Narrandera Shire Council

Special Variation and Minimum Rate Application 2024-25

Final Report

May 2024

Local Government

Acknowledgment of Country

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

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

Tribunal Members

The Tribunal members for this review are:
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Jonathan Coppel
Mike Smart

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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

Narrandera Shire Council applied to permanently increase its general income by 48.1% over 2 years from 2024-25 to 2025-26 inclusive, and to increase its minimum rates by approximately the same percentages.

We have approved the application.

Narrandera Shire Council (the council) applied to IPART[a] to increase its general income through a permanent special variation (SV) of 48.1% over 2 years from 2024-25 to 2025-26 (Table 1.1). This included an increase of 25.5% in 2024-25 and 18.0% in 2025-26. It told us that it intends to apply this increase across all rating categories.

Table 1.1 Annual increases under Narrandera Shire Council's application

	2024-25	2025-26
Annual increase (%)	25.5	18.0
Cumulative increase (%)		48.1
Additional annual income ($'000)	1,405.3	1,245.0

The council sought the SV to:

- cover increasing costs which are outpacing revenue growth
- continue providing services at current levels
- commence a major capital works project, the Narrandera CBD stormwater infrastructure duplication project, to address flooding.[1]

The council also applied to increase its minimum rates by approximately the same percentage increases as the SV (Table 1.2).

[a] The Minister for Local Government delegated the power to grant SVs to IPART. By delegation dated 6 September 2010, the then Minister for Local Government delegated to the Tribunal all functions under sections 506, 507, 508(2), 508(6), 508(7), 508A, 548(3) and 548(8) of the Local Government Act 1993 (NSW), pursuant to section 744 of that Act.

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

	2024-25	2025-26
Minimum rate – Residential Ordinary	640	755
Minimum rate – Business Ordinary	640	755
Minimum rate – Business Narrandera[a]	715	845
Minimum rate – Farmland Ordinary	640	755

a. In its Part A application the council noted that the minimum rate for Business Narrandera would be $844, however, its 21 November 2023 resolution noted that councillors resolved to propose $845. We have confirmed with the council it is its intention to propose the Business Narrandera minimum rate to be $845.

For residential, business and farmland ordinary rating categories, the minimum rates would increase from $510 to $755 by the end of the 2-year period.[2] For the 'Business Narrandera' category, the minimum rate would increase from $570 to $845 by the end of the 2-year period.[3]

1.1 IPART's decision

We have approved the council's proposed SV and minimum rate increases, as set out in Table 1.1 and Table 1.2. The council may increase its income as set out in Table 1.1.

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

- use the additional income for the purpose outlined in its application
- report in its annual report from 2024-25 until 2030-31 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 Narrandera Shire Council for 2024-25 to 2025-26*, and
- *Instrument Under Section 548(3)(a) of the Local Government Act 1993 - Minimum Rates for Narrandera Shire Council for 2024-25 to 2025-26*

give legal effect to this decision 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 an SV to general income* (OLG Guidelines).

Our assessment found that the council met all 6 of the Office of Local Government (OLG) criteria for its proposed SV and all 3 of the OLG criteria for its minimum rates increase.

We made this decision after balancing the council's financial need to deliver its core services against the impact 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 the community needs.

We also acknowledge that many stakeholders have told us that the SV is likely to create affordability challenges, particularly with the current cost-of-living pressures. While the rate increase with the SV will be large, the council on balance demonstrated the impact on ratepayers is reasonable, considering its current rates and the community's capacity to pay.

With the approved SV, its average residential and business rates for the next 2 years are expected to be broadly in line with the average of neighbouring and comparable councils, but its average farmland rates are expected to be higher than comparable councils. In response to the SV's impact on farmland ratepayers, the council has resolved to review its current rates structure by June 2025. The council also has a hardship policy in place to assist vulnerable ratepayers and provides rebates to eligible pensioners.

The council demonstrated it has delivered productivity improvements and put in place cost containment strategies. It also laid out a future plan to achieve further savings that are proportionate to its size and resources. While the SV may be one component of addressing financial sustainability, the council will still need to deliver on its proposed productivity improvements, as rate increases alone are insufficient to achieve long-term financial stability.

On balance, it met the reporting conditions attached to an Additional Special Variation (ASV) that was approved in 2022-23. After initially failing to report as required, it rectified this with an addendum to its Annual Report.

We have attached reporting conditions to this SV approval and we expect the council to fully comply. IPART will consider whether a council has complied with its SV conditions in assessing future SV applications.

The OLG is the body responsible for enforcing compliance with the conditions attached to SVs.

Summary of our assessment against the OLG SV criteria

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

Criteria	Grading	Assessment
01	Demonstrated	**Financial need** The council demonstrated a financial need for the SV to address its financial sustainability (including addressing its operating deficit and achieving sufficient cash reserves), continue providing services at current levels, reduce its infrastructure backlog, upgrade its IT system, have a current industry aligned salary system and construct new stormwater infrastructure.
02	Demonstrated	**Community awareness** The council satisfactorily engaged with and consulted its community and provided sufficient information about the need for and extent of the proposed SV. It used an appropriate variety of engagement methods and considered the community's feedback.
03	Demonstrated	**Reasonable impact on ratepayers** This criterion was met on balance. The council demonstrated that the impact on ratepayers is generally reasonable. With the SV, its average residential rates would be similar to the average of neighbouring councils and other OLG Group 10 councils. Its average business rates would be lower than the average of neighbouring, comparable and other OLG Group 10 councils, but its average farmland rates would be higher. The council assessed the community's capacity to pay, and concluded it has the capacity to pay its proposed rates increases (including farmland rates increases). The council intends to review the appropriateness of the current balance of rates income. We note the median household income in the council's area is lower than in comparable council areas, and a higher proportion of residents are in receipt of Government pensions.
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 savings of approximately $0.939 million per year in financial benefits. It also identified future initiatives with an estimated annual net benefit of $0.388 million. The council also outlined that it has incorporated the impact of future initiatives into its LTFP.
06	Demonstrated	**Other matters IPART considers relevant** This was met on balance. In the past 10 years, the council was granted one Additional Special Variation (ASV) of 2.0% in 2022-23.[4] It did not initially report on its ASV in its 2022-23 annual report but rectified this by adding an addendum to its annual report on 20 February 2024.

Summary of our assessment against the OLG minimum rates criteria

To make our decision on the minimum rate 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 these criteria. Our assessment against each OLG criterion is summarised below.

Criteria	Grading	Assessment
01	Demonstrated	**Rationale for increasing minimum rates** The council explained that the minimum rate increases would maintain a fair and equitable distribution of rates. It also explained that the minimum rate 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 increase by 2025-26 would be $245 for Ordinary Residential, Business and Farmland ratepayers and $275 for Business Narrandera ratepayers. It indicated that around 17% of ratepayers would be subject to one of these minimum rate categories.
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 IP&R framework. The OLG criteria that we assess SV applications against requires us to look at the consultation the council has undertaken as part of our assessment. Narrandera Shire Council consulted its community on its proposed SV using a variety of engagement methods. The council received 187 written submissions, recorded 50 survey responses, held public meetings attended by 352 participants and published website content that had 794 views.[5]

The council has 3,618 rateable properties.

As a further input to our assessment, we published the council's application on our website for a 3-week consultation period and invited stakeholders to provide feedback directly to IPART.

Through this process, we received 186 responses to our feedback form, and 16 submissions on Narrandera Shire Council's proposed SV. These submissions and responses raised concerns about the:

- affordability of the proposed rate increases
- council's consultation with the community
- community's willingness to pay for an SV
- council's financial management and efficiency
- council supplied drinking water.

We also received a few submissions that supported the increase in rates.

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-year period from 2024-25. The council can defer rate increases up to this maximum amount for up to 10 years.[6]

The council has proposed to increase rates as set out in Table 1.3.

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 1.4.

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

Table 1.3 Average rate increases under the approved SV

	2024-25	2025-26	Cumulative increase
Residential	25.1%	18.0%	47.6%
Business	25.5%	18.0%	48.1%
Farmland	25.7%	18.0%	48.3%

Note: These figures 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 1.4 Approved minimum rates ($)

	2024-25	2025-26
Residential – Ordinary	640	755
Business – Ordinary	640	755
Business – Narrandera[a]	715	845
Farmland – Ordinary	640	755

a. In its Part A application the council noted that the minimum rate for Business Narrandera would be $844, however, its 21 November 2023 resolution noted that councillors resolved to propose $845. We have confirmed with the council it is its intention to propose the Business Narrandera minimum rate to be $845.

Source: IPART and Narrandera Shire Council, Application Part A, Worksheet 7.

The rest of this report explains how and why we reached our decision on Narrandera Shire Council's special variation and minimum rates application 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 48.1% over 2 years in 2024-25 and 2025-26. Table 2.1 sets out the percentage by which the council proposed to increase its general income, and the expected annual revenue this would raise.

Table 2.1 Proposed SV

	2024-25	2025-26
Annual increase (%)	25.5	18.0
Cumulative increase (%)		48.1
Additional annual income ($'000)	1,405.3	1,245.0

Source: Narrandera Shire Council, Application Part A, Worksheet 2 and Worksheet 6.

The proposed SV is permanent. This means that the increases would remain in the rate base permanently. The council's general income would not be reduced at the end of 2025-26.

The council sought the special variation to[7]:

- cover increasing costs which are outpacing revenue growth
- continue providing services at current levels
- commence a major capital works project, the Narrandera CBD stormwater infrastructure duplication project.

As part of the SV application, the council also applied to IPART to increase its minimum rates above the statutory limit. It applied to increase the ordinary residential, business and farmland minimum rates from $510 to $755. The council applied to increase the business Narrandera minimum rate from $570 to $845[b]. These increases are in line with the SV percentage increases.

The council sought these minimum rate increases to maintain a fair and equitable distribution of rates.

[b] In its Part A application the council noted that the minimum rate for Business Narrandera would be $844, however, its 21 November 2023 resolution noted that councillors resolved to propose $845. We have confirmed with the council it is its intention to propose the Business Narrandera minimum rate to be $845.

2.1 Impact of the proposed increases on ratepayers

The council proposed that rates would increase for all rating categories over the 2-years the SV is in place. It proposed that, on average:[8]

- **residential rates** by 2025-26 would increase by $355.30 or 47.6%
- **business rates** by 2025-26 would increase by $608.53 or 48.1%
- **farmland rates** by 2025-26 would increase by $1,907.75 or 48.3%.

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

- **residential ordinary, business ordinary and farmland ordinary** rating categories would increase by $245 by 2025-26
- the **business Narrandera** rating category would increase by $275 by 2025-26.

The council provided the number of rate notices that it expects to issue for 2024-25. See Table 2.2.

Table 2.2 Number of ratepayers per category in 2024-25

Ratepayer category	Number of rate notices
Residential	2,428
Business	373
Farmland	817
Total	**3,618**

Source: Narrandera Shire Council, Part A application, Worksheet 4.

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

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

The analysis considered areas of social disadvantage, vulnerable groups, household expenditure and industry data in the Narrandera Shire local government area (LGA) relative to other areas.[9] It considered data separately for the areas of Narrandera (town), Barellan, and the remaining rural areas and villages.

The report found that the LGA has reasonably significant levels of disadvantage, mixed with some pockets of significant advantage.[10] The council also found that its current average residential and business rates sit below those in OLG Group 10 councils, while farmland rates sit above rates in those councils.[11] The council notes that with the proposed SV, the average rates would move just above the average rates of OLG Group 10 councils, except for the farmland rating category.[12]

The council's findings concluded that ratepayers do have some capacity to pay, particularly if appropriate hardship policies are in place.[13]

The council indicated that it has a financial hardship policy to assist ratepayers who have difficulty paying their rates. The policy comprises periodic payment arrangements, writing off accrued interest and the discretion for the council to reduce or waive rates, charges and accrued interest due by eligible pensioners[c], on a voluntary basis.[14] The council also has a specific pensioner concession policy to provide clear and equitable guidelines for the granting of statutory pensioner concession for rates and charges.[15] The council also provides the pensioner rebates as per the *Local Government Act 1993* (NSW). This is currently set at $250.[16]

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

The council estimated that its proposed SV of a cumulative increase of 48.1%, would increase its permissible general income from $5.5 million to $8.2 million after the 2 years, which would remain permanently.[17]

[c] An eligible pensioner means a person who is a member of a class of persons prescribed in clause 134 of the *Local Government (General) Regulation 2021* (NSW), and occupies the dwelling as their sole or principal place of living.

2.4 Further information provided

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

- the proposed minimum rate for Business Narrandera ratepayers
- its historic general fund financial results
- the incorporation of future savings into its LTFP and clarification of the council's quantified past and future savings
- the incorporation of proposed SV expenditure such as IT and salary system improvements in financial year 2023-24
- the incorporation of the stormwater upgrade in the council's Community Strategic Plan
- strategies the council used to reduce workers' compensation claims.

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

3 Stakeholders' feedback to IPART

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

As a further input to our assessment, we published the council's application on our website for a 3-week consultation period from 27 February 2024 to 18 March 2024. Stakeholders could complete a survey-style feedback form and make submissions directly to us.

The Tribunal has taken all stakeholder feedback into account in making its decision in accordance with our Submissions Policy, including the responses to our feedback form and any confidential submissions. In this section, we summarise the key issues raised in the feedback form and all published (non-confidential) submissions.

3.1 Summary of feedback we received

We received 186 responses to our feedback form, and 8 public submissions from stakeholders. This included a petition from the Narrandera Concerned Ratepayers Group with 1,085 signatures, expressing its opposition to the proposed SV.

There are approximately 3,618 rateable properties in the council's local government area. There are 2,428 residential assessments, 373 business assessments and 817 farming assessments.

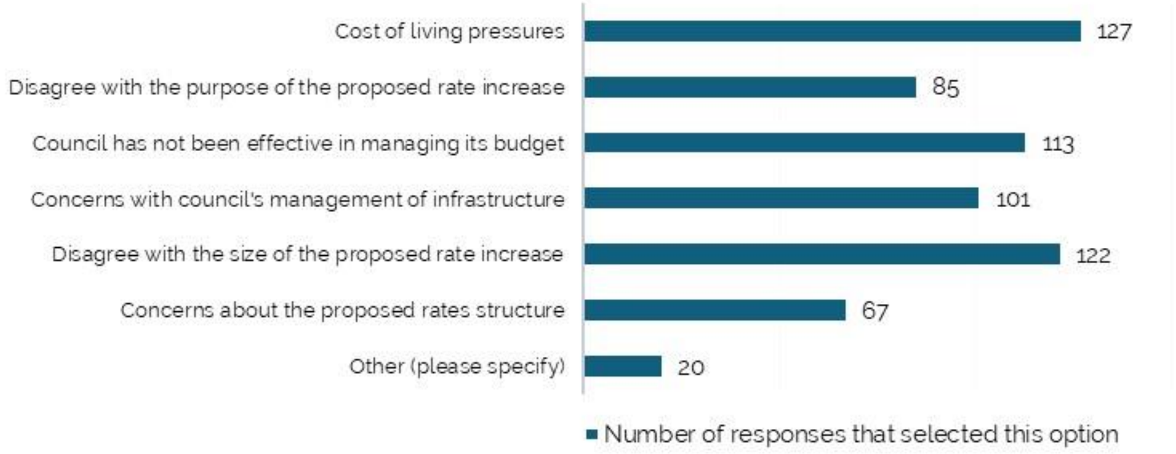
3.1.1 Response to the feedback form

We published a feedback form to assist stakeholders to provide information to IPART. This sought stakeholders' sentiments on the proposed SV generally, and specifically on the topics of affordability, the council's consultation, and council financial management. We note that while this was a survey-style feedback form, it was not a statistically representative survey and participants self-selected to provide feedback.

We received 186 responses relating to Narrandera Shire Council's application. Of these, 137 respondents (73.7%) were opposed to the proposed SV, 19 respondents (10.2%) partly supported it, and 30 respondents (16.1%) supported it.

Figure 3.1 and Figure 3.2 show the main reasons that stakeholders said they would or would not support the proposed rate increase.

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

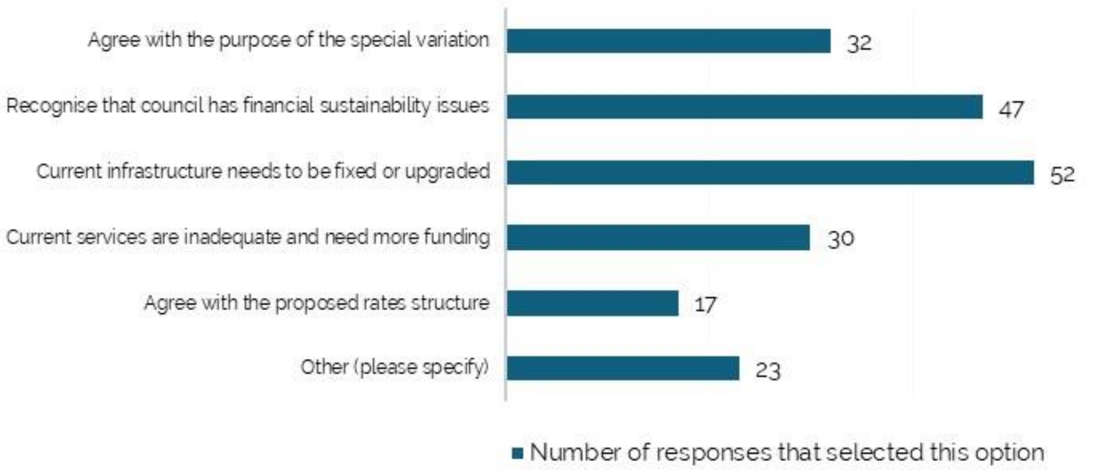


Note: We received 186 responses. For this question, respondents could select more than one option. This was a self-selected survey and we cannot guarantee that each response was a unique user. These results may not be representative of the whole community's views.

Source: IPART

Other responses included references to the poor drinking water quality, unaffordability of the SV and dissatisfaction with the council's efficiency and land valuation increases.

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



Note: We received 186 responses. For this question, respondents could select more than one option. This was a self-selected survey and we cannot guarantee that each response was a unique user. These results may not be representative of the whole community's views.

Source: IPART

Other responses included support for a smaller increase, and one would have preferred a lump sum increase.

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

3.2 Summary of issues raised

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

3.2.1 Affordability of proposed rates increases

Many submissions raised concerns about the impacts of the council's proposed SV on the affordability of rates and suggested this would lead to financial hardship. Many cited increasing costs of living and fixed income (e.g. Government pensions) to note that any rate increase would have a detrimental impact.

One stakeholder was also concerned about the impact of IPART's decision to not apply a limit to domestic waste management annual charges in 2024-25 and the additional impact this may have on customers. IPART has not previously set a limit on the domestic waste management charges. In its application, the council has indicated it expects its waste management charges to increase by about 4.5% in 2024-25 (or about $17) and 3% annually thereafter.[18] Under the *Local Government Act*, income obtained from charges for domestic waste management must be calculated so as to not exceed the reasonable cost to the council of providing those services.[19]

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

3.2.2 Financial mismanagement and inefficiency

Many submissions raised concerns that the council has not used its resources efficiently. A few submissions noted that the council had accepted capital grants without fully taking into account the costs attached to that. One submission from a group of concerned ratepayers queried the council's ability to prudently manage the budgets of projects. Other submissions cited the poor quality of roads and delayed tree removals as examples of mismanagement. One submission said that staff numbers have doubled in the last 20 years and another submission queried the general manager's renumeration package.

As the council is responsible for managing its finances, IPART's ability to assess the council's financial decisions outside of the SV assessment is limited. We assess whether councils have made productivity improvements and cost containments in the past. We have outlined our conclusion about that in Chapter 8.

3.2.3 The council's consultation with the community

A few submissions were of the view that the council were not open to taking feedback about its proposed SV. It was also noted there was no option to 'oppose' a rate rise in the council's online survey about its SV. We have considered these concerns and outlined our conclusion in Chapter 5.

3.2.4 Opposition to the proposed expenditure of SV income

Some submissions have queried the SV funds being used to provide salary increases in order to attract staff to Narrandera Shire Council. One submission said that the council should review its current organisational culture to attract new staff.

Some submissions also expressed they did not support the council spending its money to mitigate the impact of future floods, as this was not the best use of funds. An alternative view presented by some ratepayers was that the council should instead regularly remove debris from the existing stormwater lines, which would be a cheaper solution to prevent flooding.

While we consider whether a council has adequately communicated to the community how the SV funds would be spent, it is not part of IPART's delegated authority to assess the merits of council spending decisions. We did consider whether the council made the community aware of what the SV would be used for in Chapter 5.

3.2.5 Support of the SV expenditure program

One stakeholder expressed they supported the SV, as long as this SV would avoid further SVs in the short to medium term. The stakeholder supported the stormwater project as it was their view the council was told by the community to 'fix the issue once and for all'. They also noted that salary increases are an important consideration for prospective staff to consider working for the council, when they may not have a connection to the region. A few stakeholders were of the view that an upgrade of the council's IT system was needed, but one stakeholder put the view that they disagreed with the IT software proposed by the council.

3.2.6 Drinking water concerns

Some stakeholders presented the view that the proposed rate rise was inappropriate when issues with drinking water quality have not been resolved.

We acknowledge clean and safe drinking water is important to the residents. However, water supply services are regulated separately. In addition to ordinary rates, councils may impose an annual charge for water supply and other services. The Department of Climate Change, Energy, the Environment and Water oversees councils in their delivery of drinking water.

Box 3.1 explains what is captured in a council's general income.

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 cover facilities to which most customers typically have access and the council's day-to-day activities. This includes 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, amongst others.

A council's special variation application only applies to general income, which is typically made up of 'ordinary rates' and some special rates. This could be shown as environmental or town-centre levies on a rates notice.

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 sewer charges and/or
- stormwater management and coastal protection services.

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

The revenue collected from these fees are typically kept separate by the council to ensure they are used on the purpose for which they were collected.

4 Our assessment: OLG Criterion 1 – Financial need

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

For this criterion, we found that the council has demonstrated a financial need for the SV.

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

Note: See Appendix A for the full criterion.

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

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

4.1 Stakeholder comments on financial need

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

- has had poor financial management and oversight
- applied for grants without fully appreciating the ongoing costs associated with it.

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

4.2 The council's IP&R documents

We found that the council's IP&R documents, including its Long-Term Financial Plan (LTFP)[20] and Delivery Program[21] identify and articulate the need for and purpose of the SV.

The documents state that the proposed SV of 48.1% over 2 years is needed to:

- maintain and improve council assets and decrease the asset backlog
- fund a $16.5 million stormwater project to address flooding within the Narrandera urban area, where the council expects to contribute up to $8.25 million (mix of loans and cash), which is incorporated in the LTFP base case, while the remaining $8.25 million would be grant funded
- achieve a fully funded operating position and achieve sufficient cash reserves
- update the IT system to address operational and cyber security issues
- have a current industry aligned salary system.[22]

We found that the IP&R documents communicated the canvassing of alternatives to the SV. For instance, the council's LTFP notes efforts have been made to address the operating deficit with a comprehensive organisational review of services and operations.[23] The council notes it has found savings of approximately $0.939 million per year. It also told us that past improvements were captured from 2018-19 and were in place at 2022-23.[24]

In its application, the council also told us the SV income would be used to pay interest on the loan that it expects to take out for the stormwater project mentioned above.[25] This detail was not articulated in its IP&R documents, however, we note this was communicated via other community consultation materials.[26]

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

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

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

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

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.[27] The OLG has set a benchmark for the OPR of greater than zero (see Box 4.1 for more information).

Box 4.1 Operating Performance Ratio

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

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

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

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

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

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

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

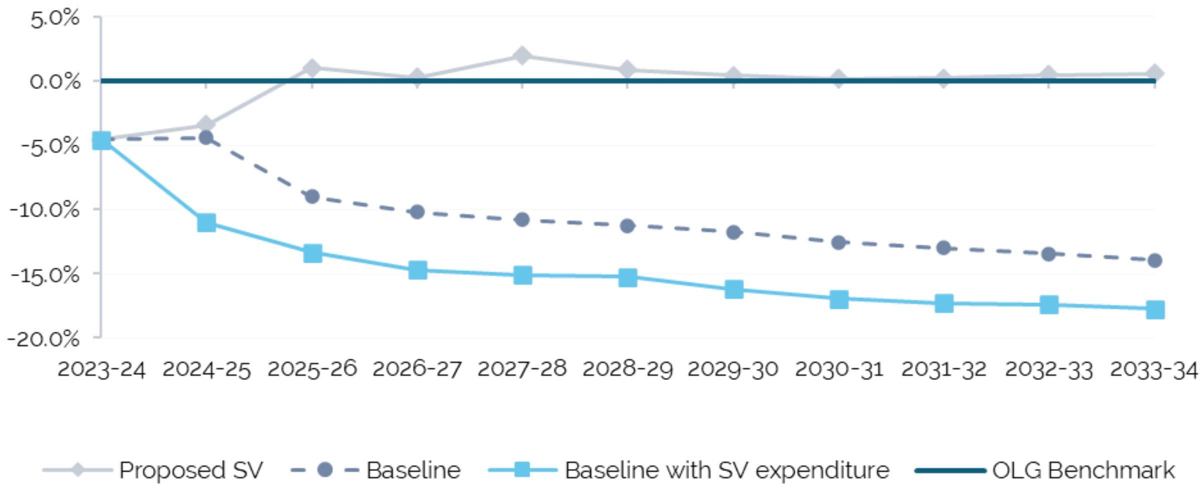
Source: Office of Local Government, *Performance Benchmarks* and *Assets*.

As set out in Figure 4.1 and Table 4.1, we found that, over the next 5 years:

- **Under the Proposed SV Scenario**, the council's OPR would meet the OLG benchmark for the next 5 years. Its average OPR over the five-year period would be 0.2%.
- **Under the Baseline Scenario**, the council's OPR would remain below zero percent and continue to decline. Its average OPR over this five-year period would be -9.1%.
- **Under the Baseline with SV Expenditure Scenario**, the council's OPR would remain below zero percent and continue to decline. Its average OPR over this five-year period would be -13.9%.

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

Figure 4.1 The council's projected OPR



Note: OPR shown excludes capital grants and contributions.
Source: Narrandera Shire Council, Application Part A.

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

	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34
Proposed SV	-3.4	1.0	0.3	2.0	0.9	0.4	0.2	0.3	0.5	0.6
Baseline	-4.4	-9.0	-10.2	-10.8	-11.3	-11.8	-12.5	-13.0	-13.5	-13.9
Baseline with SV expenditure	-11.0	-13.4	-14.7	-15.1	-15.2	-16.2	-16.9	-17.3	-17.4	-17.7

Source: Narrandera Shire Council, Application Part A.

Impact on net cash

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

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

Cash and investments

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

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

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

Net cash (debt) to income ratio

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

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

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

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

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

Cash and investments

The council told us it held a total of $27.4 million in cash and investments as at 30 June 2023 with:[28]

- **$10.9 million externally restricted funds.** For Narrandera Shire Council, examples include domestic waste and stormwater management.[29]
- **$16.1 million internally restricted funds.** For Narrandera Shire Council, examples include plant and vehicle replacement and employee leave entitlements.[30]
- **$0.3 million unrestricted funds.** These funds can be used to fund the council's day to day operations.

This suggests that the majority of the council's cash reserves are committed to other purposes, except for the $0.3 million that is unrestricted.

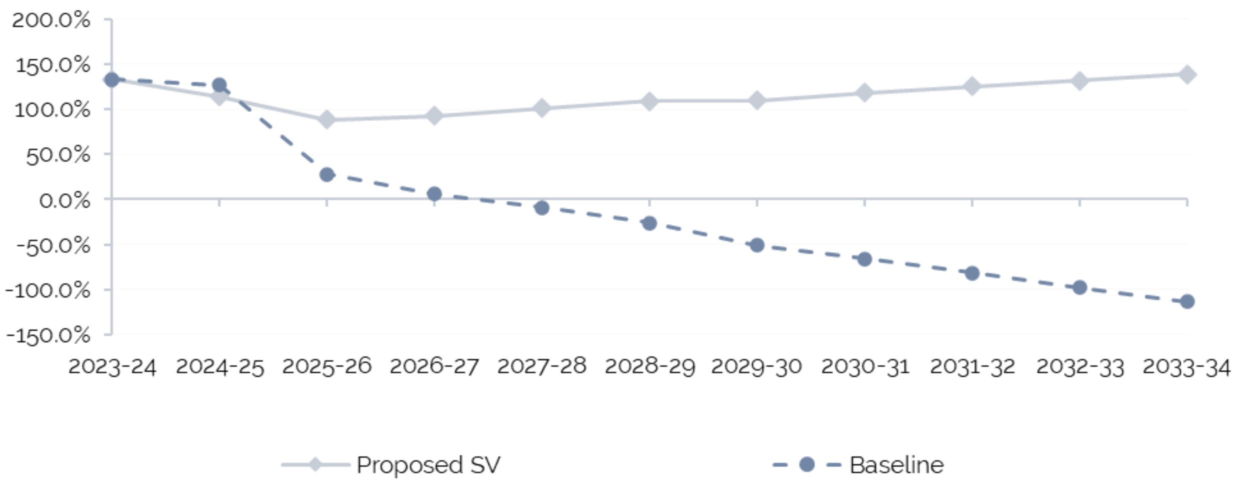
In addition, the council's LTFP indicates that without an SV, its unrestricted cash reserve is estimated to decline to -$1.1 million by 30 June 2025 and continue deteriorating to -$4.3 million by 30 June 2034.[31]

Net cash (debt) to income ratio

As Figure 4.2 shows, over the next 10 years:

- **under the Baseline Scenario**, the council's net cash to income ratio would continue declining year-by-year to -113.7% in 2033-34.
- **under the Proposed SV Scenario**, the council's net cash to income ratio would decline until 2025-26 to 88.7%, but steadily increase thereafter to 138.5% in 2033-34.

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



Source: Narrandera Shire Council, Application Part A, Worksheet 9.

Taking into account the council's OPR and net cash position, we found that the council has demonstrated a financial need for the proposed SV to address its operating deficit and deliver adequate service levels.

Impact on infrastructure ratios

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

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

See Box 4.3 for more information on these ratios.

Box 4.3 Infrastructure ratios for councils

Infrastructure backlog ratio

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

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

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

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

Infrastructure renewals ratio

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

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

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

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

Impact on infrastructure backlog ratio

As set out in Figure 4.3, we found that over the next 5 years[d], the council's infrastructure backlog ratio would be:

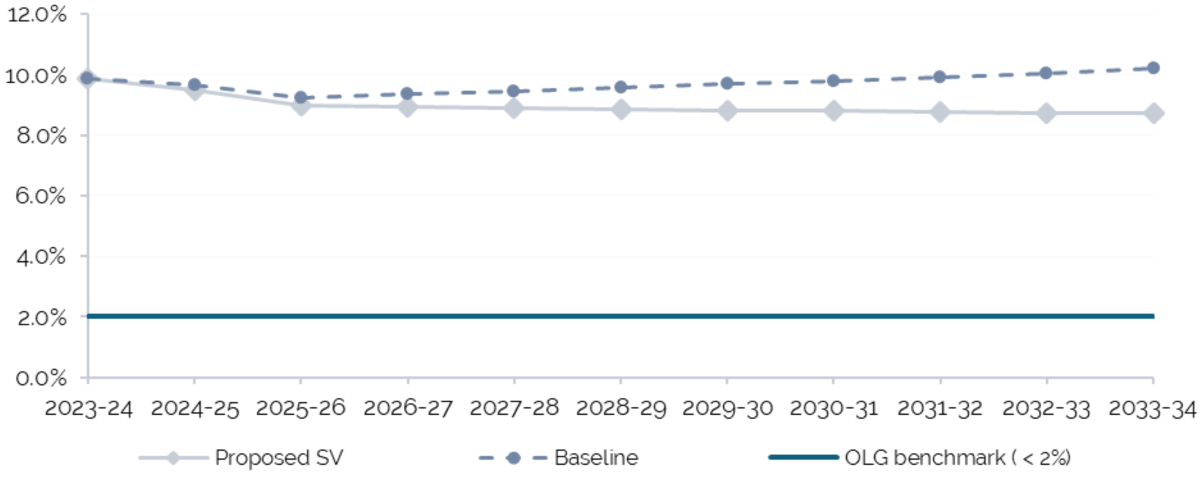
- 9.5% under the Baseline Scenario
- 9.0% under the Proposed SV Scenario.

Under the proposed SV, the backlog in 2033-34 would be $19.7 million, while under the baseline scenario it would be $23.0 million for that same year.[32]

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

Our analysis shows that both with and without the proposed SV, the council's infrastructure backlog ratio would remain above (not meeting) the OLG benchmark of less than 2.0% for the next 10 years (Figure 4.3). However, this ratio would be slightly lower (i.e. better) with the proposed SV.

Figure 4.3 The council's infrastructure backlog ratio



Source: Narrandera Shire Council, Application Part A.

Impact on infrastructure renewals ratio

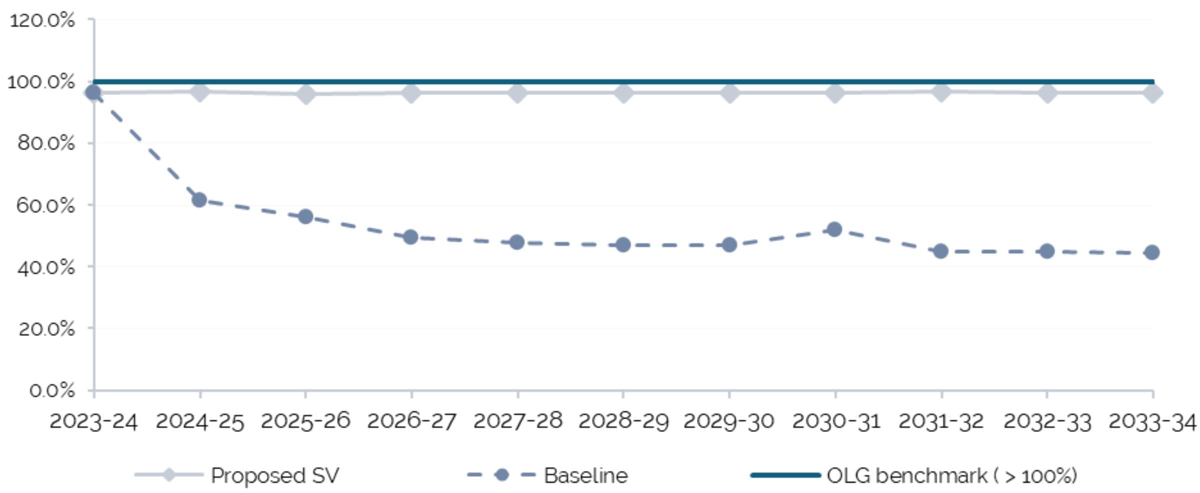
As set out in Figure 4.4, we found that over the next 5 years[e], the council's infrastructure renewals ratio would be:

- 96.3% under the Proposed SV Scenario
- 52.4% under the Baseline Scenario.

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

We found that both with and without the proposed SV, the council's infrastructure renewals ratio would not meet the OLG benchmark of 100% over the next 10 years (Figure 4.4). However, the renewals ratio is higher (and closer to the OLG benchmark) under the proposed SV (Figure 4.4).

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



Source: Narrandera 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 council's LTFP notes efforts have been made to address the operating deficit with a comprehensive organisational review of services and operations.[33] The council notes it has found savings of approximately $0.939 million per year. It also told us that past improvements were captured from 2018-19 and were in place at 2022-23.[34]

As noted in section 4.2, the council also told the community that it plans to grant fund up to 50% of the proposed $16.5 million stormwater upgrade.

We recognise that alternative revenue pathways can be challenging to pursue if a council is under-resourced. Based on the size and resources of Narrandera Shire Council, we assess that the council has canvassed alternatives to a rate rise. We also investigated whether and to what extent the council has any available deferred rate increases and found that it does not have any available deferred rate increases.[35]

5 Our assessment: OLG Criterion 2 - Community awareness

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

For this criterion, we found that the council demonstrated it had engaged with ratepayers on its SV application and that its community is aware of the need for and purpose of the SV.

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

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

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

Note: See Appendix A for the full criterion.

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

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

5.1 Stakeholder comments on community awareness

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

- did not respond to their concerns about the proposed SV
- did not provide a 'no SV' option in its survey about the SV.

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

We received 186 responses. There were mixed views about whether the council had adequately communicated and provided opportunity for feedback, but the majority did not agree that the council considered the community feedback in its decision making. The full results are presented in Figure C.2 in Appendix C. We considered this feedback, 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 were effective
- the process used to consult the community provided timely opportunities for ratepayers to provide input and feedback on the proposed SV
- the outcomes from the consultation were considered in preparing the SV application.

Information provided to ratepayers

We found that the materials the council provided to ratepayers about the proposed SV were generally clear and contained the information they needed to be aware of the need for the rate increases.

The council's consultation materials[36] 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 residential, business and farmland rating categories
- what the additional income from the proposed SV would fund, including:
  - proposed salary system improvements (i.e. salary increases for staff)
  - funding the interest on a loan that would be undertaken for stormwater capital works
  - IT system upgrades
  - addressing the asset backlog
- how to find out more information
- how to provide feedback.

The council has also set out its ongoing efficiency measures in its publicly available *Improvement Plan*, where it has outlined present and future initiatives.[37]

We note that the increase to the average farmland rates is slightly higher (48.3%) than indicated in the headline figure (48.1%). This appears due to a minor change in the average rate for 2023-24 between preparing the consultation materials and the application. However, the average dollar amounts in the consultation materials align with the council's application, and we consider the council's consultation materials that allowed individualised rates calculations mitigate any uncertainty caused.

We consider that the council provided sufficient information to its community about its SV application.

Engagement methods used

We found the council used an appropriate variety of engagement methods to promote awareness of its proposed rate increase and provided opportunities for ratepayers to provide feedback. For example, its engagement activities throughout the consultation period included:[38]

- a dedicated SV webpage launched on 19 September 2023
- an SV rates calculator on the council's website
- six face-to-face community consultation forums (which were also live-streamed or recorded)
- the ability to meet one-on-one with the General Manager (GM), by request
- individualised correspondence to ratepayers that included individual estimates of rates under the proposed SV and an explanation of why the SV was needed
- mailed newsletters
- social media channels
- local newspaper advertisements (e.g. via printed inserts in local newspapers).

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 told us it consulted with the community from 19 September to 3 November 2023.[39] We found that this consultation period provided enough opportunity for ratepayers to be informed and provide feedback on the proposal.

Outcomes of community consultation

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

The council considered the feedback it received during the SV community consultation period at a council meeting held on 21 November 2023.[40]

We found that Narrandera Shire Council did consider these results. Its application indicated:[41]

- the council's dedicated SV webpage attracted 794 views from 363 users
- its community forums attracted 352 attendees
- the council's online survey received 50 responses
- the council received 187 written submissions.

The council's Community Engagement Report outlined that out of the 187 submissions:[42]

- 140 submissions (75%) objected to the proposed SV
- 35 submissions (19%) supported the proposed SV.

We found that the council's online survey did not provide an option for participants to indicate they did not support any form of an SV.[43] The OLG criterion stipulates that an element of community awareness is the ability for the community to provide input. However, we acknowledge that the council sent reply-paid submission forms via post to 3,612 households,[44] where interested stakeholders could use that form to provide their views freely, including opposing an SV. Through this method, the council received a significant number of responses opposing the SV. In future, the council should ensure all its community input methods allow respondents to provide their views freely.

The council told us that its preferred SV option was a 41.5% increase in 1 year. However, having considered the feedback from the community, it resolved to apply for a 48.1% SV over 2 years to reduce the impact on ratepayers in year one.[45]

6 Our assessment: OLG Criterion 3 - Impact on ratepayers

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

On balance, we found that the council has met this criterion. It has demonstrated that the impact of its proposed special variation on ratepayers is largely reasonable, but we note that the impact may be high for some ratepayers.

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

Note: See Appendix A for the full criterion.

To assess this criterion, we considered stakeholder comments on the SV's impact on ratepayers received through the feedback form and submissions and analysed the council's assessment of the impact of its proposed SV on ratepayers.

We then compared the current and proposed rate levels to similar councils along with the community socio-economic indicators, and balanced this with any measures the council has in place to mitigate impacts.

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

6.1 Impact of the proposed SV on average rates

The council calculated the average impact on ratepayers. Table 6.1 sets out its expected increase in average rates in each main ratepayer category under the proposed 2-year permanent SV. It shows that from 2024-25 to 2025-26:

- the average residential rate would increase by $355.30 or 47.6% in total
- the average business rate would increase by $608.50 or 48.1% in total
- the average farmland rate would increase by $1,907.80 or 48.3% in total.

Table 6.1 Impact of the proposed special variation on average rates

	2023-24	2024-25	2025-26	Cumulative increase
Residential average rates ($)	746	934	1,102	
$ increase		187	168	355
% increase		25.1	18.0	47.6
Business average rates ($)	1,265	1,588	1,874	
$ increase		323	286	609
% increase		25.5	18.0	48.1
Farmland average rates ($)	3,952	4,966	5,860	
$ increase		1,014	894	1,908
% increase		25.7	18.0	48.3

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

6.2 Stakeholder comments on impact on ratepayers

Most of the 8 public submissions we received commented that the SV would have:

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

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

We received 186 responses. Over 3 quarters of responses did not agree that the rate 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, on balance, we consider the impact of the increases is reasonable, as set out in our assessment in section 6.4 below.

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

The council's IP&R documents

We found that the council's LTFP communicates the average rates per category, if the 2-year SV of 48.1% (25.5% in year 1 then 18.0% in year 2) was implemented.[46]

The council's consideration of capacity to pay

The council's capacity to pay analysis, undertaken by its consultant Morrison Low, considered areas of social disadvantage, vulnerable groups, household expenditure and industry data in the Narrandera Shire local government area (LGA) relative to other areas.[47]

The report grouped the LGA into three categories for the analysis: Barellan, Narrandera and Other rural and villages[f].[48]

The report concluded:

- The LGA has reasonably significant levels of disadvantage (Barellan and Narrandera), mixed with some pockets of significant advantage (Other rural and villages).[49]
- The council's current residential rates sit below other OLG Group 10 councils and that ratepayers in Narrandera would be most impacted by the proposed rate rise, followed by residents in the Other rural and village groupings. Barellan residents would be least impacted.[50,g]
- The council's current business rates sit below other OLG Group 10 councils[51]
- Although current farmland rates are higher than other OLG Group 10 councils, there is capacity to absorb the SV increases among farmland ratepayers, as 79% of them fall into the Other rural and villages grouping which is an area considered to have more advantage, which is based on that area having a higher SEIFA index than Barellan and Narrandera.[52]

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

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

- how the council's rates have changed over time
- how current and proposed rates compare to councils in similar circumstances
- the community's capacity to pay based on census data and hardship data from the council
- what hardship provisions the council has in place to mitigate the impact.

[f] Includes the suburbs of Grong Grong, Gillenbah, Kamarah, Colinroobie, Binya, Euroley, Corobimilla, Moombooldool, Landervale and Brobenah.

[g] Based on current land valuation data.

In summary, we consider the impact of the increases is reasonable. With the SV, the council's residential and business average rates would still be comparable to its neighbouring and similar councils. We acknowledge that the average farmland rates would be higher than comparable councils with the SV. Socioeconomically, the council's average residential rates to median household income ratio and its outstanding rates and annual charges ratio are around the average of other comparable councils. However, it has a lower median household income and a higher proportion of residents in receipt of Government pensions compared to similar councils.

The council has resolved to review the SV's impact on farmland ratepayers by reviewing its current rates structure. This may ease some pressure on farmland ratepayers but shift costs to the residential and business ratepayer categories. We note that there are more ratepayers in these 2 categories so any increase would be spread among those ratepayers.

The way in which councils collect the rates income from the different ratepayer groups is a matter for the council and we note that this is typically reviewed every year and subject to change in the future.

The council has a hardship policy in place and provides the $250 concession on rates to eligible pensioners, which we assess could mitigate the difficulties that some ratepayers may face with paying their rates.

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 lower than the rate peg. As Table 6.2 shows, residential rates have *decreased* at an annual average rate of -1.1%, compared to the average rate peg of 2.4% over the same period. This result is because the average rates (for all categories) fell from 2018-19 to 2019-20.

However, since 2019-20, the average residential rate has increased each year. Between 2019-20 and 2023-24, the average residential rate increased by 3.3% per year, on average which is more in line with the rate peg increases. We note that from 2018-19 to 2019-20, the number of business and residential assessments increased, which may explain the fall in average rates over those 2 years with limited change to the total general income collected.

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

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	Average annual growth (%)
Residential	790	656	678	688	702	746	-1.1
Business	1,464	1,188	1,241	1,233	1,257	1,265	-2.9
Farmland	3,699	3,580	3,635	3,669	3,742	3,952	1.3

Note: 2022-23 rates are an estimate based on 2021-22 rates escalated by the rate peg or the council's SV.
Source: OLG, Time Series Data 2021-22, Narrandera Shire Council, Application Part A and IPART calculations

How the council's rates compare to other councils

We compared the council's average rates currently, and what they would be with the SV, with those of similar and nearby councils. We have considered this together with the socio-economic data comparisons set out below to help us assess the reasonableness of the proposed rate increase.

Box 6.1 provides more information about how we compared councils.

Box 6.1 Comparable councils

In our analysis of rate level and capacity to pay indicators, we have compared Narrandera Shire Council to other councils in several ways.

Other councils with similar Socio-Economic Indexes for Areas (SEIFA) rank

SEIFA ranks areas in Australia according to relative socio-economic factors. It is developed by the Australian Bureau of Statistics using 2021 census results. We considered the 'Index of Relative Socio-economic Advantage and Disadvantage' which includes 23 variables covering income, household make-up, housing, education levels and employment.

Narrandera Shire Council has a SEIFA rank of 19 out of 128 NSW councils. A lower number means more relative disadvantage.

We have compared the council's average rates with those of other regional councils with a similar SEIFA rank to help us assess how reasonable they are. The 4 rural councils with the closest SEIFA rank are Cowra, Gilgandra Shire, Muswellbrook Shire and Warrumbungle Shire councils.

Office of Local Government (OLG) groups

The OLG groups similar councils together for comparison purposes. This is based on broad measures such as level of development, typical land use and population.

Councils in each group may have some similarities in service levels and costs, although there can be some broad differences within each OLG Group.

Narrandera Shire Council is in OLG Group 10 which is considered a large rural area with population of less than 10,000. Group 10 has 23 councils in total, including Berrigan Shire, Blayney Shire, Gwydir Shire and Wentworth Shire councils.[53]

Box 6.1 Comparable councils

Neighbouring councils

Comparing to neighbouring and nearby council areas can help ratepayers assess the level of rates they pay as they may be better able to also see differing service levels across councils.

The councils we have used for this comparison are Bland Shire, Coolamon Shire, Federation, Leeton Shire, and Wagga Wagga City councils. These are the neighbouring councils that share the most common borders with Narrandera Shire Council.

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

- average residential rates are lower than 4 of the 5 neighbouring councils, slightly below the average of its 4 comparable councils by SEIFA and below the average of other OLG Group 10 councils
- average business rates are higher than 3 of the 5 neighbouring councils and below the average of its 4 comparable councils by SEIFA and the average of other OLG Group 10 councils
- average farmland rates are higher than 4 of the 5 neighbouring councils, above the average of its 4 comparable councils by SEIFA and the average of other OLG Group 10 councils.

Table 6.3 Comparison of the council's average residential rates under the proposed SV

Council	Average residential rate ($)		
	Current	2024-25	2025-26
Narrandera Shire Council (OLG Group 10)	**746**	**934**	**1,102**
Neighbouring councils			
Bland Shire Council	1,420	1,484	1,521
Coolamon Shire Council	429	454	465
Federation Council	847	991	1,130
Leeton Shire Council	1,173	1,226	1,257
Wagga Wagga City Council	1,193	1,253	1,284
Average	**1,096**	**1,168**	**1,216**
Comparable councils (SEIFA)			
Gilgandra Shire Council	771	806	826
Warrumbungle Shire Council	664	694	711
Cowra Shire Council	539	563	577
Muswellbrook Shire Council	998	1,043	1,069
Average	**763**	**797**	**817**
Group 10 average (excl. Narrandera Shire Council)	**933**	**982**	**1,009**

a. The average rate is calculated by dividing total Ordinary Rates revenue by the number of assessments in the category.
b. To derive the 2023-24 average rates for comparable councils, we used OLG's time series data as at 2021-22 (latest available) and escalated this by its 2022-23 and 2023-24 rate peg, or if applicable, its approved SV.
c. To derive the 2024-25 average rates for comparable councils, we used OLG's time series data as at 2021-22 (latest available) and escalated this by its 2022-23, 2023-24, 2024-25 rate peg, or if applicable, its approved SV.
d. To derive the average rates beyond 2024-25 for comparable councils, we used OLG's time series data as at 2021-22 (latest available) and escalated this by its 2022-23, 2023-24, 2024-25 rate peg then an assumed rate peg of 2.5%, or if applicable, its approved SV.

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

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

Council	Average business rate ($)			Average farming rate ($)		
	Current	2024-25	2025-26	Current	2024-25	2025-26
Narrandera Shire Council (OLG Group 10)	**1,265**	**1,588**	**1,874**	**3,952**	**4,966**	**5,860**
Neighbouring councils						
Bland Shire Council	1,284	1,341	1,375	3,300	3,448	3,534
Coolamon Shire Council	447	473	485	2,151	2,278	2,335
Federation Council	1,151	1,346	1,535	4,299	5,030	5,734
Leeton Shire Council	1,030	1,076	1,103	3,920	4,097	4,199
Wagga Wagga City Council	6,351	6,669	6,836	3,012	3,162	3,241
Average	**4,050**	**4,281**	**4,421**	**3,312**	**3,597**	**3,820**
Comparable councils (SEIFA)						
Gilgandra Shire Council	1,316	1,375	1,410	5,190	5,423	5,559
Warrumbungle Shire Council	1,825	1,907	1,954	3,387	3,539	3,627
Cowra Shire Council	3,613	3,776	3,870	2,128	2,224	2,279
Muswellbrook Shire Council	2,897	3,027	3,103	3,241	3,386	3,471
Average	**2,630**	**2,748**	**2,817**	**3,254**	**3,400**	**3,485**
Group 10 average (excl. Narrandera Shire Council)	**1,838**	**1,938**	**1,991**	**3,373**	**3,550**	**3,651**

a. The average rate is calculated by dividing total Ordinary Rates revenue by the number of assessments in the category.
b. To derive the 2023-24 average rates for comparable councils, we used OLG's time series data as at 2021-22 (latest available) and escalated this by its 2022-23 and 2023-24 rate peg, or if applicable, its approved SV.
c. To derive the 2024-25 average rates for comparable councils, we used OLG's time series data as at 2021-22 (latest available) and escalated this by its 2022-23, 2023-24, 2024-25 rate peg, or if applicable, its approved SV.
d. To derive the average rates beyond 2024-25 for comparable councils, we used OLG's time series data as at 2021-22 (latest available) and escalated this by its 2022-23, 2023-24, 2024-25 rate peg then an assumed rate peg of 2.5%, or if applicable, its approved SV.

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

Table 6.3 and Table 6.4 show that at the end of the proposed SV in 2025-26:

- average residential rates would still be lower than 4 of the 5 neighbouring councils, but above the average of its 4 comparable councils by SEIFA and slightly above the average of other OLG Group 10 councils
- average business rates would be higher than 4 of the 5 neighbouring councils (rather than being below 2 neighbouring councils in 2023-24), but remain below the average of its 4 comparable councils by SEIFA and the average of other OLG Group 10 councils
- average farmland rates would be higher than all 5 of the neighbouring councils, above the average of its 4 comparable councils by SEIFA and the average of other OLG Group 10 councils.

Impact on farmland rates under the proposed SV

As noted above, the impact of the SV on farmland rates would be higher than other rating categories. The council has told us in its application that it recognises the impact of the proposed increase on properties rated as farmland.[54] The council told us that the general manager is to report to the council prior to 30 June 2025 on the appropriateness of the current balance of rates income.[55] If the rates structure is amended so the farmland category pays a smaller proportion of rates, this means there would be a higher impact on the residential or business ratepayer categories or both.

Discounted sewerage connection fee for 174 Barellan properties

The council has also told us that in order to mitigate the financial impact for ratepayers, it is discounting a sewerage connection fee for 174 Barellan properties that are being connected to the sewerage network. The council told us it will charge $1,622 and the actual cost of each connection is $5,000.[56] It also noted that 211 properties in Barellan are planned to access a newly constructed sewerage scheme for the first time due to issues with the existing septic tank system.[57] This discount will help manage the financial impact on those properties over the coming years. However, we note that paying the sewage connection fee is still an additional cost, but acknowledge this may be offset by the reduction of other sewage management costs currently faced by the property owner. The council has also not indicated how it would fund the discount.

We note that charges levied for providing sewerage services are excluded from general income and is not regulated by the rate peg or special variations. The 174 properties amount to around 5% of the total number of rating assessments.[58,h]

Socio-economic indicators, hardship, and outstanding rates data

We considered some socio-economic indicators to understand the community's capacity to pay and levels of vulnerability in the community. We considered these together with the average rate levels set out above, and the hardship assistance available to vulnerable ratepayers.

This assessment focusses on residential rates. Residential ratepayers represent the majority of ratepayers (there were 2,420 residential assessments out of 3,611 assessments in 2023-24[59]).[i]

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

[h] The 5% was reached by dividing the 174 properties by 3,618 - which is the total number of expected assessments the council envisages for 2024-25.

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

Box 6.2 How we assessed capacity to pay

To help us understand the impact on residential ratepayers, we have considered select socio-economic indicators and compared these to the councils outlined in Box 6.1. We also collected historical hardship and outstanding rates data from the council. These provide an indication of the ability to pay additional increases and are useful to consider together with the rate comparison.

Socio-economic indicators from 2021 census

We considered:

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

We also note that interest rates and cost of living have increased since this data was collected in the 2021 census.

Hardship applications and outstanding rates

We collected 5 years of historical data related to ability to pay rates to understand trends in the area. This was:

- how many hardship applications were made
- how many ratepayers were on a hardship policy
- the value of rates ($) that were outstanding as at 30 June.

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

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

Table 6.5 below shows that socio-economically, the residents of Narrandera Shire Council have a lower median household income and there are a higher proportion of residents in receipt of Government pensions than the council areas we compared it to. In particular:

- Median household income is lower than in its neighbouring areas and comparable councils by SEIFA, and lower than the OLG Group 10 average.
- The council's median household income may be explained by the fact that 25% of Narrandera Shire residents are on a government pension, which is a higher proportion than many of the council areas we compared it to.
- The typical household in Narrandera Shire would spend around 1.2% of household income towards residential rates. This is less than the average of what those in neighbouring councils (1.4%) and OLG Group 10 councils (1.4%) would spend, but slightly more than what a typical household in comparable councils by SEIFA (1.1%) would.
- 7.3% of the council's rates were outstanding, which meets the OLG's benchmark of less than 10% for regional councils.
- 40.8% of dwellings in the council are owned outright, which is around the same as its neighbouring areas (40.8%), more than comparable council areas by SEIFA (40.6%), and less than the average among OLG Group 10 council areas (44.0%).

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]
Narrandera (OLG Group 10)	61,568	1.2	7.3	24.7	9.7	40.8
Neighbouring councils						
Bland Shire Council	68,952	2.1	5.5	19.3	5.2	47.1
Coolamon Shire Council	68,120	0.6	5.7	21.1	6.6	45.2
Federation Council	61,724	1.4	5.6	26.6	9.0	46.2
Leeton Shire Council	73,684	1.6	8.5	18.6	10.3	36.1
Wagga Wagga City Council	85,176	1.4	6.0	15.6	12.4	29.5
Average	**71,531**	**1.4**	**6.3**	**17.8**	**11.1**	**40.8**
Comparable councils (SEIFA)						
Gilgandra Shire Council	59,748	1.3	10.1	24.1	9.8	40.9
Warrumbungle Shire Council	55,536	1.2	8.1	28.1	7.6	48.9
Cowra Shire Council	57,824	0.9	12.5	27.2	10.1	43.8
Muswellbrook Shire Council	84,656	1.2	9.5	17.9	13.5	28.6
Average	**64,441**	**1.1**	**10.1**	**23.5**	**10.2**	**40.6**
Group 10 average (excl. Narrandera Shire Council)	**65,144**	**1.4**	**8.5**	**23.8**	**9.3**	**44.0**

a. Median annual household income is based on 2021 ABS Census data.
b. The 2023-24 average rates for comparable councils are calculated based on the OLG's time series data as at 2021-22 (latest available data) escalated by a Council's 2022-23 and 2023-24 rate pe or approved SV, as relevant.
c. The Outstanding rates ratio (%) is derived from the OLG's Rates & Annual Charges Outstanding Percentage for the General Fund as at 2021-22 (latest available data). The formula is 'rates and annual charges outstanding ($) *divided by* 'rates and annual charges collectible' ($).
d. Proportion of population in receipt of select Government payments (%) is based on the total number of Age Pension, Disability Support Pension and the JobSeeker Payments *divided by* the estimated regional population from the 2021 ABS Data by Region.
e. Proportion of occupied private dwellings where 30% or more of the household's imputed income is put towards housing costs payments is calculated by the following formula = [households where mortgage repayments are more than 30% of the imputed household income (no.) + households where rent repayments are more than 30% of the imputed household income (no.)] / total occupied private dwellings (no.). These measures are from the 2021 ABS Data by Region.
f. Dwelling owned outright (%) is from the 2021 ABS Data by Region.

Source: OLG, Time Series Data 221-22; ABS, Socio-economic Indexes for Areas (SEIFA) 2021, March 2023; ABS, 2021 Data by Region, Local Government Areas, NSW, Median Weekly Household Income and IPART calculations.

Historical hardship and outstanding rates data

We collected historical data on outstanding rates and ratepayers accessing hardship provisions. Recent trends give an indication of ratepayers' ability to pay current rate levels and potentially the impact of other recent costs increases.

The number of overdue rate notices fell slightly from 2018-19 for 2 years before increasing again. At 2022-23, 518 out of 3,860 rate notices (13.4%)[k] were overdue. The average debt per overdue rates notice moved in the opposite direction, from $483 in 2018-19 increasing to $1,045 in 2021-22, then decreasing to $607 in 2022-23. This trend may reflect difficulties with other cost of living pressures, although there can be various reasons for paying rates in arrears.

There were very few hardship applications – totalling 3 in the last 2 years and none prior to that, with one ratepayer currently on hardship provisions.[60]

6.5 The council's hardship policy and availability of concessions

A hardship policy can play an important role in mitigating the impact of an SV on vulnerable ratepayers. We are satisfied that the council has a hardship policy in place to assist vulnerable ratepayers.

The council's hardship policy provides assistances, such as:

- providing periodic payment arrangements
- writing off accrued interest
- the discretion for the council to reduce or waive rates, charges and accrued interest due by eligible pensioners on a voluntary basis with no subsidy from the state government.[61]

The council also has a specific pensioner concession policy to provide clear and equitable guidelines for the granting of statutory pensioner concessions for rates and charges.[62] The council told us it provides the maximum allowable concession to eligible pensioners as per the *Local Government Act 1993* (NSW). This is currently set at $250.[63] The council also told us that 528 rates notices had the pensioner rebate applied to it in 2022-23.[64]

The council in its application told us that its website and rate notices provide information about the council's hardship policy.[65] Between 2018-19 and 2022-23, 2 hardship applications were made. This may reflect that the community may not be aware of the application process or could indicate that the council has low levels of hardship.

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

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

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

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

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

Note: See Appendix A for the full criterion.

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

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

The council:[66]

- Exhibited its current Community Strategic Plan from 20 April to 18 May 2022 and adopted it on 21 June 2022. It revised and re-adopted the Community Strategic Plan with minor changes on 18 April 2023, where the council added the following two items:[67]
  - Maintain an up-to-date Asset Management Strategy and supporting Asset Management Plans which are reflected within the 10-year capital works program
  - Investigate solutions that will assist in the financial sustainability of Narrandera Shire Council to undertake major capital expenditure, such as a Special Rate Variation. A SRV would enable the commencement of the major capital works project, Narrandera stormwater infrastructure duplication project.
- Exhibited its current Delivery Program from 19 September to 3 November 2023 and adopted it on 21 November 2023.
- Exhibited its current Long-term Financial Program (LTFP) from 19 September to 3 November 2023 and adopted it on 21 November 2023. The LTFP is also available on the council's website.[68]
- Adopted its Strategic Asset Management Plan on 13 December 2023.
- Submitted its SV application on 31 January 2024.

7.1 Long term financial plan

There were differences between what the council submitted to us and the LTFP published on its website.

The council clarified that the LTFP on its website includes $1.2 million of expenditure in 2023-24 comprising of salary and IT system improvements. These expenditures were not included in its application to us. The council clarified on 20 February 2024 that the discrepancy from its original LTFP was due to there being no additional costs in 2023-24 associated with the salary review and that the major contracts for the IT system upgrade was still under negotiation. It also told us that further expenditure for salary improvements and the IT system upgrade were dependent on an SV.

We acknowledge that timing differences can occur with proposed expenditure. As discussed in Chapter 5, we also assess that the council has made the community aware about the need for the SV, including the proposed salary increases and IT system upgrade.[69]

Our assessment of the council's financial need outlined in Chapter 4 has been completed with the most up-to-date information.

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

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

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

Source: Office of Local Government Integrated Planning and Reporting Guidelines

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

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

For this criterion, we found that the council explained and quantified the productivity improvements and cost containment strategies it has realised and plans to realise from 2024-25 to 2025-26.

> 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 have been incorporated in the council's Long Term Financial Plan.

Note: See Appendix A for the full criterion.

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

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

8.1 Stakeholder comments on productivity and cost containment

Some submissions to IPART expressed that:

- the number of staff working at the council has increased
- the council has mismanaged projects
- the council is generally inefficient with how it carries out capital works and repairs.

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

We received 186 responses. Of these, more than half (104) disagreed that the council is effective in providing infrastructure and services for the community while about 30% agreed, and the remainder neither agreed nor disagreed. Nearly 70% of respondents disagreed that the council had explained past, or future cost-saving strategies (129 and 130 responses respectively). The full results are presented Figure C.4 in Appendix C.

We have considered this feedback as part of our assessment of this criterion.

8.2 The council's realised and proposed savings

The council told us it has identified 59 past improvements, which total $0.939 million per year in financial benefits.[70]

It also told us there are 33 planned improvement initiatives that are scheduled to commence between 2024-25 and 2026-27. The council estimates these will bring an annual benefit of $388,000 per year.[71]

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

We consider the council has demonstrated this criterion and found it has:

- demonstrated it has achieved some past productivity improvements and cost containment
- outlined strategies and activities to further improve its productivity and efficiency and incorporated them into its LTFP.

These are set out in its Organisation Improvement Plan which has outlined past savings and identified improvements to the council's financial position, operational productivity, efficiency and its resource needs.[72]

Productivity and cost containment strategies to date

We consider the council has achieved some productivity and cost containment gains to date. In its SV application, it estimates that it has delivered $0.939 million per year in financial benefits from 59 improvements.[73] The council also told us that past improvements were captured from 2018-19 and were in place at 2022-23.[74] The council told us its most significant savings to date have been:

- reduction in workers' compensation claims ($252,000)
- optimisation of the loan cycle by taking loans at lower rates ($330,000)
- installation of LED street lighting (saving $60,000)
- review of village servicing at Barellan ($60,000).[75]

The council told us it has reduced workers' compensation claims by targeting and rolling out initiatives in the 2 areas of:

- work health and safety (WHS) policy and practice
- employee wellbeing.

Planned productivity and cost containment strategies

The council has identified 33 improvement initiatives[l] that are scheduled to commence between 2024-25 and 2026-27, which it estimates will bring an annual benefit of $388,000 per year. Some examples are:

- Climate Action Strategy implementation – includes solar power implementation as stage 1 ($90,000 ongoing yearly benefit).
- Move to fee-for-service model for aged care services as part of age care reforms ($41,000).
- Implementation/improved use of GPS tracking on all light and heavy fleet ($30,000 ongoing yearly benefit).
- Review new visitor centre staffing ($27,000 ongoing yearly benefit).[76]

The council has told us that these 32 initiatives have been incorporated into the LTFP.[77]

In addition to the 33 initiatives, the council has identified 6 more initiatives that are earmarked to commence from 2027-28. The 6 initiatives have an estimated annual net financial benefit of $60,000.[78] The council has not incorporated that amount into the LTFP as the initiatives have not been fully analysed.[79] The council should also fully incorporate the savings from these later initiatives as the benefits from them become clearer in the future.

8.4 Indicators of the council's efficiency

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

We found that between 2017-18 and 2021-22, the council's:

- number of full time equivalent (FTE) staff, on average, has decreased by 1.6% each year
- average annual cost per FTE increased by an average of 3.3% per annum
- employee costs as a percentage of operating expenditure, on average has decreased by 3.5% per year, in nominal terms.

We also found that the council has:

- slightly more staff per population than the OLG Group 10 average - it has one FTE for every 55.6 residents, whereas the Group 10 average is one FTE for every 61.0 residents
- the council's operating expenditure per capita is lower than the Group 10 average.

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

[l] This includes the salary system review.

Table 8.1 Trends in selected indicators for Narrandera Shire Council

Performance indicator	2017-18	2018-19	2019-20	2020-21	2021-22	Average annual change (%)
FTE staff (number)	110	110	107	105	103	-1.6
Ratio of population to FTE	53.9	53.9	55.1	55.8	55.6	0.8
Average cost per FTE ($)	70,109	69,300	72,738	76,819	79,942	3.3
Employee costs as % of operating expenditure (General Fund only) (%)	43.8	43.3	41.0	45.3	38.0	-3.5

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

Table 8.2 Select comparator indicators

	Narrandera Shire Council	OLG Group 10 Average	NSW Average
General profile			
Area (km2)	4,116	9,285	5,539
Population	5,731	7,188	63,678
General Fund operating expenditure ($m)	19.5	26.4	95.5
General Fund operating revenue per capita ($)	4,641	4,958	na
Rates revenue as % of General Fund income (%)	23.0	22.5	44.5
Own-source revenue ratio (%)	37.8	40.8	64.4
Productivity (labour input) indicators			
FTE staff	103.0	117.8	386.5
Ratio of population to FTE	55.6	61.0	164.8
Average cost per FTE ($)	79,942	82,784	98,023
Employee costs as % of operating expenditure (General Fund only) (%)	38.0	34.1	37.5
General Fund operating expenditure per capita ($)	3,397	3,667	1,500

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

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

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

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

On balance, we found that the council met this criterion.

IPART approved a permanent Additional Special Variation (ASV) for the council of 2.0%, for 2022-23.

A condition of the approval was that the council's 2022-23 annual report must outline:

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

The council did not initially report these elements in its published 2022-23 Annual Report. However, at its 20 February 2024 meeting, the council resolved to add an addendum to the 2022-23 Annual Report to comply with our ASV reporting conditions.[80] This addendum is now available in its 2022-23 Annual Report.[81]

Complying with these conditions is integral to the SV process. Reporting allows the council to be held accountable for its expenditure and the commitments it made to its community when it decided to apply for the SV. It also supports the ratepayers to have confidence in their council and the special variations process.

The OLG is the body responsible for enforcing compliance with the conditions attached to SVs.

10 Minimum rate increase

A councils can impose a minimum rate for each of its rating categories.[m] There is a statutory maximum for these rates, set annually. This is $617 for 2024-25.[n]

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 percentage, it needs to apply to IPART for approval.

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

Narrandera Shire Council currently imposes a minimum rate for its residential, business and farming categories and has applied to increase these minimum rates above the statutory limit for the first time. The increases are in line with the proposed SV percentage. The current minimum rates and proposed increases are set out in Table 10.1

Table 10.1 Narrandera Shire Council's proposed increases to minimum rates

	2023-24 (Current)	2024-25	2025-26	Cumulative increase
Minimum rate - Residential Ordinary	510	640	755	
% increase		25.49%	17.97%	48.04%
$ increase		130	115	245
Minimum rate – Business Ordinary	510	640	755	
% increase		25.49%	17.97%	48.04%
$ increase		130	115	245
Minimum rate – Business Narrandera[a]	570	715	845	
% increase		25.44%	18.18%	48.25%
$ increase		145	130	275
Minimum rate – Farming Ordinary	510	640	755	
% increase		25.49%	17.97%	48.04%
$ increase		130	115	245

Source: Narrandera Shire Council, Part A Application, Worksheet 7.

a. In its Part A application the council noted that the minimum rate for Business Narrandera would be $844, however, its 21 November 2023 resolution noted that councillors resolved to propose $845. We have confirmed with the council it is its intention to propose the Business Narrandera minimum rate to be $845.

m A rate may, at a council's discretion, consist of an ad valorem amount (an amount in the dollar) which may be subject to a minimum amount of the rate. For convenience, we refer to the minimum amount of the rate as a minimum rate.

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

10.1 Stakeholder comments on the minimum rate 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

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

We consider the council has met this criterion.

The council explained the rationale for increasing minimum rates to the community, to IPART and the rationale was also explained in its LTFP.

10.2.1 Our assessment against criterion 1 for the minimum rate increases

The council has explained in its application that the increase would maintain a fair and equitable distribution of rates.[82] It also explained that the minimum rate increases would not make fundamental changes to the current rating structure.[83] The council's application shows that on average with the proposed SV, the council estimates that rates for both ratepayers subject to the ad-valorem or a minimum rate would increase by approximately 25.5% in 2024-25 then 18.0% in 2025-26.[84] This is consistent with the proposed headline SV percentages the council has applied for (see Chapter 1). However, as noted in Chapter 6, the council has flagged a review of the rating structure by June 2025 to investigate the rating burden on farmland ratepayers.

The council also explained the rationale for the minimum rate increases, i.e. to maintain equity, in its LTFP[85] and SRV Background Paper, which is available on the council's website.[86]

10.3 OLG Criterion 2: The impact on ratepayers

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 category or sub-category.

We found that the council met this criterion.

10.3.1 Our assessment against criterion 2 for the minimum rate increases

We found that the proposed minimum rate increases meet criterion 2.

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 rate payers that are on the minimum rates. These are set out in Table 10.2 below.

Table 10.2 Number and proportion or ratepayers on minimum rates, 2024-25

Rating category	Number on the minimum	Percentage on the minimum
Residential Ordinary	382	15.73%
Business Ordinary	90	76.27%
Business Narrandera	58	22.75%
Farmland Ordinary	68	8.32%

Source: Narrandera Shire Council, Part A Application, Worksheet 4.

We note that the:

- The proposed Residential Ordinary, Business Ordinary and Farmland Ordinary minimum rates would remain below the average residential, business and farmland rates of similar councils based on their estimated 2025-26 rates (see Table 6.3 for residential rates and Table 6.4 for business and farmland rates).
- The Business Narrandera minimum rate would also be below the average business rates of similar councils based on their estimated 2025-26 rates (see Table 6.4).

10.4 OLG Criterion 3: community awareness

> 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 rates and provided the reasoning for the minimum rate increases.

10.4.1 Our assessment against criterion 3 for the minimum rate increases

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

- providing relevant information in its LTFP[87]
- a minimum rates section in its SRV Background Paper[88]
- showing the proposed minimum rate increases in its presentations to the community.[89]

These consultation materials showed:

- why the increase was needed
- what the proposed minimum rates would be in 2024-25 and 2025-26.

Consultation with the community on the proposed minimum rate increases were also 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 told us it did not receive specific feedback about its proposed minimum rate increases.

11 IPART's decisions on the special variation and minimum rate increases

Based on our assessment of the council's application against the 6 OLG criteria and consideration of stakeholder feedback, we have approved the council's proposed permanent SV to general income from 2024-25 to 2025-26.

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 (%)

	2024-25	2025-26
Annual percentage increase (%)	25.5	18.0
Cumulative increase (%)		48.1

Source: IPART calculations.

Our:

- *Instrument Under Section 508A of the Local Government Act 1993 - Special Variation for Narrandera Shire Council for 2024-25 to 2025-26*, and
- *Instrument Under Section 548(3)(a) of the Local Government Act 1993 - Minimum Rates for Narrandera Shire Council for 2024-25 to 2025-26*

give legal effect to this decision and set out the conditions of approval.

11.1 Reasons for our decision

Our assessment found that the council met all 6 of the OLG criteria for its proposed SV and all 3 of the OLG criteria for its minimum rates increase.

We made this decision after balancing the council's financial need to deliver its core services against the impact 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 the community needs.

We also acknowledge that many stakeholders have told us that the SV is likely to create affordability challenges, particularly with the current cost-of-living pressures. While the rate increase with the SV will be large, the council on balance demonstrated the impact on ratepayers is reasonable, considering its current rates and the community's capacity to pay.

With the approved SV, its average residential and business rates for the next 2 years are expected to be broadly in line with the average of neighbouring and comparable councils, but its average farmland rates are expected to be higher than comparable councils. In response to the SV's impact on farmland ratepayers, the council has resolved to review its current rates structure by June 2025. The council also has a hardship policy in place to assist vulnerable ratepayers and provides rebates to eligible pensioners.

The council demonstrated it has delivered productivity improvements and put in place cost containment strategies. It also laid out a future plan to achieve further savings that are proportionate to its size and resources. While the SV may be one component of addressing financial sustainability, the council will still need to deliver on its proposed productivity improvements, as rate increases alone are insufficient to achieve long-term financial stability.

On balance, it met the reporting conditions attached to an Additional Special Variation (ASV) that was approved in 2022-23. After initially failing to report as required, it rectified this with an addendum to its Annual Report.

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 of expenditure (see Table B.2 in Appendix B).
- The council report in its annual report for each year from 2024-25 to 2030-31 (inclusive), on:
  - 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 in Appendix B;
  - 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; and
  - 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 2024-25 to 2025-26, if the council chooses to increase rates so as to recover the maximum permitted general income under the approved SV:

- the average residential rate would increase by $355.30 or 47.6%
- the average business rate would increase by $608.53 or 48.1%
- the average farmland rate would increase by $1,907.75 or 48.3%.

Table 11.2 Indicative annual increases in average rates under the approved SV (2023-24 to 2025-26)

	2023-24	2024-25	2025-26	Cumulative increase
Residential average rates ($)	746	934	1,102	
$ increase		187	168	355
% increase		25.1	18.0	47.6
Business average rates ($)	1,265	1,588	1,874	
$ increase		323	286	609
% increase		25.5	18.0	48.1
Farmland average rates ($)	3,952	4,966	5,860	
$ increase		1,014	894	1,908
% increase		25.7	18.0	48.3

Note: These figures have been rounded in calculation and therefore summations on a whole may not appear to be correct.
Source: Narrandera 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 $1.4 million in 2024-25 and $1.2 million in 2025-26. These increases can remain in the rate 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 2024-25 to 2025-26 from the approved SV

	2024-25	2025-26
Increase approved (%)	25.5	18.0
Cumulative increase approved (%)		48.1
Increase in PGI ($'000)	1,405,3	1,245.0
Cumulative increase in PGI ($'000)	1,405.3	2,650.3
PGI ($'000)	6,916.5	8,161.4

Source: IPART calculations.

This extra income will enable the council to:

- cover increasing costs which are outpacing revenue growth
- continue providing services at current levels
- commence a major capital works project, the Narrandera CBD stormwater infrastructure duplication project to address flooding.[90]

With the SV, the council's projected:

- OPR will improve and reach around 1.0% in 2025-26, but fluctuate and slowly decline to 0.6% in 2033-34 which remains slightly above the OLG benchmark of greater than 0% – as shown in Figure 4.1 in Chapter 4
- net cash to income ratio, which is currently projected to decline without an SV, will decrease to 88.7% in 2025-26 but then climb to 138.5% in 2033-34 – as shown in Figure 4.2 in Chapter 4.

11.5 Decision on the minimum rates

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 permanent increase to its minimum rates for 2024-25 and 2025-26.

The approved increases to the minimum rates are set out in Table 11.4 below.

Table 11.4 Narrandera Shire Council's approved minimum rates

	2023-24 (Current)	2024-25	2025-26	Cumulative increase
Minimum rate – Residential Ordinary	510	640	755	
% increase		25.49%	17.97%	48.04%
$ increase		130	115	245
Minimum rate – Business Ordinary	510	640	755	
% increase		25.49%	17.97%	48.04%
$ increase		130	115	245
Minimum rate – Business Narrandera[a]	570	715	845	
% increase		25.44%	18.18%	48.25%
$ increase		145	130	275
Minimum rate – Farming Ordinary	510	640	755	
% increase		25.49%	17.97%	48.04%
$ increase		130	115	245

Source: Narrandera Shire Council, Part A Application, Worksheet 7.

a. In its Part A application the council noted that the minimum rate for Business Narrandera would be $844, however, its 21 November 2023 resolution noted that councillors resolved to propose $845. We have confirmed with the council it is its intention to propose the Business Narrandera minimum rate to be $845.

Impact on ratepayers

The impact of the approved minimum rates on ratepayers is that from 2023-24 to 2025-26:

- the residential ordinary minimum rate would increase by $245 or 48.0%
- the business ordinary minimum rate would increase by $245 or 48.0%
- the business Narrandera minimum rate would increase by $275 or 48.3%
- the farmland ordinary minimum rate would increase by $245 or 48.0%.

The council has a hardship policy to assist customers experiencing financial hardship, as outlined in Chapter 6.

Impact on the council

Our decision means the council will be able to more equitably distribute rates during and after the 2-year SV, which is 2024-25 and 2025-26.

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[o]:

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

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

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 guidance booklet 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[p] 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.

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 2021* (Regulation), unless:

- the Minister or IPART (as the Minister's delegate) 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.

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[p] 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.

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):

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 rate increases. 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.

B Narrandera Shire Council's projected revenue, expenses and operating balance

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

As a condition of IPART's approval, the council is to report until 2030-31 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 are 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

As set out in the council's response in section 7.3(a) of its SV Part B application and its Organisational Sustainability Review and Improvement Plan, some examples that the council included are:

- review the council's currently utility (water, electricity and gas) usage and identify ways to reduce usage/costing – target a 10% saving
- Climate Action Strategy implementation – includes solar power implement as stage 1
- implementation/improved use of GPS tracking on all light and heavy fleet
- review new visitor centre parking
- review council minute binding
- review of street sweeping service – involving residents
- review of contribution plans 7.12 (capital income)
- review fleet (heavy and small) and plant hire charges - potential savings from fleet plus efficiency savings from plant hire and plant optimisation prior to the replacement of any item
- procurement review - e.g. one-off contract negotiations and competitive tendering (group procurement)
- review the need to retain all current pocket parks
- move to fee-for-service model for aged care services as part of aged care reforms
- increase the potential for private works
- access control systems for all council offices.

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

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
Total revenue	29,081	27,507	22,920	23,866	24,219	24,898	25,687	26,207	26,930
Total expenses	19,509	20,097	20,738	21,292	21,846	22,557	23,197	23,835	24,454
Operating result from continuing operations	9,572	7,410	2,181	2,574	2,373	2,341	2,490	2,372	2,476
Net operating result before capital grants and contributions	-640	206	63	429	191	94	36	61	119
Cumulative net operating result before capital grants and contributions	-640	-435	-372	58	249	343	379	440	560

Note: Numbers may not add due to rounding.

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

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

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
Operating expenses									
Maintain current service levels	300,000	585,393	600,028	615,028	630,404	646,164	662,318	678,876	695,848
Additional resources and stormwater loan interest	457,337	892,407	914,717	937,585	961,024	985,050	1,009,676	1,034,918	1,060,791
Capital expenditure									
Funding for increased renewals	400,000	780,524	800,037	820,038	840,539	861,552	883,091	905,168	927,798

Note: Numbers may not add due to rounding.

Source: Narrandera 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 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 council's past and proposed cost management strategies.

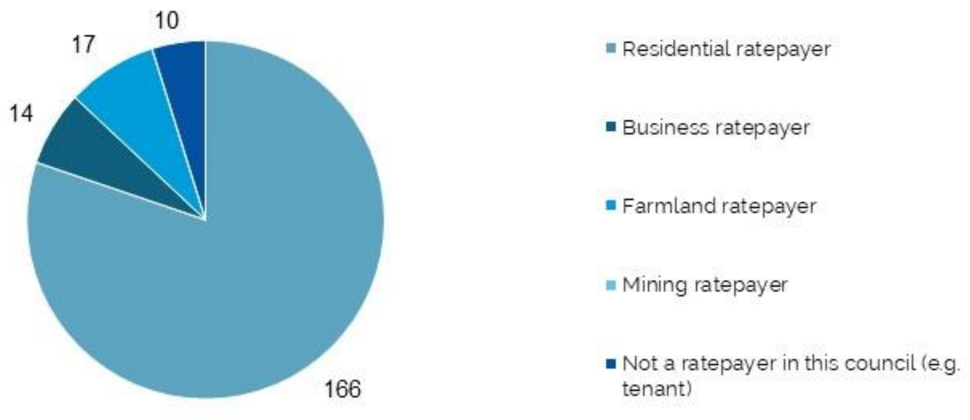
This survey was open for 3 weeks from 27 February 2024 to 18 March 2024.

We received 186 survey responses on Narrandera Shire Council's SV application.

Some results are presented in Chapter 3 of this report and throughout our assessment in Chapters 3 – 8, as relevant. This appendix provides the results for questions about affordability, awareness of the SV, and council's past and proposed cost management strategies. It also provides the breakdown of ratepayer type the responded.

We note that respondents were able to self-select for the survey and the results may not be representative of the whole community's views.

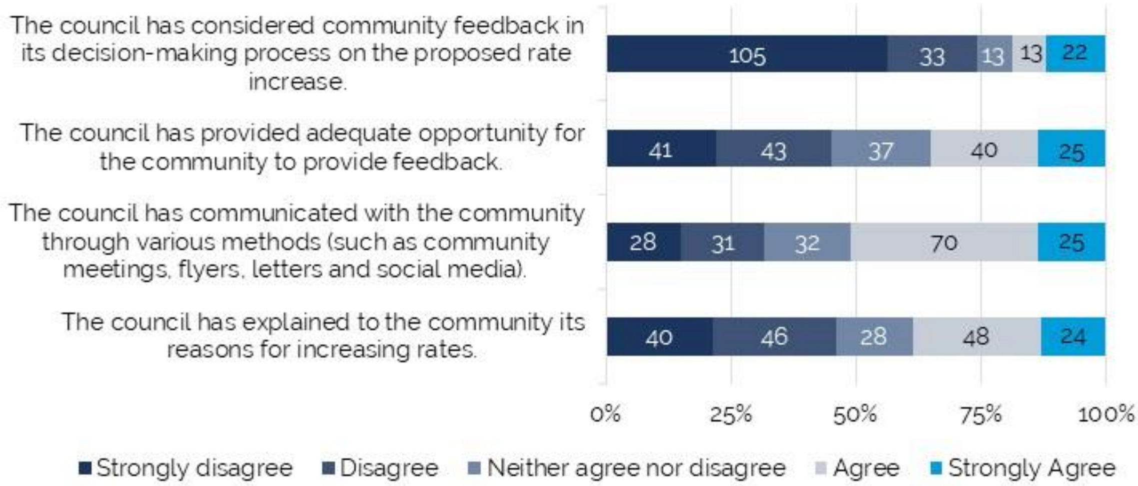
Figure C.1 Respondent ratepayer types



a. The total number of responses for each question was 186. This was a self-selected survey and we cannot guarantee that each response was a unique user. These results may not represent the distribution of ratepayer types in the council area.

Source: IPART

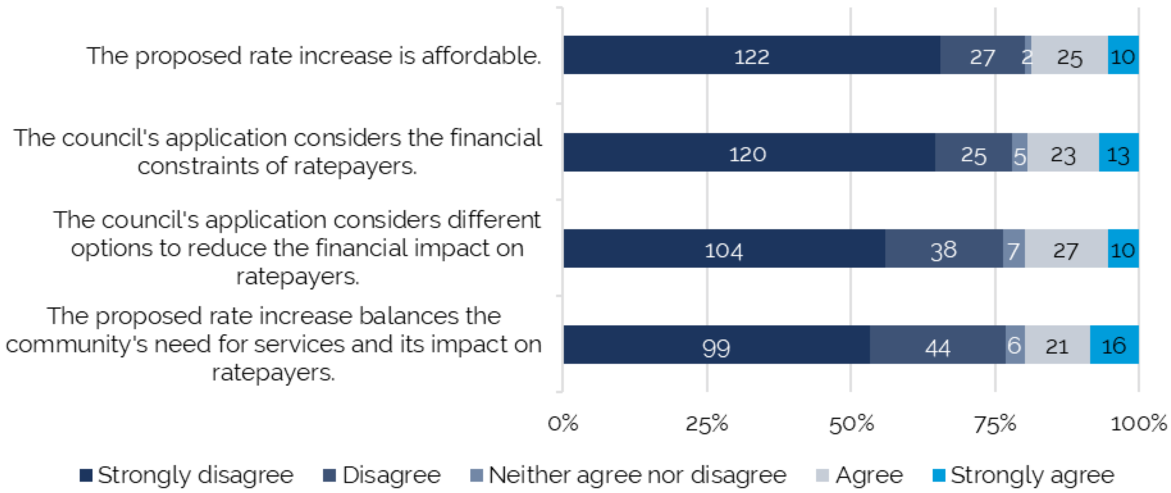
Figure C.2 Responses to questions about awareness and understanding of the proposal



a. The total number of responses for each question was 186. 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

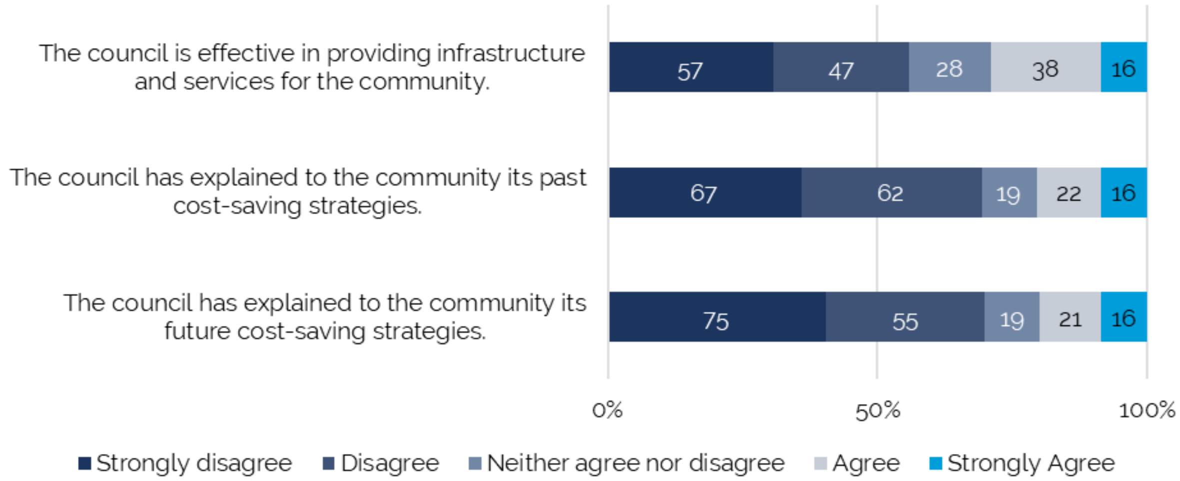
Figure C.3 Responses to questions about affordability



a. The total number of responses for each question was 186. 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



a. The total number of responses for each question was 186. 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

Respondents were also able to add any further comments in a free text box. We have considered all free text comments in our assessment.

D Glossary

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

[1] Narrandera Shire Council, SV Application Part B, January 2024, pp 4-5.
[2] Narrandera Shire Council, MR Application Part B, January 2024, p 5.
[3] Narrandera Shire Council, MR Application Part B, January 2024, p 5.
[4] IPART, Instrument Additional Special Variation for Narrandera Shire Council 2022-23, June 2022.
[5] Narrandera Shire Council, SV Application Part B, January 2024, p 19.
[6] *Local Government Act 1993* (NSW), Section 511.
[7] Narrandera Shire Council, SV Application Part B, January 2024, pp 4-5.
[8] Narrandera Shire Council, Application Part A, January 2024, Worksheet 7.
[9] Narrandera Shire Council, LTFP and Capacity to Pay Report, September 2023, p 64.
[10] Narrandera Shire Council, LTFP and Capacity to Pay Report, September 2023, p 94.
[11] Narrandera Shire Council, LTFP and Capacity to Pay Report, September 2023, pp 94-95.
[12] Narrandera Shire Council, SV Application Part B, January 2024, p 26.
[13] Narrandera Shire Council, LTFP and Capacity to Pay Report, September 2023, pp 94-95.
[14] Narrandera Shire Council, Rates and Charges Financial Hardship Policy, August 2022.
[15] Narrandera Shire Council, Pensioner Concession Policy, February 2023.
[16] *Local Government Act 1993* (NSW), section 575.
[17] Narrandera Shire Council, Application Part A, January 2024, Worksheet 6.
[18] Narrandera Shire Council, Application Part A, January 2024, Worksheet 7.
[19] *Local Government Act 1993* (NSW), s504(3).
[20] Narrandera Shire Council, LTFP and Capacity to Pay Report, September 2023, p 22.
[21] Narrandera Shire Council, Delivery Program 2022-2026, pp 8-9.
[22] Narrandera Shire Council, LTFP and Capacity to Pay Report, September 2023, pp 20-22.
[23] Narrandera Shire Council, LTFP and Capacity to Pay Report, September 2023, p 2.
[24] Narrandera Shire Council, LTFP and Capacity to Pay Report, September 2023, p 2; Narrandera Shire Council, Organisational Sustainability Review and Improvement Plan, April 2023; and Email to IPART, Narrandera Shire Council, 21 March 2024.
[25] Narrandera Shire Council, Application Form Part A, Worksheet 8, January 2024.
[26] Narrandera Shire Council, What will the SV fund?.
[27] Office of Local Government, Performance Benchmarks, May 2020.
[28] Narrandera Shire Council, Application Part A, January 2024, Worksheet 9.
[29] Narrandera Shire Council, Annual Financial Statements for the year ended 30 June 2023, pp 34-35.
[30] Narrandera Shire Council, Annual Financial Statements for the year ended 30 June 2023, pp 34-35.
[31] Narrandera Shire Council, LTFP and Capacity to Pay Report, September 2023, p 31; Narrandera Shire Council, Application Part A, January 2024, Worksheet 10, cells K306 and T306.
[32] Narrandera Shire Council, Application Part A, January 2024, Worksheet 11, cells T89 and T91.
[33] Narrandera Shire Council, LTFP and Capacity to Pay Report, September 2023, p 2.
[34] Narrandera Shire Council, LTFP and Capacity to Pay Report, September 2023, p 2; Narrandera Shire Council, Organisational Sustainability Review and Improvement Plan, April 2023; and Email to IPART, Narrandera Shire Council, 21 March 2024.
[35] Narrandera Shire Council, SV Application Part B, January 2024, p 10.
[36] Narrandera Shire Council, Attachment 10 NSC SV Community Engagement Report Compressed, 2023.
[37] Narrandera Shire Council, Organisational Sustainability Review and Improvement Plan, April 2023.
[38] Narrandera Shire Council, Attachment 10 NSC SV Community Engagement Report Compressed, 2023.
[39] Narrandera Shire Council, Attachment 9 NSC SV Community Engagement Plan, March 2023, p 6.
[40] Narrandera Shire Council, Minutes Ordinary Council Meeting 21 November 2023, November 2023; Narrandera Shire Council, Attachments Under Separate Cover Part A - 21 November 2023, November 2023.
[41] Narrandera Shire Council, SV Application Part B, January 2024, p 19.
[42] Narrandera Shire Council, Attachment 10 NSC SV Community Engagement Report Compressed, 2023, p 72.
[43] Narrandera Shire Council, Attachment 10 NSC SV Community Engagement Report Compressed, 2023, pp 35-47.
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