that it has a financial hardship policy to assist ratepayers who have difficulty paying their rates.[24] The policy allows residents to enter different types of payment plans, and the council to waive, reduce or defer accrued interest and amounts owing.[25]

The council also noted it has resolved to freeze increases to annual domestic waste management and sewerage charges during the SV period if the SV application is approved, in consideration of the proposed SV's impact.[26]

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

The council estimated its proposed SV, reflecting a total cumulative increase of 37.67%, would increase its permissible general income from $16.0 million to $22.0 million after the 2 years, which would remain permanently in the rates base.[27]

2.4 Further information provided

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

- its permissible general income
- the forecast of its SV expenditure
- the reporting of key assumptions in the LTFP
- the future productivity and cost containment plans and its incorporation into the LTFP.

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

3 Stakeholders' feedback to IPART

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

As a further input to our assessment, we published the council's application on our website for a 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 196 responses to our feedback form and 19 total submissions from stakeholders, of which 7 were not confidential.

There are approximately 6,484 rateable properties in the council's local government area.[28] There are 4,820 residential assessments, 513 business assessments, 1,146 farming assessments, and 5 mining assessments.[29]

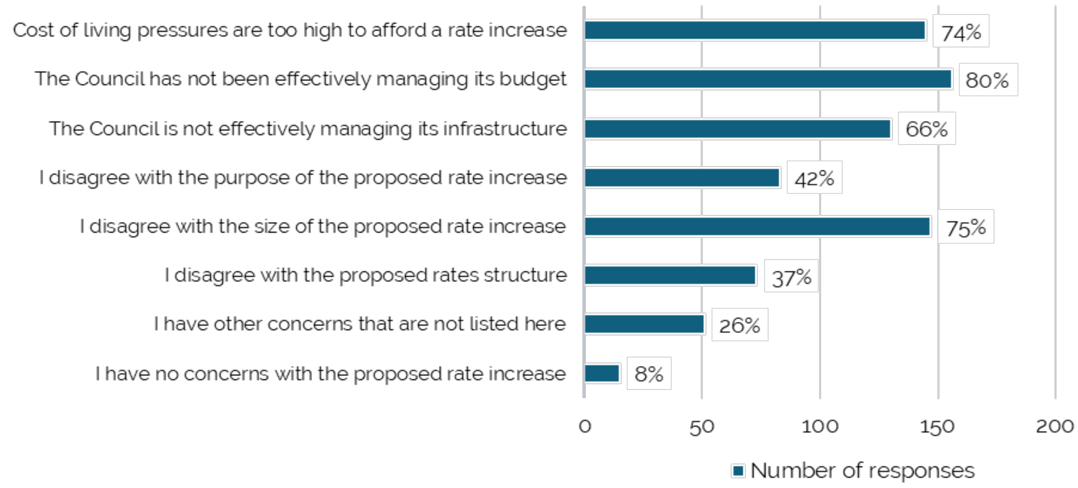
3.2 Responses to the feedback form

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 196 responses relating to Gunnedah Shire Council's application. Of these, 166 respondents (84.7%) were opposed to the proposed SV, 2 respondents (1.0%) were undecided, 14 respondents (7.1%) partly supported it, and 14 respondents (7.1%) 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.

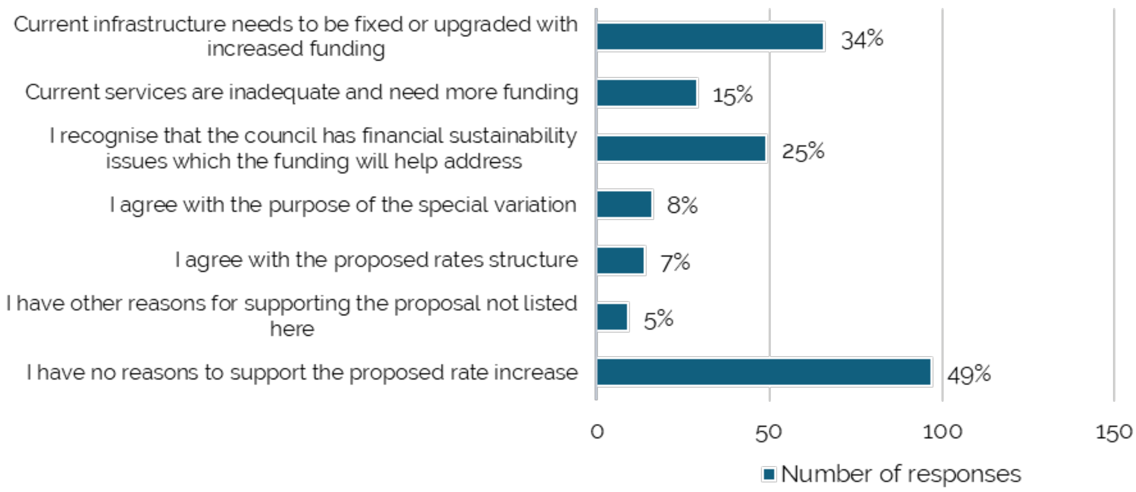
Figure 3.1 Reasons that respondents said they might oppose the proposed SV



Note: We received 196 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 196 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.[b]

3.3.1 Affordability of proposed rates increases

Most 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. Many of these said that the timing of the SV was poor in the current economic climate with increasing costs of living. They also raised concerns regarding potential business closures, and exacerbating challenges to farming ratepayers.

We have considered these concerns in Chapter 6.

3.3.2 The council's financial management

Some of the submissions raised concerns that the council has not used its resources efficiently and that the proposed SV is a way for the council to mitigate its financial mismanagement. A few submissions cited the council's spending on the koala park and airport upgrade as examples of the council's shortcomings. Another submission expressed the view that the council was overstaffed and was not operating efficiently.

The elected councillors are responsible for managing the council's 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. We have considered these concerns in Chapter 8.

3.3.3 The council's consultation with the community

A few submissions to us put the view that the council had not taken on stakeholders' feedback. They noted that the council had pursued an SV despite the strong community opposition at the consultation meetings the stakeholders indicated they had attended.

We have considered these in Chapter 5.

[b] 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.

3.3.4 Equity of the current rating system

A few submissions expressed concern that the current rating system is inequitable, with particular focus on business and farming rates. They stated their view that businesses and farmers currently pay disproportionately higher rates compared to the average ratepayer. Two submissions expressed the view that as rural ratepayers, they do not see any benefits from paying council rates and one submission noted they have to pay for rubbish disposal themselves. A stakeholder submitted that businesses will be further affected when town retail spending reduces due to the proposed SV.

We acknowledge stakeholders' concerns about the distribution of rates.

It is a matter for the council to determine the rating structure, including distribution of rates among ratepayers in compliance with the current regulatory framework. For example, the council cannot levy ordinary rates on exempt land [30], and must categorise land [31] according to the Local Government Act and regulations.[c] These requirements, which are outside the scope of IPART's role assessing SVs, may contribute to some stakeholders' sense of inequity in how rates are distributed.

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, among others.

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:

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

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

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

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, most 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 cutting the council's staff numbers and reducing its reliance on consultants.

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, identify and articulate the need for and purpose of the SV.

The documents state that the proposed SV of 37.67% over 2 years is needed to:

- improve its financial sustainability by addressing a significant operating deficit in the general fund
- maintain its general fund assets in line with its asset management plans, particularly roads, buildings, and open space assets
- reduce the heavy reliance upon grant funding for asset renewals
- provide capacity to address the backlog of asset maintenance and renewal works, particularly those related to roads and buildings
- address its unrestricted cash position that is currently forecast to go into a negative balance in year three of the Long Term Financial Plan. [32]

We found the IP&R documents canvassed alternatives to the SV. The LTFP has an alternative non-SV scenario which involves deferring the capital works program for 2025-26 and consulting with the community on which services to reduce. [33] The council's Delivery Program also mentions reducing service levels and disposing of underutilised assets. [34]

The Delivery Program also noted the efforts the council has made to contain costs and improve efficiency since its previous SV in 2013-14, including adopting a service review program. [35] The council also stated it has made around $244,000 in annual ongoing cost savings as well as around $403,000 in one-off savings.[36] The council also outlined further planned improvements for the future but did not quantify most of them or indicate when it specifically intended to carry out these initiatives. [37]

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.[38] 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*.

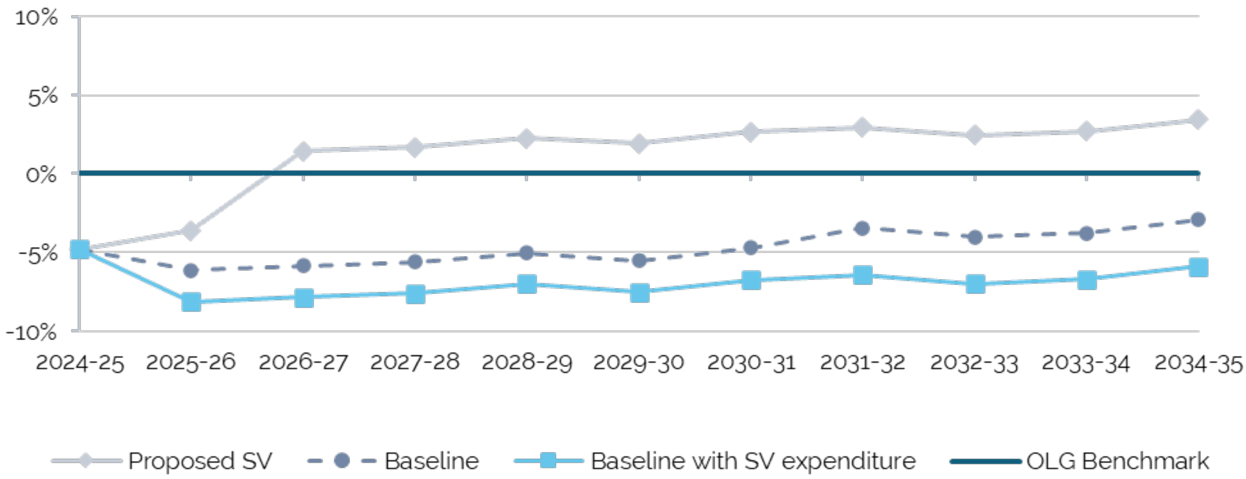
We found that, over the next 5 years:

- **Under the Proposed SV Scenario**, the council's OPR would meet the OLG benchmark of greater than 0% from 2026-27 at 1.4%. Its average OPR over the 5-year period would be 0.7%.
- **Under the Baseline Scenario**, the council's OPR would remain below 0% for the next ten years. Its average OPR over the period would be -5.6%.
- **Under the Baseline with SV expenditure Scenario**, the council's OPR would remain below 0% for the next ten years. Its average OPR over the period would be -7.6%.

This suggests that without the SV, the council would continue to have an operating deficit, which would grow over time. This would not be sustainable.

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: Gunnedah Shire 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	-3.6	1.4	1.7	2.3	1.9	2.7	3.0	2.5	2.7	3.4
Baseline	-6.1	-5.8	-5.6	-5.0	-5.5	-4.7	-3.4	-4.0	-3.7	-2.9
Baseline with SV expenditure	-8.1	-7.8	-7.6	-7.0	-7.5	-6.7	-6.4	-7.0	-6.7	-5.9

Source: Gunnedah Shire 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 $71.3 million in cash and investments. This comprised: [39]

- **$35.3 million externally restricted funds.** For Gunnedah Shire Council, examples include developer contributions, domestic waste management and specific purpose unexpended grants. [40]
- **$34.5 million internally allocated funds.** For Gunnedah Shire Council, examples include plant and vehicles replacement, employee leave entitlements and future works. [41]
- **$1.5 million unrestricted funds.** These funds can be used to fund the council's day to day operations.

This suggests that the majority of the council's cash reserves is committed to other purposes, except for the $1.5 million that is unrestricted. In addition, the council's LTFP indicates, that without an SV, its unrestricted cash reserves would decline to a negative cash position of around -$211,000 by 30 June 2028. [42] This is because most of its unrestricted reserves will be required to fund its accumulated operating deficits each year. [43]

Net cash (debt) to income ratio

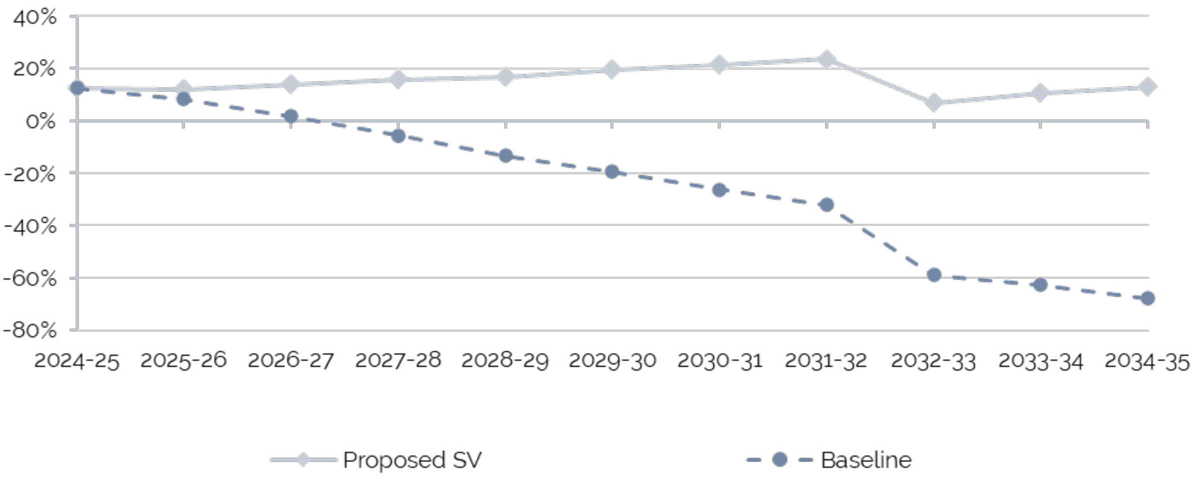
We calculated that as at 30 June 2025, the council would have net cash of $5.8 million. The council would have a net cash (debt) to income ratio of 12.4%.

Over the next 5 years:

- **under the Baseline Scenario**, the council's net cash (debt) to income ratio would slowly decrease, with an average net cash to income ratio of -5.7%.
- **under the Proposed SV Scenario**, the council's net cash to income ratio would slowly increase, with an average net cash to income ratio of 15.6%.

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: Gunnedah Shire Council, Application Part A, Worksheet 9.

Taking into account the council's OPR and net cash position, we found that the council does have a financial need to raise revenue above the rate peg to address its operating deficit and deliver adequate service levels. The OPR calculation does not consider any capital expenditure planned by the council. This means the council needs to generate an operating surplus, indicated by an OPR above the OLG benchmark of 0%, to fund capital expenditure. Most of the additional income from the proposed SV will be used for asset renewals, which are capital expenses.[44] The council's unrestricted cash reserves of $1.5 million are low, considering the council's expenses are expected to exceed $50 million in 2025-26.[45]

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 and infrastructure renewals ratios, and compared them to OLG's benchmarks:

- **The infrastructure backlog ratio** indicates whether the council has a need for additional revenue to maintain its infrastructure assets. It shows the infrastructure backlog as a proportion of the total value of a council's infrastructure. OLG's benchmark for the infrastructure backlog ratio is less than 2%.
- **The infrastructure renewals ratio** measures the rate at which 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%.

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%.

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

Impact on infrastructure backlog ratio

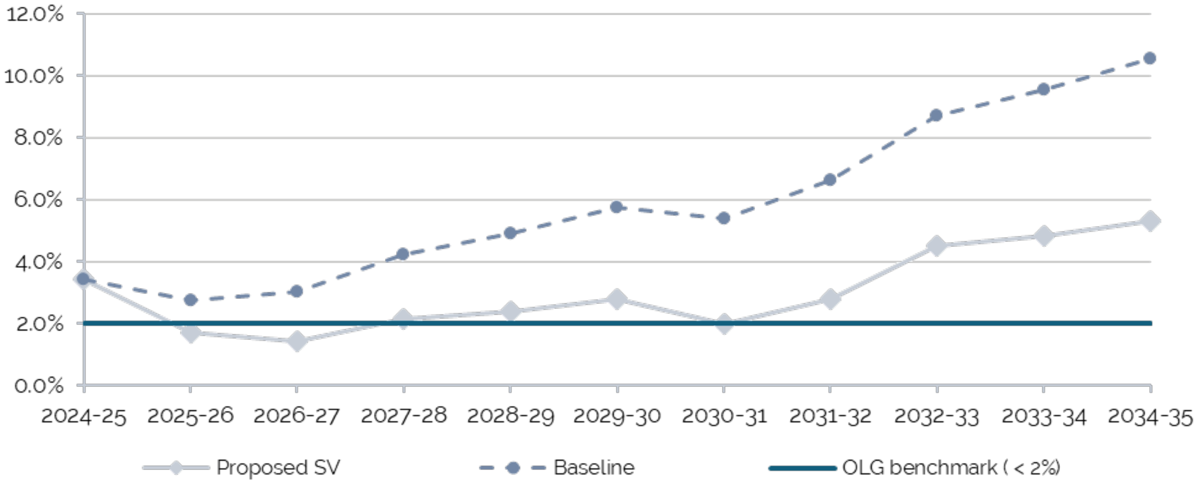
We found that over the next 5 years [d], the council's infrastructure backlog ratio would be:

- 4.1% under the Baseline Scenario
- 2.1% under the Proposed SV Scenario.

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% for the next 10 years. However, with the proposed SV, the council's infrastructure backlog ratio would reach the OLG benchmark in 2025-26 (1.7%), 2026-27 (1.4%) and 2030-31 (2.0%), and would be lower (i.e. better) overall in the other years compared to the baseline scenario.

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

Figure 4.3 The council's infrastructure backlog ratio



Source: Gunnedah Shire Council, Application Part A.

Impact on infrastructure renewals ratio

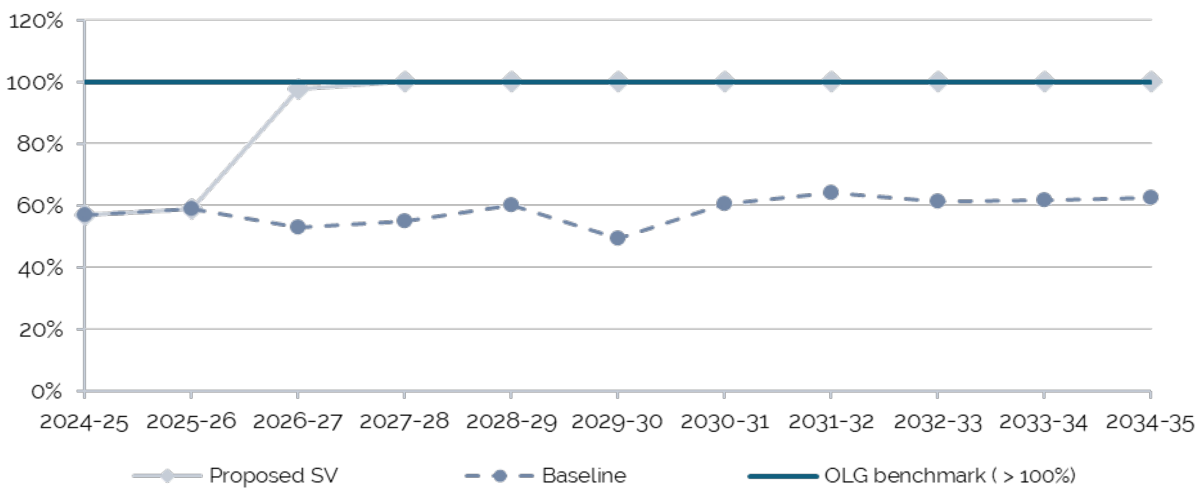
We found that over the next 5 years[e], the council's infrastructure renewal ratio would be:

- 91.4% under the Proposed SV Scenario
- 55.4% under the Baseline Scenario.

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

Based on council's forecasts, we found that under the proposed SV Scenario, the council's infrastructure renewals ratio would improve. As Figure 4.4 shows, this ratio is forecast to increase from 57.0% in 2024-25 to 100.0% in 2027-28 and remain at the OLG benchmark of 100% for the rest of the 10-year period. However, the infrastructure renewals ratio under the Baseline Scenario would remain well below 100% and not meet the OLG benchmark.

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



Source: Gunnedah Shire 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 canvassed an alternative scenario to address financial sustainability without an SV, which would involve deferring $3 million in capital works in 2025-26.[46] The scenario also noted the council would consult with the community regarding a range of services with the aim of reducing service levels from 2026-27 onwards.[47]

The Delivery Program also lists alternatives to an SV including reducing service levels such as the frequency of road and park maintenance, reducing opening hours of libraries and other facilities, and closing sporting facilities.[48] It noted any further service reductions would be determined through the service review program which is underway.[49] We recognise that alternative revenue pathways can be challenging to pursue if a council is under-resourced.

We also investigated whether and to what extent the council has any available deferred rate increases. We found that it does have a total of $1,103 in available deferred rate increases, which we consider to be immaterial.[50] The council noted in its application that this amount does not affect its need for the SV.[51]

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 with two rounds of engagement. 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 the council's perceived disregard of overwhelming opposition to the SRV.

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 196 responses. There were mixed views about whether the council had adequately communicated the need for and extent of the rate rise, but around two-thirds of respondents disagreed or strongly disagreed that the council provided the opportunity for feedback and more than 80% disagreed or strongly disagreed 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, farmland and mining rating categories
- what the additional income from the proposed SV would fund, including:
  - addressing the council's cash position which is forecast to go into a negative balance
  - addressing the asset renewal and maintenance backlog
- how to find out more information
- how to provide feedback.

The council also set out its recent cost savings on its webpage and its present and ongoing initiatives to improve efficiency in its community presentations, although it does not specify when the cost savings were made.[52]

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

- the LTFP does not set out the overall annual percentage increases under the proposed SV, but this information is in the council's Delivery Program[53]
- there was a minor difference between the average rates exhibited at the time of consultation and in the council's application.[54] This is due to the updated land valuations being received by the council after the consultation materials were prepared and were used to calculate the average rates in the application.[55] However, the difference is immaterial and has been disclosed in the council's application.[56]

We considered that neither of the above shortcomings would have significantly affected the community's awareness of the need for and extent of the rate rise.

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.

The council consulted with its initial proposed SV of 38.88% over 2 years (24% increase in year 1 and 12% increase in year 2)[57] from 2 August to 6 September 2024.[58] Its engagement activities included:

- a dedicated SV webpage which included an online survey
- a SV rates calculator on the council's website
- community consultation forums
- media releases
- media interviews where the mayor was interviewed on local radio stations and ABC New England North-West[59]
- social media channels
- local newspaper advertisements (e.g. via printed inserts in local newspapers). [60]

In response to community feedback, the council revised its proposed SV to an increase of 37.67% over 2 years.[61] Under the revised SV proposal, the council reduced the impact on residential, business and farmland rating categories from the 38.88% cumulative increase of the initial proposed SV to a cumulative increase of around 32%. [62] The council proposed that the balance of the additional income under the revised SV proposal would come from mining rates, which would increase by around 85%.[63]

It consulted with the community again on its revised SV proposal from 7 November to 19 December 2024.[64] The council's application stated that the council undertook the following engagement activities to maximise its engagement with as many ratepayers as possible: [65]

- a dedicated SV webpage
- an SV rates calculator on the council's website
- correspondence via mail or email to 6,451 ratepayers (the council has a total of 6,484 ratepayers based on its Part A application) that included estimates of average rates under the proposed SV and an explanation of why the SV was needed
- media releases
- social media channels
- direct contact, including face to face meetings with the ratepayers in the mining sector most impacted by the revised proposal. The council's application noted that the proposal would mainly affect one mining corporation if approved.[66] The council emailed the company with a copy of the general letter to all ratepayers, as well as estimated impacts of the proposed SV on all properties owned by the company, i.e. residential, business, farmland and mining properties.[67]

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 from 2 August to 6 September 2024 and from 7 November 2024 to 19 December 2024. These stages were to seek feedback on:

- the initial proposed SV of 38.88% over 2 years, comprising a 24% increase in 2025-26 and a 12% increase in 2026-27[68] from 2 August to 6 September 2024[69]
- a revised proposed SV of 37.67% with an 18% increase in the first year followed by a 16.67% increase in the second year, alongside a proposal to increase minimum rates in line with the proposed SV.[70] This was in response to feedback from the first round of engagement that the mining sector should bear a larger portion of the rates increase.[71] The consultation period was from 7 November to 19 December 2024. [72]

This consultation period provided enough opportunity for ratepayers to be informed and provide feedback on the proposal.

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 appropriately consider the results of community consultation.

The council was provided with a summary of the feedback it received during its two SV rounds of community consultation at its meetings on 30 October 2024[73] and 15 January 2025[74] respectively.

Its report on the first round of engagement indicated that:

- the council's online survey received 137 responses [75]
- its webpage rates calculator received 821 views by 632 visitors [76]
- its SV webpage page received 1,144 visits from 678 visitors [77]
- the council received 26 written or emailed submissions [78]
- its 15 community forums attracted 420 attendees [79]

The report assessed that the community's response to the proposed SV was largely negative, with many of the stakeholders who provided feedback arguing against it.[80] The report also noted that the community did not want to see any reductions to service levels.[81]

The council commissioned Micromex Research to conduct a random phone survey of 300 residents from 5 August to 15 August 2024 which was designed to be representative of the community's views.[82] In the phone survey, 39% of those surveyed were at least somewhat supportive of the council proceeding with the SV option, compared to 69% being at least somewhat supportive of the rate peg option. [83] In addition, 43% of residents surveyed were at least somewhat supportive of paying more than the proposed SV to support increased service levels for roads. [84]

The online survey was made available to anyone wanting to complete it on the SRV website and was completed by 137 respondents.[85] Only 18% supported the SV proposal while 82% supported increasing rates by the rate peg only.[86]

The feedback received by the council across its engagement channels included:[87]

- the SV increase would be too high and unaffordable especially in the current economic conditions of inflation, interest rate rises and general cost of living pressures
- the community wants to see an improvement in the council services, particularly roads
- rather than the SV, alternatives should be considered to raise revenue or reduce expenses
- the council should review the split of how the SV is applied between farmland and residential ratepayers to be more of a user pays model, as rural ratepayers expressed that they pay higher rates with seemingly limited visible benefits
- the mining sector should be paying a larger portion of the council's rate base
- the community wanted to see an improvement in the council communications in response to customer request.

In response to the outcomes of its first community consultation, the council resolved to:[88]

- reduce the size of the proposed SV to 37.67% as the cumulative percentage increase
- reduce the impact on residential, business and farmland rating categories to ensure that average rates for those categories would not increase by more than around 32% cumulatively
- the balance of the additional income under the revised SV proposal would come from the mining category, which would increase by around 85%
- apply to increase minimum rates in line with the revised proposed SV
- aim to achieve $930,000 of savings and efficiency gains from 2025 to 2028, and report on its progress in achieving this target each May.

The council's subsequent report on the consultation for its revised SV proposal indicates that during the second consultation period:

- its webpage rates calculator received 200 unique views between 7 November 2024 and 15 January 2025[89]
- its SV webpage received 214 visits from 100 visitors[90]
- the council received 27 written or emailed submissions.[91]

The feedback in the second round was similar to the feedback from the first round of engagement and included:[92]

- the SV increase would be too high and unaffordable especially in the current economic conditions of inflation, interest rate rises and general cost of living pressures
- rural ratepayers conveyed the view that they were paying higher rates with limited visible benefits
- the community wants to see an improvement in the council services, particularly roads
- council should be operating as efficiently as possible and should ensure it has the right balance of indoor and outdoor staff

- the community wanted to see an improvement in the council communications in response to customer requests
- two submissions from the mining industry which acknowledged that the mining industry plays a significant role in supporting the local region. However, they also expressed the view that the proposed SV will have a disproportionate impact on the mining category as there are fewer mines currently operating in the area, increasing the burden on each mine. [93] One submission expressed it is willing to pay higher rates to support the communities it operates in but noted the ongoing inflation and the potential pressure on future investment.[94] It suggested the council review its draft plan to "ensure the rates burden does not unduly impact on future investment."[95]

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 the council met Criterion 3. We consider the impact of the proposed SV on ratepayers is generally reasonable. The council's assessment of this impact concluded the community has sufficient capacity to pay the proposed rates increases, provided an appropriate hardship policy was in place to assist vulnerable ratepayers. Our own analysis found that with the proposed SV, the council's average residential rates would be higher than the averages for comparable councils based on SEIFA rank and OLG group, and average business and farmland rates would be higher than the averages of comparable councils based on the locality, SEIFA rank and OLG group in the final year of the SV. However, the selected socio-economic indicators including median household income show that the council area has a higher level of economic advantage compared to comparable council areas. The council also has a hardship policy, and will freeze increases to its domestic waste management and sewerage charges during the SV period to manage the impact on ratepayers if the SV is approved.

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 $356 or 32.3% in total
- the average business rate would increase by $1,897 or 32.2% in total
- the average farmland rate would increase by $1,719 or 32.2% in total
- the average mining rate would increase by $270,148 or 85.3% in total.

Table 6.1 Impact of the proposed special variation on average rates

	2024-25 (Current)	2025-26	2026-27	Cumulative increase
Residential average rates ($)	1,105	1,270	1,461	
$ increase		166	191	356
% increase		15.0	15.0	32.3
Business average rates ($)	5,883	6,765	7,780	
$ increase		882	1,015	1,897
% increase		15.0	15.0	32.2
Farmland average rates ($)	5,330	6,130	7,049	
$ increase		800	919	1,719
% increase		15.0	15.0	32.2
Mining average rates ($)	316,616	455,693	586,764	
$ increase		139,077	131,071	270,148
% increase		43.9	28.8	85.3

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

6.2 Stakeholder comments on the impact on ratepayers

Most 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 4,820 residential ratepayers in the council area.

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
- force residents into selling their properties
- be unaffordable for businesses and farmers.

In our feedback form, we asked respondents how much they agree or disagree with 4 statements about the affordability of the rate increase proposed by the council.

We received 196 responses. The majority of these responses did not agree that the rates increase was affordable (disagreed or strongly disagreed). 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, we consider the impact of the increases is generally reasonable, balancing the need of the council for additional income to become financially sustainable and the impact of the ratepayers. The council has resolved to freeze increases to domestic waste management and sewerage annual charges during the SV period if the SV is approved and has a hardship policy (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 proposed 2-year SV of 37.67% (18.00% in year 1 followed by 16.67% in year 2) is implemented.[96]

The council's LTFP also outlines the proposed SV, and the yearly and cumulative percentage increases for each rating category.[97]

6.3.2 The council's consideration of capacity to pay

The council's capacity to pay analysis provides an analysis and evaluation of relative wealth and financial capacity to pay the proposed rates increase in the Gunnedah Shire local government area (LGA). It also examines the financial vulnerability and exposure of different community groups within the LGA.

The report concludes:

- The LGA has pockets of advantage and disadvantage within the Gunnedah Shire LGA with a disparity between the urban and non-urban/rural areas.[98]
- the LGA has a lower level of disadvantage compared to the New England and north west region, but a higher level of disadvantage compared with regional NSW[99]
- The impact of the proposed SV on ratepayers within different areas of the LGA should be proportionate to their level of advantage, as average land values tend to be higher in the more advantaged areas.[100] Urban areas with more disadvantage and lower land values would see smaller increases.[101] Areas with greater disadvantage have lower levels of home ownership, which limits the direct impact of the proposed SV.[102]
- Gunnedah Shire Council has a relatively low proportion of outstanding rates at 3.86% (2024), which the report viewed as a strong indicator of the community's capacity to pay rates given that the Office of Local Government (OLG) benchmark for outstanding rates is less than 10% for regional and rural areas.[103]

- household net savings increased significantly over 5 years from $15,141 (2017-18) to $24,418 (2022-23).[104] The proportion of savings relative to total disposable income also increased over the same period from 10% to 14.6% (which is slightly lower than the net savings for regional NSW i.e. 15.2%).[105] The report views these increases as indicating an improved capacity to pay within the community.[106]
- the council should provide appropriate support for vulnerable ratepayers.[107]
- there is some willingness to pay among the community: in an August 2024 survey conducted by Micromex, 39% of respondents were somewhat supportive of the proposed SV and 43% were somewhat supportive of paying above the proposed SV to support increased service levels for roads.[108]

For the mining rating category, Gunnedah Shire Council also conducted its own analysis by comparing the rate income mix of 17 other LGAs that have a mining rate, including 8 OLG Group 11 councils.[109] The council found that the percentage of income from mining rates ranges from 0.05% for Tamworth Regional Council to 55.48% for Muswellbrook Shire Council, and averages 18.21% across the 17 other LGAs.[110] Currently, 9.87% of the council's income comes from mining and will increase to 13% under the proposed SV.[111] The council concluded this distribution was reasonable and enables the council to reduce the impact of the rate increase on other rating categories under the revised proposal in response to community feedback. Under the proposed SV, the mining rates will increase by around 85.3% and other categories will increase by around 32.3%.

The council also estimated the mining sector has a direct and indirect impact of around $5.5 million in additional cost to roads infrastructure over the estimated life of mining.[112] The council's application noted that contributions from sources such as voluntary planning agreements do not cover the full cost, requiring it to subsidise the impact by around $2.1 million based on 2021 values.[113]

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 the impact on ratepayers is generally reasonable. With the proposed SV, the council's average residential rates will generally be in line with the averages for comparable councils based on locality, but above the averages for comparable councils based on SEIFA rank and OLG group. We acknowledge that the average farmland and business rates would be higher than comparable councils with the SV.

Socio-economically, the council's median household income is higher than comparable councils, and its average residential rates to median household income ratio is lower than the average of other comparable councils. When compared to neighbouring councils, the council's outstanding rates ratio of 3.6% as shown in Table 6.5 is notably lower, indicating a lower degree of affordability concern. The council's analysis supports our own analysis that the impact on ratepayers is generally reasonable.

The council also has a hardship policy, and has resolved to freeze increases to its domestic waste management and sewerage charges during the SV period, subject to SV approval, which we consider could help mitigate the impact of the increase on ratepayers.[114]

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 average rate peg increase. As Table 6.2 shows, residential rates have increased at an annual average rate of 3.7%, compared to the average rate peg of 2.9% over the same period. This may be due in part to the Additional Special Variation of 2.5% in 2022-23, and to timing differences between when the council experienced population growth and when this was reflected in the population factor in the rate peg.

Table 6.2 Historical average rates in Gunnedah Shire Council ($nominal)

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Average annual growth (%)
Residential	922	946	960	995	1,037	1,105	3.7
Business	4,928	4,885	4,760	4,967	5,216	5,883	3.6
Farmland	4,604	4,694	4,743	4,928	5,046	5,330	3.0
Mining	251,600	269,600	274,600	288,800	295,600	316,616	4.7

Source: OLG, Time Series Data 2023-24, Gunnedah Shire 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 Gunnedah Shire 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 Liverpool Plains Shire Council, and Narrabri Shire Council, Tamworth Regional Council and Warrumbungle Shire Council. These councils are geographically close to Gunnedah Shire Council.

Comparable councils 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.

Gunnedah Shire Council has a SEIFA rank of 43 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 Edward River Council, Forbes Shire Council, Temora Shire Council and Weddin Shire Council.

Comparable councils based on OLG group

Comparable councils based on OLG group means the other councils in the same OLG group as Gunnedah Shire 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.

Box 6.1 Comparable councils

Gunnedah Shire 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 Moree Plains, Narrabri, and Upper Hunter Shire councils. [115]

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

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, SEIFA rank and OLG group. In 2026-27, these rates would remain higher than the average for comparable councils based on locality, SEIFA rank and OLG group.
- Its current average farmland rates are higher than the averages for comparable councils based on locality, SEIFA rank and OLG group. In 2026-27 they would remain higher than the averages for comparable councils based on locality, SEIFA rank and OLG group but it would be within the range of rates for comparable councils based on locality.

We looked at whether we could compare the council's mining rates with those of other councils. However, mining rates are not directly comparable across councils. The number of mining ratepayers in each council area is generally low and other factors including its size can determine the level of these rates.

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
Gunnedah Shire Council (OLG Group 11)	1,105	1,270	1,461
Comparable based on locality			
Liverpool Plains	1,202	1,250	1,281
Narrabri	1,094	1,141	1,169
Tamworth Regional	1,482	1,704	1,747
Warrumbungle	727	756	775
Average	**1,327**	**1,491**	**1,529**
Comparable based on SEIFA rank			
Edward River	1,238	1,295	1,328
Forbes	1,025	1,070	1,097

Council	2024-25 (Current)	2025-26	2026-27
Temora	758	796	816
Weddin	756	791	810
Average	**997**	**1,043**	**1,069**
Comparable based on OLG group	**1,064**	**1,118**	**1,161**

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
Gunnedah Shire Council (OLG Group 11)	5,883	6,765	7,780	5,330	6,130	7,049
Comparable based on locality						
Liverpool Plains	2,080	2,163	2,217	7,093	7,377	7,561
Narrabri	2,739	2,857	2,928	4,394	4,582	4,697
Tamworth Regional	5,012	5,763	5,907	2,680	3,082	3,159
Warrumbungle	2,011	2,091	2,144	3,703	3,851	3,947
Average	**3,957**	**4,448**	**4,559**	**3,904**	**4,183**	**4,287**
Comparable based on SEIFA rank						
Edward River	2,303	2,409	2,469	3,944	4,125	4,229
Forbes	3,354	3,502	3,590	3,104	3,241	3,322
Temora	1,740	1,827	1,873	2,573	2,701	2,769
Weddin	1,059	1,107	1,135	2,146	2,245	2,301
Average	**2,376**	**2,485**	**2,547**	**2,944**	**3,080**	**3,157**
Comparable based on OLG group (average)	**2,346**	**2,436**	**2,501**	**4,113**	**4,319**	**4,475**

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 2022-23 and 2023-24 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.[f]

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[g], which could be an indicator of levels of vulnerability as recipients may generally be on lower and fixed incomes.
- The level of outright home ownership, where 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.

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

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

Box 6.2 How we assessed capacity to pay

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.

Table 6.5 below shows that, socio-economically, Gunnedah Shire Council's area is in a similar position to the comparable councils' areas, with most indicators suggesting a slightly better ability to pay rates and one indicator suggesting additional hardship. In particular:

- Median income is higher in the Gunnedah Shire Council LGA than the average for comparable LGAs based on locality, SEIFA rank and OLG group.
- The typical household in the Gunnedah Shire Council LGA spends around 1.4% of its household income on residential rates. This is slightly less than average in comparable LGAs based on locality (1.5%), SEIFA rank (1.5%) and OLG Group (1.5%).
- 3.6% of the council's rates were outstanding, which is lower than the average for other comparable councils and within the OLG benchmark of 10%.
- 11.7% of households in the Gunnedah Shire Council LGA meet the definition of housing cost stress. This is less than the average in comparable areas based on locality (12.2%) and OLG Group (16.1%), but more than average in comparable areas based on SEIFA (9.2%)
- 33.7% of dwellings in the Gunnedah Shire Council LGA are owned outright, which is lower than in other comparable councils based on locality, SEIFA rank and OLG group.

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

	Median annual household income ($)[a]	Current average residential rates to median household income ratio (%)[b]	Outstanding rates and annual charges ratio (%)[c]	Proportion of population in receipt of select Government payments (%)[d]	Proportion of households that pay more than 30% of income towards housing costs[e]	Dwelling owned outright (%)[f]
Gunnedah Shire Council (OLG Group 11)	80,964	1.4	3.6	18.5	11.7%	33.7
Comparable councils based on locality						
Liverpool Plains	60,580	1.9	10.9	25.5	9.9%	44.0
Narrabri	77,896	1.3	18.3	20.0	10.1%	34.9
Tamworth Regional	73,632	1.7	8.9	20.4	13.5%	33.6
Warrumbungle	55,536	1.3	8.5	28.1	7.6%	48.9
Average	**66,911**	**1.5**	**11.6**	**21.5**	**12.2%**	**40.4**
Comparable councils based on SEIFA rank						
Edward River	64,480	1.8	7.2	23.8	9.8%	40.6
Forbes	65,468	1.5	7.2	21.3	9.9%	37.9
Temora	62,556	1.2	4.6	22.6	8.8%	47.6
Weddin	54,392	1.3	12.0	27.2	6.7%	51.3
Average	**61,724**	**1.5**	**7.7**	**23.2**	**9.2%**	**44.4**
Comparable councils based on OLG group (average)	**71,029**	**1.5**	**9.4**	**15.6**	**16.1%**	**39.7**

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.

Over the last 5 years, the number of overdue rates notices increased slightly from 14.2% in 2019-20[116] to 14.9% in 2021-22[117] before decreasing again to 13.6% in 2023-24.[118] The number of ratepayers on the hardship policy has steadily increased over the past 5 years, from 5 ratepayers in 2019-20[119] to 15 ratepayers in 2023-24.[120] The average amount owing per ratepayer on hardship policy has fluctuated over the last 5 years. This amount had been decreasing in the last few years, except for last year when it increased from $1,057 owing in 2022-23 to $2,200 owing per ratepayer on the hardship policy in 2023-24.[121]

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:

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

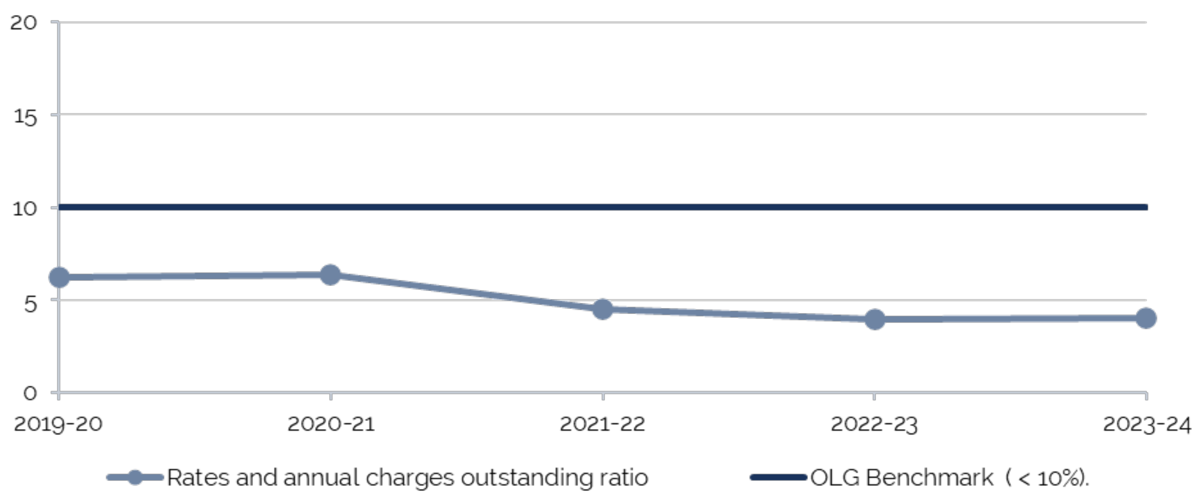
The OLG has set a benchmark for the ratio of less than 5% for metropolitan councils and less than 10% for regional and rural councils.

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 5.0%. This meets the OLG benchmark of less than 10% for regional and rural councils.

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



Source: Gunnedah Shire 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 it has appropriate strategies to make its community aware about how to access this. The council updated its hardship policy in June 2024.

The hardship policy provides assistance, such as:[122]

- reducing, deferring, or waiving rates and charges including accrued interest
- 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 provides this and does not offer any additional pensioner concessions.

The council's application stated that its rate notices outline how to access the hardship policy and that it makes the policy available on its website.[123] It also noted that its Rates Frequently Asked Questions page on the council's website also refers to the hardship policy.[124]

The council has also resolved to freeze annual domestic waste management and sewerage charges during the proposed SV period if the SV is approved to mitigate the impact of the SV on ratepayers.[125]

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 LTFP is available on the council's website.

The council:

- exhibited its current Community Strategic Plan from 19 May to 15 June 2022,[126] and adopted it on 29 June 2022[127]
- exhibited its current Delivery Program from 21 November to 19 December 2024,[128] and adopted it on 15 January 2025[129]
- exhibited its current LTFP from 21 November to 19 December 2024,[130] and adopted it on 15 January 2025[131]
- exhibited its current Strategic Asset Management Plan and Asset Management Plans from 12 December 2024 to 9 January 2025.[132] It resolved to endorse them on 15 January 2025 in accordance with its previous resolution on 11 December 2024. On 11 December 2024, the council resolved to endorse the adoption of these plans on this date if no submissions were received during the exhibition period.[133] The council did not receive any submissions during the exhibition period.[134]
- submitted its SV application on 3 February 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 outlined that its past productivity improvement and cost containment initiatives have resulted in ongoing savings of around $244,000 per year in financial benefits. In response to community feedback, the council has committed to try to achieve $930,000 in efficiency gains and operational savings over the 3-year period from 2025 to 2028 and report on its progress annually during this period.[135] It also identified planned initiatives, including one with an estimated productivity saving of $120,000 per year. However, none of the future initiatives have been incorporated into its LTFP. We are satisfied these savings and planned initiatives are proportionate to the size of the council and its resources, with the ongoing annual cost savings making up 0.5% of total expenditure. We consider the council has made an effort to increase productivity and cost containment to fund essential infrastructure needs before applying for the proposed SV.

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
- improve its labour productivity
- prioritise necessary services and maintenance instead of non-essential projects
- reduce staffing levels.

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 196 responses. Of these, nearly three-quarters disagreed or strongly disagreed that the council is effective in providing infrastructure and services for the community while about 17% agreed or strongly disagreed, and the remainder neither agreed or disagreed. More than three-quarters 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 told us it has identified some past productivity improvements, delivering around $244,000 per year in ongoing annual cost savings,[136] and around $372,000 annually in efficiency gains.[137]

It also told us it has planned several projects for further improving its productivity and efficiency, one of which has been estimated to result in a productivity saving of $120,000 per year.[138] The other future productivity improvements and cost containment strategies have not been quantified in the application. None of the future initiatives have 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 to date. In its SV application, it estimates that, in recent years, it has delivered an average of around $244,000 of annual ongoing cost savings,[139] and around $372,000 in ongoing efficiency gains from 44 process improvements and efficiency gains.[140] This equates to about 0.5% and 0.8% respectively of the council's total expenses from continuing operations for 2024-25.[141] It has also made around $403,000 in one-off cost savings.[142]

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 that the one-off and ongoing savings are the result of the following initiatives:

- savings in the internal audit program
- insurance savings (excluding workers compensation)
- LED street lighting savings
- obtained external grant to upgrade IT system in lieu of IT funds
- obtained external grant to undertake a review of development control and section 7.12 plans

- obtained external grant to upgrade customer service request system in lieu of IT funds
- sewerage treatment plant solar system. [143]

The council's application also noted that it has undertaken work in the last 10 years since its previous 2013-14 SV to contain costs and find efficiencies without raising rates. [144] The application noted it has undertaken the following measures:

- multiple restructures
- changes to functions
- where appropriate, reduced service levels driven by resource constraints
- the implementation of reviews driven by the Audit, Risk and Improvement Committee
- developing a formal service review program
- review of procurement processes
- undertaking organisational structural changes to align skills and qualifications of employees to better align with service delivery and organisational requirements
- opportunities to redeploy and internally transfer employees in consultation with employees
- review of IT opportunities to realise efficiency gains
- review assets that can be sold or disposed of to reduce operational costs
- review avenues for increased revenue via operations; an example of this includes the increased scale of the GoCo operations
- review strategies and business plans of Council's commercial business units
- undertake a major review of all fees and charges
- investigate further opportunities for economies of scope (shared services); an example of this is the shared services agreement with Liverpool Plains Shire Council regarding economic development
- development of budget management, project management and business planning systems and skills. [145]

The council's application noted that all of these gains have been absorbed by "inadequate rate peg increases, increased compliance costs and cost shifting." [146] It also stated that many recent gains have been diverted to asset renewal due to "insufficient funding for asset renewals in recent years." [147]

8.3.2 Proposed productivity improvement and cost containment strategies in coming years

We found that the council's application outlines some strategies and activities for further improving its productivity and efficiency in the coming years. These are:

- constant review of vacant positions,
- review of new revenue opportunities, and
- continuing the council's service review program. [148]

It also lists several planned projects for future savings such as:

- improved asset management systems and processes
- upgrading the website to improve external communications
- continuous review of cost saving opportunities through investing in renewable energy projects such as solar and battery storage to reduce future energy costs
- unsealed crossroad drainage improvements which will reduce the need for reactive maintenance when it floods, gaining back 30 days of time for one maintenance grading crew and resulting in a productivity saving of $120,000 per year. [149]

However, most of these planned projects have not been quantified in either the council's SV application or LTFP. The council's application noted that it only incorporates savings and efficiency gains that have been "achieved with a high level of confidence" [150] in the LTFP. The council also noted in its application that any savings or efficiency gains will be included in future plans once it has a high level of confidence. [151]

The council noted that its Audit, Risk and Improvement Committee oversees an ongoing service review program to deliver efficiencies and improvements. [152] Its program covers service reviews over 25 review areas covering the council's service portfolio over 8 years. [153]

In response to feedback from its community consultation, the council has also committed to striving to achieve $930,000 in efficiency gains and operational savings over the 3-year period from 2025 to 2028. This would equate to $310,000 per year or around 0.6% of its total expenses. These gains or operational savings may include the council's existing ongoing cost savings of around $244,000 per year. The council also committed to reporting on its progress in achieving this target in May each year during this period. [154]

We consider the council has made an effort to increase productivity and cost containment to fund essential infrastructure needs before applying for the proposed SV.

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, grew by 6.3% each year
- average annual cost per FTE increased by an average of 1.2% nominal per annum

- employee costs as a percentage of operating expenditure decreased by 3.4% each year.

We also found that the council has:

- more staff per population than the Group 11 average – it has one FTE for every 57.5 residents, whereas the Group 11 average is one FTE for every 78.0 residents
- higher operating expenditure per capita than the Group 11 average.

The council's application noted its FTE has increased by 51 including vacancies over the last 10 years.[155] It noted this increase is primarily due to the growth of its GoCo aged care business unit in recent years which has around 31 FTEs and is fully self-funded.[156] The council stated that GoCo contributes towards the internal services that provide support services, and it operates within and outside of the local government area.[157]

The council also stated that many of its additional staff were funded by grants.[158] Furthermore, the council noted that it spends relatively less on governance and administration at 2% of expenditure on services or $97.92 per capita compared to the state average of 16% of expenditure or $532.07 per capita for 2022-23.[159]

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 Gunnedah Shire Council

Performance indicator	2019-20	2020-21	2021-22	2022-23	2023-24	Average annual change (%)
FTE staff (number)	181	196	199	182	231	6.3
Ratio of population to FTE	70.0	64.7	63.8	71.9	57.5	-4.8
Average cost per FTE ($)	83,972	83,857	85,281	96,082	88,165	1.2
Employee costs as % of operating expenditure (General Fund only) (%)	43.1	37.9	39.1	40.9	37.5	-3.4

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

Table 8.2 Select comparator indicators

	Gunnedah Shire Council	OLG Group 11 Average	NSW Average
General profile			
Area (km2)	4,987	6,569	5,532
Population	13,280	14,546	65,575
General Fund operating expenditure ($m)	50.7	49	115.0
General Fund operating revenue per capita ($)	6,277	4,341	na
Rates revenue as % of General Fund income (%)	21.1	26	41.5
Own-source revenue ratio (%)	41.3	47	64.9
Productivity (labour input) indicators			
FTE staff	231.0	186.6	400.3

	Gunnedah Shire Council	OLG Group 11 Average	NSW Average
Ratio of population to FTE	57.5	78.0	163.8
Average cost per FTE ($)	88,165	93,451	110,084
Employee costs as % of operating expenditure (General Fund only) (%)	37.5	31	36.2
General Fund operating expenditure per capita ($)	3,821	3,339	1,754

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 approved one permanent Special Variation of 39.7% over 4 years for 2013-14 to 2016-17.[160] A condition of the approval is that the council must report in its annual report for each year from 2013-14 to 2022-23:[161]

- the actual revenues, expenses and operating balance against the projected revenues, expenses and operating balance
- any significant variations from its proposed expenditure and any corrective action taken or to be taken to address any such variation
- expenditure consistent with the council's application, and the reasons for any significant differences from the proposed expenditure
- the outcomes achieved as a result of the actual program of expenditure.

The council indicated in its current SV application that it has complied with this condition.[162] We have reviewed the council's annual reports from 2013-14 to 2022-23. We consider the council has largely reported on the conditions listed above in its annual reports. We note that the council did not report on the actual revenue, expenses and operating balances against projected amounts in 2013-14 but this information was later included in the 2014-15 annual report. However, we also note that the purpose of the earlier SV was to service debt relating to the capital works program and improve financial sustainability, but financial sustainability was not addressed in the council's reporting of the outcomes achieved as a result of the actual program of expenditure for most of the years it was required to report on.

IPART also approved a permanent Additional Special Variation (ASV) for the council of 2.5%, for 2022-23.

A condition of the approval is that the council in its 2022-23 annual report must outline:[163]

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

The council indicated in its current SV application that it has complied with this condition.[164] We have reviewed the council's 2022-23 annual report and have assessed that the council has complied with this condition.[165]

10 Minimum rates increase

A council can impose a minimum rate for each of its rating categories. There is a statutory maximum for these rates, set annually. This is $639 for 2025-26.[h]

If a council wishes to impose minimum rates that are higher than the statutory maximum for the first time, or, if they want to increase minimum rates by more than the rate peg or applicable SV, it needs to apply to IPART for approval.

We assess a council's application for a minimum rate increase (MR increase) against 3 criteria set out in the Office of Local Government's Minimum Rate Guidelines (MR Guidelines). See Appendix A.2 for more details.

Gunnedah Shire Council currently imposes a minimum rate for its residential, business and farming categories and has applied to increase minimum rates for some of its rating subcategories above the statutory limit for the first time. The proposed increases for the impacted rating subcategories are set out in Table 10.1

Table 10.1 Gunnedah Shire Council proposed increases to minimum rates

	2024-25 (Current)	2025-26	2026-27	Cumulative increase
Minimum rate - Residential Ordinary	555	638	733	
% increase		14.95%	14.89%	32.07%
$ increase		83	95	178
Minimum rate - Residential Rural	555	638	733	
% increase		14.95%	14.89%	32.07%
$ increase		83	95	178
Minimum rate - Residential Gunnedah	555	638	733	
% increase		14.95%	14.89%	32.07%
$ increase		83	95	178
Minimum rate – Business Gunnedah	544	625	718	
% increase		14.89%	14.88%	31.99%
$ increase		81	93	174
Minimum rate – Farming	555	638	733	
% increase		14.95%	14.89%	32.07%
$ increase		83	95	178

Source: Gunnedah Shire Council, Part A application Worksheet 7.

h The statutory maximum for the minimum rate is specified in section. 126 of the *Local Government (General) Regulation 2021*.

10.1 Stakeholder comments on minimum rates increases

We did not receive specific feedback about the council's proposed minimum rate increases. The themes from the broader SV consultation are available in Chapter 3.

10.2 OLG Criterion 1: The council has demonstrated a rationale for increasing minimum rates

OLG Criterion 1 requires IPART to assess the council's rationale for increasing minimum rates above the statutory amount.

We consider the council met this criterion.

The council explained the rationale for increasing minimum rates to the community as part of its community consultation, and to IPART in Part B of the minimum rate application. Its Delivery Program noted that it is applying to increase some of its minimum rates alongside its special variation application.

The council's rationale for increasing some of the minimum rates is to maintain an equitable allocation of the rating burden across the council's rating categories. This increase is aligned to the Special Variation (SV) application, to assist with improving the council's financial sustainability.

10.2.1 Our assessment against criterion 1 for minimum rates increase

The council has explained in its application that the increase would maintain a fair and equitable distribution of rates.[166] It also explained that the minimum rate increases would not make fundamental changes to the current rating structure.[167]

The council's application shows that with the proposed SV, the council estimates that rates for ratepayers subject to a minimum rate would increase by slightly different percentages based on the rating subcategory. In 2025-26, it will increase by approximately 14.95% for residential ordinary, residential rural, residential Gunnedah and farmland rating categories and 14.89% for the business Gunnedah rating subcategory.[168] In 2026-27, the council applied to increase them by 14.89% for farmland and the above residential rating subcategories, and 14.89% for business Gunnedah rating subcatory.[169] The council also explained that it is applying to increase the minimum rates to match its special variation application in its Delivery Program,[170] and on its consultation materials such as the letter to ratepayers[171] and the council's SV webpage.[172]

10.3 OLG Criterion 2: The impact on ratepayers

OLG Criterion 2 requires IPART to assess the impact on ratepayers, including the level of the proposed minimum rates and the number and proportion of ratepayers that will be on the minimum rates, by rating category or sub-category.

This OLG criterion requires consideration of two elements:

- the level of minimum rates for ratepayers whose rates will be increased
- the number and proportion of ratepayers that will be on the minimum rates, by rating or sub-category.

We found that the council met this criterion.

10.3.1 Our assessment against criterion 2 for minimum rates increase

The council has clearly identified the current level of minimum rates and the proposed increase in its application documents. These are set out in Table 10.1 above.

The council has also provided the number and proportion of ratepayers that are on the minimum rates. The council expects very little change in the number of ratepayers on minimum rates.[173] These are set out in Table 10.2 below.

Table 10.2 Number and proportion of ratepayers on minimum rates, 2025-26

Rating category	Number on the minimum	Percentage on the minimum
Residential Ordinary	20	5.25%
Residential Rural	45	12.68%
Residential Gunnedah	467	13.20%
Business Gunnedah	4	0.96%
Farmland	68	5.93%

Source: Gunnedah Shire Council, Application Part A, Worksheet 3.

We note that the proposed minimum rates for the residential ordinary, residential rural, residential Gunnedah, business Gunnedah and farmland rating categories would remain below the respective average residential, business and farmland rates of similar councils based on their estimated 2026-27 rates (see Table 6.3 for residential rates and Table 6.4 for business and farmland rates).

10.4 OLG Criterion 3: Community awareness

OLG Criterion 3 requires IPART to assess the consultation the council has undertaken to obtain the community's views on the proposal.

We found that the council met this criterion.

The council undertook community consultation as part of its broader SV application. We consider that the council has made the community aware of the proposed increase in the minimum rate, provided the reasoning for the minimum rate increase and considered community feedback.

10.4.1 Our assessment against criterion 3 for minimum rates increase

The council included information about the minimum rate increase alongside information about the SV proposal, including:

- providing the proposed minimum rate increases in its Delivery Program[174]
- on its bespoke website for consultation and information on the proposed SV[175]
- in a detailed letter from the General Manager to 6,451 properties regarding the proposed SV and minimum rate.[176]

Consultation material such as the letter to ratepayers and the Delivery Program presented key pieces of information about the minimum rate increase:

- why the increase is needed to maintain an equitable distribution of rates
- what the increase would be for minimum ratepayers, in yearly incremental dollar terms, cumulative dollar terms, annual percentage terms and cumulative percentage terms

However, we note the LTFP did not mention the proposed increases to minimum rates.

Consultation with the community on the proposed minimum rate increase was undertaken as part of the broader consultation process for the SV. Please see Chapter 5 for more details on the council's consultation initiatives.

The council's Community Consultation Reports on its revised proposed SV summarises the feedback received through online and emailed feedback submissions from the community about the broad rate increase (minimum rates and SV). The submissions do not specifically mention the minimum rates increases.

11 IPART's decision on the special variation and minimum rate increase

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 11.1 below.

Table 11.1 IPART's decision on the special variation to general income (%)

	2025-26	2026-27
Annual percentage increase (%)	18.00	16.67
Cumulative increase (%)		37.67

Source: IPART calculations.

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

11.1 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. Currently, the council's 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.

We acknowledge that many stakeholders told us that the proposed rates increase is likely to create affordability challenges, particularly with the current cost-of-living pressures. Although the increase is large, on balance, we found that the council demonstrated the impact on ratepayers is generally reasonable, considering its current rates and the community's capacity to pay.

We found that the council's community consultation process was satisfactory, with the council engaging in two rounds of community consultation for its proposed SV. We note the council responded to community feedback from its first round by reducing the size of its initial proposed SV of 38.88% to 37.67%. The council also reduced the impact on residential, business and farmland rating categories to around 32% by shifting a larger proportion of the rating burden to mining rates, which would increase by around 85%. The council subsequently consulted with the community on its revised proposed SV with a variety of engagement methods.

In addition, the population of Gunnedah Shire Council's LGA has less socio-economic disadvantage than those of comparable council areas based on most of the selected indicators, including median household income. The council has a hardship policy in place to assist vulnerable ratepayers. The council also noted it has resolved to freeze increases to waste management and sewerage annual charges during the SV period if the SV application is approved, in consideration of the proposed SV's impact.[177]

We also heard concerns around how well the council manages its budget and how efficiently it operates. As part of our assessment, we considered whether the council had pursued productivity savings. The council demonstrated it has delivered some productivity improvements and put in place cost containment strategies in the past, with around $244,000 in ongoing cost savings each year, or around 0.5% of total expenditure for 2024-25. It also laid out a future plan to achieve further improvements that are proportionate to its size and resources, although none of them have been incorporated into the LTFP and most of them have not been quantified. It will still need 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 past SVs – an Additional Special Variation (ASV) approved in 2022-23 and a permanent SV of 39.7% in 2013-14 over 4 years.[178] Although the council initially failed to report on them as required in 2013-14, the 2014-15 annual report contains the disclosures for 2013-14 and 2014-15. We consider the council has largely reported on the conditions in its annual reports.

11.2 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.

11.3 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 11.2 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 $356 or 32.3%
- the average business rate would increase by $1,897 or 32.2%
- the average farmland rate would increase by $1,719 or 32.2%
- the average mining rate would increase by $270,148 or 85.3%.

Table 11.2 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 ($)	1,105	1,270	1,461	
$ increase		166	191	356
% increase		15.0	15.0	32.3
Business average rates ($)	5,883	6,765	7,780	
$ increase		882	1,015	1,897
% increase		15.0	15.0	32.2
Farmland average rates ($)	5,330	6,130	7,049	
$ increase		800	919	1,719
% increase		15.0	15.0	32.2
Mining average rates ($)	316,616	455,693	586,764	
$ increase		139,077	131,071	270,148
% increase		43.9	28.8	85.3

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

11.4 Impact on the council

Our decision means that the council may increase its general income by $2.9 million in 2025-26, and, $3.2 million in 2026-27. These increases can remain in the rates base permanently.

Table 11.3 shows the percentage increases we have approved and estimates of the annual increases in the council's permissible general income.

Table 11.3 Permissible general income of council from 2025-26 to 2026-27 from the approved SV

	2025-26	2026-27
Increase approved (%)	18.00	16.67
Cumulative increase approved (%)	na	37.67
Increase in PGI ($'000)	2,863.0	3,150.1
Cumulative increase in PGI ($'000)	na	6,013.2
PGI ($'000)	18,897.1	22,047.2

Source: IPART calculations.

This extra income will enable the council to: [179]

- improve its financial sustainability by addressing a significant operating deficit in the general fund
- maintain its general fund assets in line with its asset management plans, particularly roads, buildings, and open space assets
- reduce the heavy reliance upon grant funding for asset renewals
- provide capacity to address the backlog of asset maintenance and renewal works, particularly those related to roads and buildings
- address its unrestricted cash position that is currently forecast to go into a negative balance in year three of the Long Term Financial Plan.

The OPR calculation does not consider any capital expenditure planned by the council. This means the council needs to generate an operating surplus, indicated by an OPR above the OLG benchmark of 0%, to fund capital expenditure. Most of the additional income from the proposed SV will be used for asset renewals, which are capital expenses. [180] The council's unrestricted cash reserves of $1.5 million are low, considering the council's expenses are expected to exceed $50 million in 2025-26. [181]

11.5 Decision on the minimum rate

Based on our assessment of the council's application against the 3 OLG criteria and consideration of stakeholder submissions, we have approved the council's proposed increase to its minimum rates for 2025-26 and 2026-27.

The approved increase to minimum rates is set out in Table 11.4.

Table 11.4 Approved minimum rates

	2024-25 (Current)	2025-26	2026-27	Cumulative increase
Minimum rate - Residential Ordinary	555	638	733	
% increase		14.95%	14.89%	32.07%
$ increase		83	95	178
Minimum rate - Residential Rural	555	638	733	
% increase		14.95%	14.89%	32.07%

	2024-25 (Current)	2025-26	2026-27	Cumulative increase
$ increase		83	95	178
Minimum rate - Residential Gunnedah	555	638	733	
% increase		14.95%	14.89%	32.07%
$ increase		83	95	178
Minimum rate – Business Gunnedah	544	625	718	
% increase		14.89%	14.88%	31.99%
$ increase		81	93	174
Minimum rate – Farming	555	638	733	
% increase		14.95%	14.89%	32.07%
$ increase		83	95	178

Our *Instrument Under Section 548(3)(a) of the Local Government Act 1993 – Minimum Rates for Gunnedah Shire Council for 2025-26* gives legal effect to these decisions.

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:[i]

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

[i] 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[j] 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.

A.2 Minimum Rates assessment criteria

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

Section 548 of the *Local Government Act 1993* (the Act) allows a council to specify a minimum amount of a rate to be levied on each parcel of land. If a council makes an ordinary rate for different categories or sub-categories of land, it may specify a different minimum amount for each category or sub-category.

If a council resolves to adopt a minimum amount of a rate, the minimum amount must not exceed the relevant permissible limits provided for in section 548(3) of the Act and clause 126 of the Local Government (General) Regulation 2005 (Regulation), unless the Independent Pricing and Regulatory Tribunal (IPART) or the Minister has approved a higher amount by issuing an instrument under section 548(3), or the council is entitled to increase its minimum ordinary rate under section 548(4) and (5) of the Act

IPART will assess applications for minimum rates above the statutory limit against the following set of criteria (in addition to any other matters which IPART considers relevant):

[j] 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.

1. the rationale for increasing minimum rates above the statutory amount,
2. the impact on ratepayers, including the level of the proposed minimum rates and the number and proportion of ratepayers that will be on the minimum rates, by rating category or sub-category, and
3. the consultation the council has undertaken to obtain the community's views on the proposal.

It is the council's responsibility to provide sufficient evidence in its application to justify the minimum rates increase. Where applicable, councils should make reference to the relevant parts of their Integrated Planning and Reporting (IP&R) documentation to demonstrate how the criteria have been met.

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

B Gunnedah Shire 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.

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:[182]

- savings in the internal audit program
- insurance savings (excluding workers compensation)
- LED street lighting savings
- obtaining external grant to upgrade IT system in lieu of IT funds
- obtaining external grant to undertake a review of development control and section 7.12 plans
- obtaining external grant to upgrade customer service request system in lieu of IT funds
- sewerage treatment plant solar system.

Table B.1 Long-Term Financial Plan - Summary of projected operating statement for Gunnedah Shire 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	54,993	52,585	53,996	55,361	55,881	57,274	58,729	67,223	61,752
Total expenses	50,094	51,450	52,580	53,602	54,276	55,217	56,438	58,181	59,513
Operating result from continuing operations	4,899	1,135	1,415	1,758	1,605	2,057	2,291	9,041	2,240
Net operating result before capital grants and contributions	-1,749	748	904	1,234	1,068	1,506	1,726	1,463	1,646
Cumulative net operating result before capital grants and contributions	-1,749	-1,002	-98	1,136	2,204	3,710	5,436	6,899	8,545

Note: Numbers may not add due to rounding.

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

Table B.2 Proposed Program - Summary of projected expenditure plan for Gunnedah Shire 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										
Maintain current service levels	1,395	1,373	1,293	1,827	1,205	1,274	1,249	1,607	1,087	947
Capital Expenditure (Asset Renewals)										
Transport	-	2,494	2,386	2,308	2,305	2,033	2,016	1,978	1,979	2,078
Parks, Gardens & Open Space	-	539	659	345	451	584	335	608	612	643
Buildings	-	418	414	405	401	390	390	389	387	407
Infrastructure Renewal Backlog	-	-	-	-	-	-	1,000	1,500	1,500	1,500
Other Uses										
Preserving Unrestricted Cash Position	737	-128	84	73	719	927	349	-609	43	175

Note: Numbers may not add due to rounding.

Source: Gunnedah Shire 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 196 responses on Gunnedah Shire 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 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	145	74%
The Council has not been effectively managing its budget	156	80%
The Council is not effectively managing its infrastructure	130	66%
I disagree with the purpose of the proposed rate increase	83	42%
I disagree with the size of the proposed rate increase	147	75%
I disagree with the proposed rates structure	73	37%
I have other concerns that are not listed here	51	26%
I have no concerns with the proposed rate increase	15	8%

a. The total number of responses for each question was 196. 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

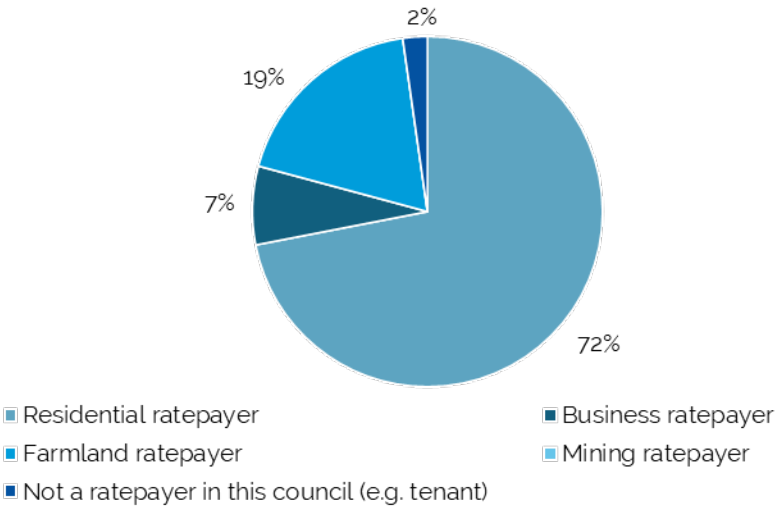
Table C.2 Responses to reasons that support the proposed rate increase

Reasons for supporting the proposed rate increase	Number of responses	Percentage of responses
Current infrastructure needs to be fixed or upgraded with increased funding	66	34%
Current services are inadequate and need more funding	29	15%

Reasons for supporting the proposed rate increase	Number of responses	Percentage of responses
I recognize that the council has financial sustainability issues which the funding will help address	49	25%
I agree with the purpose of the special variation	16	8%
I agree with the proposed rates structure	14	7%
I have other reasons for supporting the proposal not listed here	9	5%
I have no reasons to support the proposed rate increase	97	49%

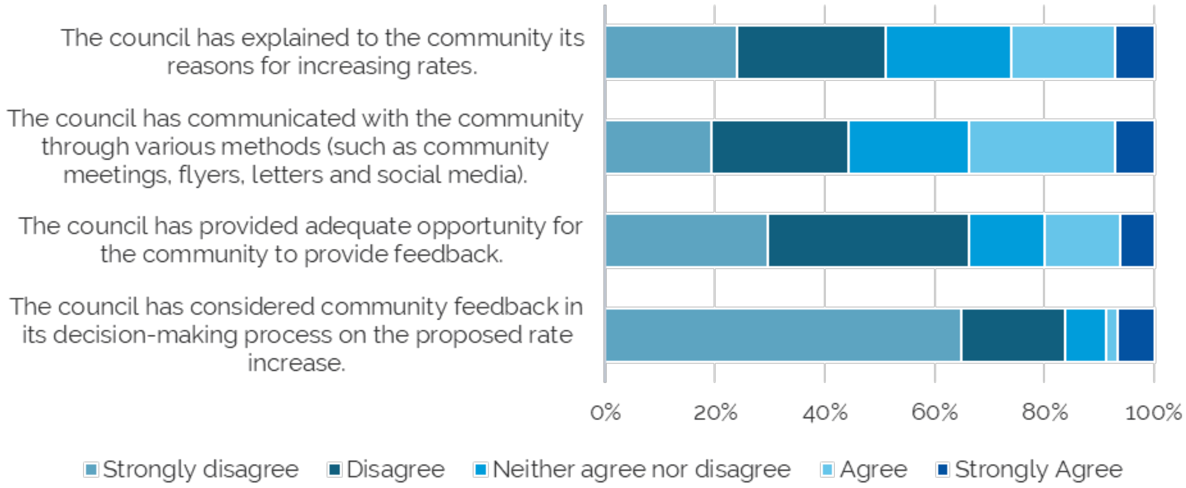
a. The total number of responses for each question was 196. This was a self-selected survey and we cannot guarantee that each response was a unique user. These results may not represent the distribution of ratepayer types in the council area.
b. The reasons were provided by IPART. The respondents were able to select multiple answers.
Source: IPART

Figure C.1 Respondent ratepayer types



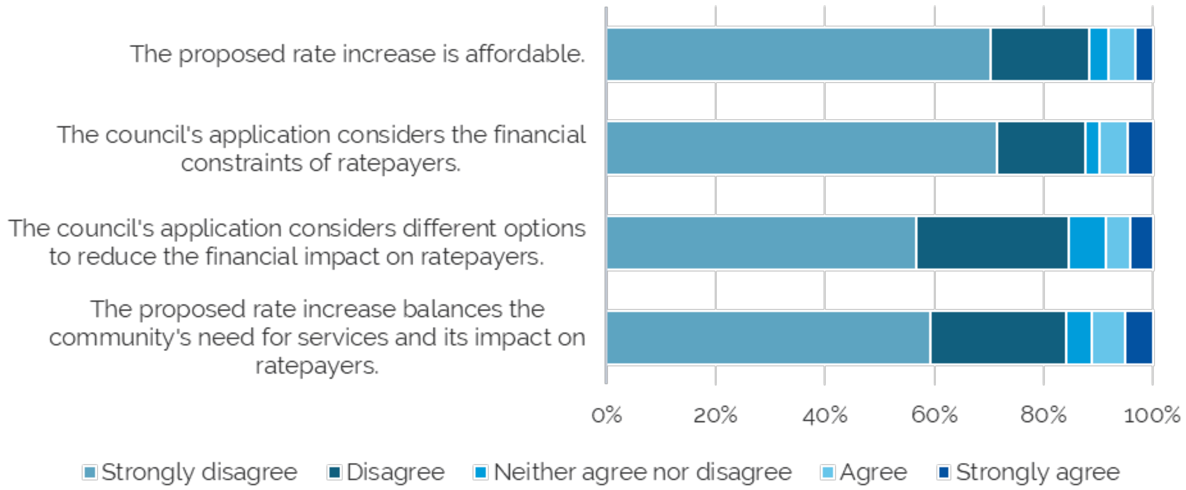
Note: The total number of responses for each question was 196. The numbers in the chart show the number of respondents that selected that response. This was a self-selected survey and we cannot guarantee that each response was a unique user. These results may not be representative of the whole community's views.
Source: IPART

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



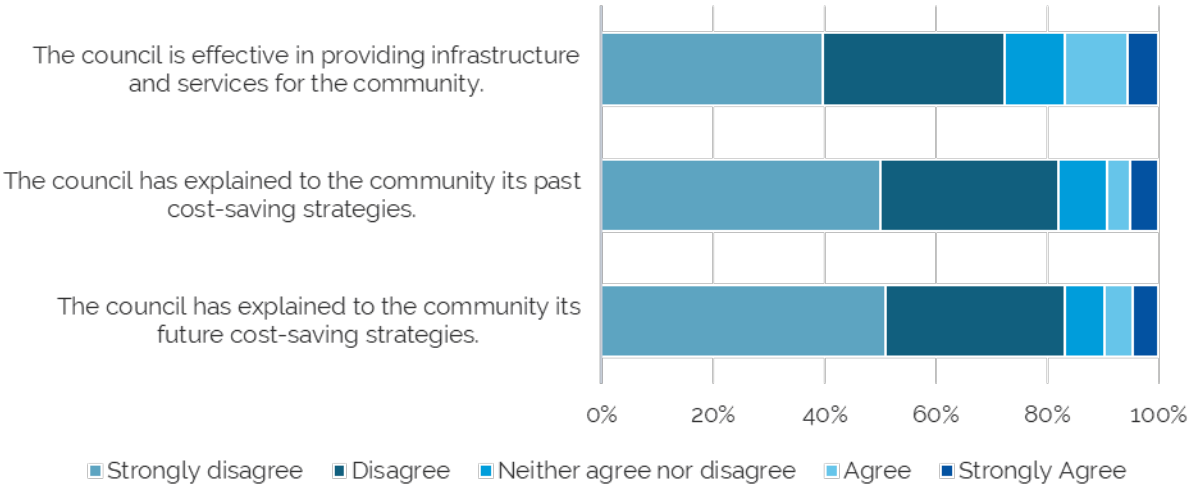
Note: The total number of responses for each question was 196. The numbers in the chart show the number of respondents that selected that response. This was a self-selected survey and we cannot guarantee that each response was a unique user. These results may not be representative of the whole community's views.
Source: IPART

Figure C.3 Responses to questions about affordability



Note: The total number of responses for each question was 196. 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 196. 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)
MR	Minimum rates are the minimum amount of an ordinary rate that a council may levy. This must not exceed the statutory maximum set out in section 548(3)(a) of the Local Government Act, unless IPART (under delegation from the Minister) has approved a higher amount.
OLG	The Office of Local Government
OLG MR Guidelines	Guidelines for the preparation of an application to increase minimum rates above the statutory limit.
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.

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11 *Local Government Act 1993* (NSW), Section 511.
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