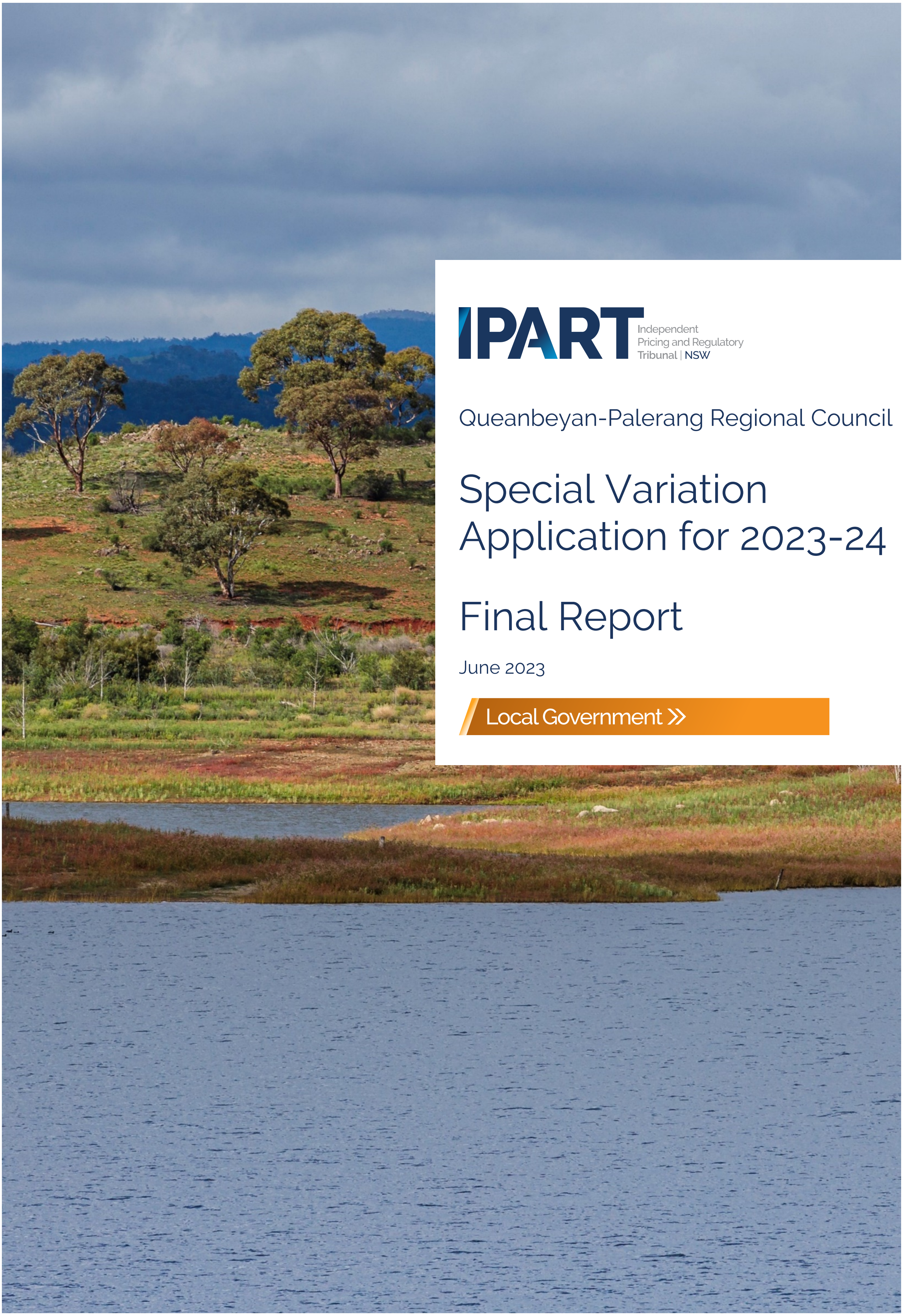

Queanbeyan-Palerang Regional Council

Special Variation Application for 2023-24

Final Report

June 2023

Local Government

Acknowledgment of Country

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

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

Tribunal Members

The Tribunal members for this review are:

Carmel Donnelly PSM, Chair
Deborah Cope
Sandra Gamble

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The Independent Pricing and Regulatory Tribunal

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

Contents

Foreword from the Chair

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Carmel Donnelly PSM

IPART Chairperson

1 Executive summary

Queanbeyan-Palerang Regional Council (the council) applied to IPART to increase its general income by 18.0% per year (including the rate peg) for the next 3 years, for a cumulative increase of 64.3% over this period, through a permanent special variation (SV).

The council sought the special variation to:

- achieve a break-even operating result
- have sufficient cash to continue service provision
- maintain infrastructure at levels that are acceptable to the community.

The council plans to use the SV revenue to fund capital expenditure to renew its assets (buildings and other structures; roads, footpaths and bridges; stormwater; and recreation assets) and to cover the costs of providing its services (i.e., to avoid further ongoing annual cash deficits).

1.1 IPART's decision

We have approved the council's proposed SV. Our decision means the council can raise up to an additional $42.7 million in total general income (above the rate peg) over the period 2023-24 to 2025-26. The council will permanently retain the revenue in its rate base.

Stakeholders have told us that the SV is likely to create affordability challenges for some ratepayers – particularly when combined with other cost-of-living pressures, such as high inflation and increases in mortgage interest rates. We also understand that some residents are concerned that the council has not effectively managed its finances in the past or utilised its expenditure appropriately.

However, we balanced these factors with the need to fund infrastructure maintenance and the provision of community services. Our assessment found that the council met the Office of Local Government criteria for its proposed SV. Without the SV, the council's operating expenditure would exceed its operating revenues, with this operating deficit forecast to worsen over time – which is unsustainable. The council needs the SV to establish a sustainable financial base to deliver services and infrastructure to the community.

We reviewed the council's community consultation program and, although the SV is not supported by the community, we are satisfied that the community is aware of the need for, and extent of, the rate rise under the SV and that the council has complied with its consultation requirements. We also found that the council's average residential, business and farmland rates (if the council increases rates in line with the SV) will be higher than those of neighbouring councils. However, the council's median household income is higher than neighbouring councils and the level of disadvantage is lower.

We also reviewed the council's explanation of its productivity and cost containment strategies that it has implemented to date and that it plans to implement over the SV period. We expect the council to continue to pursue productivity improvements, to ensure its long-term financial sustainability. To enhance the council's accountability to the community in pursuing such productivity improvements, a condition of our approval of the SV is that the council is to provide detail in its annual report for the next 5 years on the productivity savings and cost containment measures the council has in place, the annual savings achieved through these measures, and what these savings equate to as a proportion of the council's total annual expenditure.

1.2 IPART's assessment of the council's application

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

Criteria	Grading	Assessment
01	Demonstrated	**Financial need** The council demonstrated a financial need for the SV to provide services to the community. Without the SV, its operating deficit would worsen over time, which is unsustainable. It has limited cash reserves to draw on, and has considered alternative revenue streams to meet the financial need.
02	Demonstrated	**Community awareness** The council provided sufficient evidence that the community is aware of the need for and extent of the proposed SV and its impact on rates. However, it could have provided its proposed rate increases in dollar terms in its Long-Term Financial Plan (LTFP) and Delivery Program.
03	Demonstrated	**Reasonable impact on ratepayers** While the rate increases would be significant, the council provided evidence that the community has the capacity to pay. The level of rates will vary across the LGA, with higher rates generally in more advantaged areas. Further, the council's hardship policy can help mitigate impacts on vulnerable ratepayers. Without the proposed SV, the council's services to the community would likely decline over time, negatively impacting the community.

Criteria	Grading	Assessment
04	Demonstrated	**Integrated Planning and Reporting documentation** The council exhibited, approved and adopted all necessary documents.
05	Demonstrated	**Productivity improvement and cost containment** The council provided information on past and planned productivity and cost containment strategies. It also provided savings estimates for both past and planned initiatives.
06		**Other matters IPART considers relevant** The council was granted an Additional Special Variation (ASV) of 2.5% in 2022-23 which the council has complied with the conditions.

1.3 Stakeholders' feedback

Councils are required to consult with their communities as part of the Integrated Planning and Reporting (IP&R) framework. We assess SV applications against the OLG assessment criteria, which require us to look at the consultation the council has undertaken with its community.

Queanbeyan-Palerang Regional Council consulted its community on its proposed SV using a variety of engagement methods. It held 17 public meetings, from 15 November 2022 to 30 January 2023, which were attended by 350 participants. It published information and invited submissions on its proposed SV on its "Your Voice" consultation webpage. This webpage had 9,557 visitors and the council received 1,116 submissions.[1]

As a further input to our assessment, we published the council's application on our website for a 3-week consultation period in which stakeholders could make submissions directly to IPART. Through this process we received 124 submissions. Stakeholders who made submissions to us raised the following topics:

- the affordability of the proposed rate increases
- the council's financial management
- the council's consultation with the community
- equity of the council's rating structure and service provision
- the impact of recent land valuations on the council's income.

One stakeholder submission supported the council's SV application and proposed rate increases on the grounds that insufficient rates in previous years has impacted the council's ability to provide services.

1.4 Next steps for the council

Our determination sets the maximum amount by which the council can increase its general income over the 3-year period. The council is responsible for deciding how it implements this increase within and across its rating categories. We encourage the council to consult with its community to decide how best to implement the increase, noting that under section 511 of the Act, it can choose to defer any increase for up to 10 years.

The council's proposed rates increase for each category is set out below. However, the council retains the discretion to change these increases, provided it does not exceed the approved general income increase.

The council will still need to deliver on its additional productivity improvements and cost saving measures and pursue further efficiencies. Increasing rates as proposed will not be sufficient on its own to achieve long-term financial stability.

Table 1.1 The council's proposed increase in rates

	2023-24	2024-25	2025-26	Cumulative increase
Residential	18.0%	18.0%	18.0%	64.3%
Business	18.0%	18.0%	18.0%	64.3%
Farmland	18.0%	18.0%	18.0%	64.3%
Mining	18.0%	18.0%	18.0%	64.3%

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

The rest of this report explains how and why we reached our decision on the council's proposed special variation in more detail.

2 The council's special variation application

Queanbeyan-Palerang Regional Council applied to IPART to increase its general income by 64.3% over 3 years. This includes increases of 18.0% per year (including the rate peg) over the 3 years from 2023-24 to 2025-26.

The council sought the special variation to:

- achieve a break-even operating result
- have sufficient cash to continue service provision
- maintain infrastructure at levels that are acceptable to the community.

2.1 Impact of the special variation on ratepayers

The council proposed that rates would increase for all rating categories over the 3-year SV period. On average, it proposed:

- residential rates would increase by $814 or 64.3% by 2025-26
- business rates would increase by $3,270 or 64.3% by 2025-26
- farmland rates would increase by $1,680 or 64.3% by 2025-26
- mining rates would increase by $15,673 or 64.3% by 2025-26.

The council told us the number of rate notices that were issued in each category for 2022-23 (Table 2.1).

Table 2.1 Number of ratepayers per category in 2022-23

Ratepayer category	Number of rate notices
Residential	26,184
Business	1,357
Farmland	1,046
Mining	1

Source: Queanbeyan-Palerang Regional Council, Part A application Worksheet 2

2.2 Council's Assessment of affordability and capacity to pay

In assessing the community's capacity to pay, the council examined the socio-economic characteristics of the Queanbeyan-Palerang LGA and compared them to those of neighbouring LGAs. For example, these characteristics include the levels of employment, percentage of residents holding mortgages, extent of outstanding rates, rates of social housing, and number of residents accessing hardship arrangements.

The council indicated that it has enhanced its hardship provisions to assist ratepayers who have difficulty paying their rates. In January 2022, the council adopted a new hardship policy that included the following changes:

- increased delegation for rates officers in providing flexible payment options and writing off interest for council rates
- a pilot program for moving from a legal debt recovery to a financial assistance model.

Pensioners receive a State Government legislated rate reduction of $250 per annum, with pensioners in the former Queanbeyan council area receiving an additional concession of $40 per annum as part of a policy of the former Queanbeyan City Council, to offset the CityCare Levy – an SRV imposed on Queanbeyan ratepayers in 2010 of 8.56% (inclusive of the rate peg).[2]

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

The council estimated that the proposed SV would result in a cumulative increase in its permissible general income of $42.7 million above what the assumed rate peg would deliver over 3 years.

2.4 Further information provided

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

- forecast expenditure and revenue over the SV period
- proposed productivity and efficiency improvements over the SV period.

In response to this request, the council provided:

- plans on how the SV revenue would be utilised
- information through email regarding the estimated cost savings to be realised over the SV period.

3 Stakeholders' submissions to IPART

The council is responsible for engaging with its community so that ratepayers are fully aware of any proposed special variation in rates and the full impact on them. This is one of the OLG assessment criteria we use to assess the council's application (see section 4.3).

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

3.1 Summary of submissions we received

We received 124 submissions from stakeholders between 13 April 2023 and 5 May 2023. The key issues and views raised in these submissions, and our response to them, are summarised below.

3.1.1 Affordability of proposed rate increases

Most of the submissions we received raised concerns about the impact of the council's proposed SV on the affordability of rates and suggested this would lead to financial hardship. Many noted worsening financial circumstances brought about by the COVID 19 pandemic, natural disasters in recent years and a high inflationary environment. Some submissions focused on the rise in mortgage interest rates, widening socio-economic disparity, and the impact on individuals with fixed incomes.

Our assessment of the impact of the proposed SV on ratepayers, particularly the affordability of rates, is in section 4.3. We note that the council has a hardship policy, for those ratepayers experiencing financial hardship (see section 4.3.3 for more information).

3.1.2 The council's financial management

Around 100 submissions raised concerns that the council has not used its resources efficiently and that the proposed SV is a way for the council to mitigate its financial mismanagement. Some community members also submitted that, to improve the existing services and infrastructure, the council requires a change in management and/or operating strategy.

Many submissions raised specific concerns about:

- the necessity of the council's new office building and other infrastructure projects
- the justification and fairness of the recent pay raise granted to councillors.

We do not audit council finances, as this is not part of our delegated authority. However, we do consider some key indicators of the council's efficiency as part of our assessment of Criterion 5. This assessment is discussed in section 4.5.

3.1.3 The council's consultation with the community

Around 90 submissions considered the council's consultation with the community on the proposed SV lacked transparency or was inadequate. For example, some said that:

- council's engagement channels, particularly social media, excluded community members without the required digital literacy or reliable internet access
- council had not adequately considered community feedback in its decision-making
- lack of transparency, including the absence of cost-neutral options, led to concerns about whether the council operates according to the best interests of ratepayers.

Our assessment of the council's consultation with the community is in section 4.2.

3.1.4 Equity of the current rating system and service provision

Around a quarter of submissions expressed concern that the council's current rating structure and service provision are inequitable, particularly for people in the more rural and remote locations within the LGA. For example, some stated that ratepayers in these locations encounter obstacles in accessing council services on an equal footing with their urban counterparts – even though they pay the same rates. They also often bear additional expenses related to rubbish disposal.

Some submissions attributed this inequity to the 2016 amalgamation of the former Queanbeyan and Palerang councils, which has resulted in the current council managing a much larger and more diverse region.

We acknowledge stakeholders' concerns about the distribution of rates. We note that in 2020 the council implemented a new rating structure that reflected the infrastructure and services received in different regions of the LGA. The base rate and ad valorem values used in calculating rates vary between different areas within the LGA. However, assessing council's rating structure is outside the scope of IPART's role in assessing the council's SV application.

The council is responsible for determining its rating structure, in compliance with the regulatory framework established by the *Local Government Act 1993*. Waste charges are separate to rates, and SV applications to increase general income.

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

Around 14 submissions said that the SV was not necessary because the recent land valuation increases in the Queanbeyan-Palerang area would automatically increase council's income.

This is not the case. Routine changes in land valuations (those that occur when the Valuer-General values lands every 3 years as part of its general valuation cycle) do not increase (or decrease) the council's maximum permitted level of general income. As set out in Box 3.1 below, the council is required to adjust its rates following routine changes in land valuations to ensure the total amount of general income recovered from ratepayers does not exceed the maximum permitted amount.

Box 3.1 Effect of land valuation on rates

Routine changes to land valuations do not increase the total amount of general income the council can recover from ratepayers (also known as the 'permissible general income' or PGI). A council's PGI for each year is limited by the rate peg or a percentage determined by IPART in a special variation.[a] However, individual ratepayers may pay either higher or lower rates.

Individual rates depend on the combination of:

- the council's rating structure
- the relevant rating category
- the property's unimproved land value.

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

ad valorem component = amount in the dollar × land value

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

A routine increase in a ratepayer's land value by the Valuer-General does not mean that a ratepayer's rates will automatically increase. The impact on rates depends on whether the land value has increased or decreased compared to others in the ratepayer's local government area.

[a] Councils' PGI may be affected by supplementary valuations of rateable land under the Valuation of Land Act 1916 and estimates provided under section 513 of the Local Government Act 1993. Such supplementary valuations and estimates are made when land within a council area has changed outside the general valuation cycle (such as where land has been subdivided or rezoned). This is distinct from the routine changes in land value by the Valuer General.

4 IPART's assessment of the council's application

As required, we assessed the council's SV application against the 6 assessment OLG criteria set out in the OLG Guidelines. We found that the council met all these OLG assessment criteria. Specifically, we found the council:

- demonstrated a financial need for the proposed SV, and that it had considered alternatives to the SV
- provided evidence that it engaged effectively with ratepayers and the community to ensure they are aware of the need for, and extent of, the rate rise associated with the SV
- showed that the impact of the SV on ratepayers is reasonable
- exhibited, approved and adopted its IP&R documentation appropriately
- explained and quantified the productivity improvements and cost containment strategies it has realised in past years and plans to realise over the SV period.
- the council was granted an Additional Special variation of 2.5% in 2022-23.

Our assessment against each criterion is discussed below.

4.1 OLG Criterion 1: The council 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 assessment criteria.

To assess whether the council met this criterion, we:

- considered stakeholders' comments on financial need in submissions to IPART
- reviewed the council's IP&R documents and the information in its application
- undertook our own analysis of the council's financial performance and position.

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

4.1.1 Stakeholder comments on financial need

In submissions to us, stakeholders raised a range of concerns related to the financial need criterion. In particular, they:

- questioned whether the council needed the rate increase at all
- suggested that additional income could come from alternative funding sources
- accepted that the council needs to invest more in infrastructure, but were concerned that the additional revenue from the SV would not be used for its intended purpose
- considered the financial need for the SV resulted from poor financial management and oversight
- questioned how the council will be held to account going forward
- raised concerns about recent increases in council staff salaries.

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

4.1.2 Council's IP&R documents and application

We found that the council's IP&R documents, including its Long-Term Financial Plan, Delivery Program and Asset Management Program, clearly identify and articulate the need for and purpose of the SV. The documents state that the proposed SV of 18.0% per year (including the rate peg) for 3 years is needed for the council to:

- achieve a break-even operating result
- have sufficient cash to continue service provision
- maintain infrastructure at levels that are acceptable to the community.

The council reports that without the SV:

- its General Fund would remain in deficit, as it continues to spend more delivering services to the community than it receives in revenue
- it would be unable to adequately fund asset renewal and the level of renewal would fall to around 40% of the required renewal
- it would be required to review current and future expenditure commitments, with the possibility of reduced service levels.

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

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

We used information provided by the council in its application and IP&R documents to do our own analysis of the impact of the proposed SV on the council's financial position. This involved calculating financial forecasts under 3 scenarios:

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

We then used these forecasts to examine the impact of the proposed SV on key indicators of its financial performance and position – namely its operating performance ratio, net cash (or net debt) and infrastructure ratios. Finally, we examined the IP&R documents to assess whether the council had canvassed alternative sources of funding to the SV.

Impact on Operating Performance Ratio

The Operating Performance Ratio (OPR) is a measure of a council's ongoing financial performance or sustainability. In general, a council with an OPR consistently greater than 0% is considered to be financially sustainable, because the OPR measures a council's ability to contain operating expenditure within operating revenue.[3] The OLG has set a benchmark for the OPR of greater than 0%. (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 breakeven benchmark as set by OLG.

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

We calculated the council's forecast OPR over the next 10 years under the 3 scenarios (see Figure 4.1 and Table 4.1). Our analysis found that, over the next 5 years:[b]

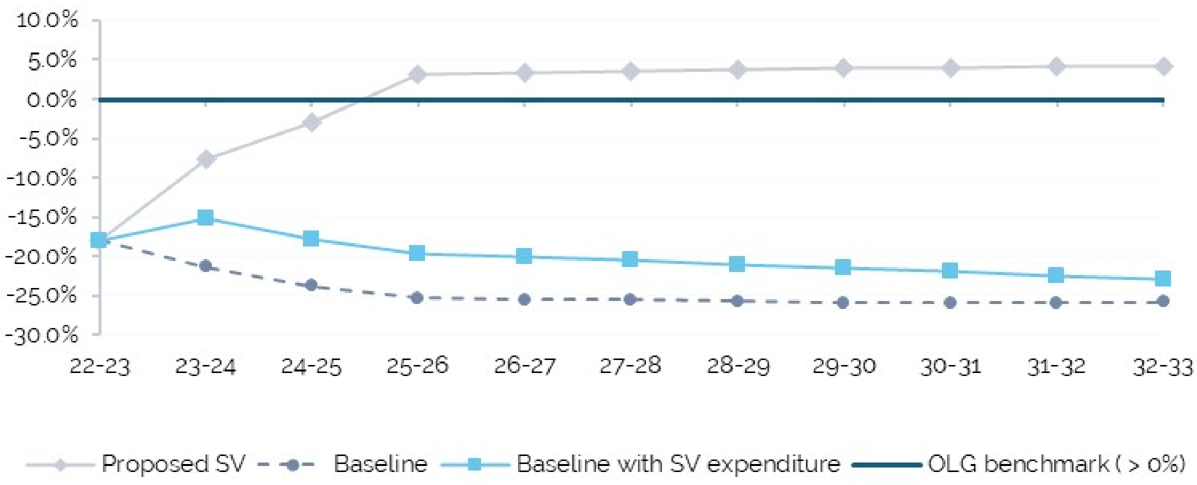
- **Under the Baseline Scenario**, the council's average OPR would be -24.3%, which is well below the OLG benchmark of greater than 0%.
- **Under the Baseline with SV expenditure Scenario**, its average OPR would be -18.6%.[c]
- **Under the Proposed SV Scenario**, the council's OPR would increase and reach the OLG benchmark in 2025-26. Its average OPR over the 5-year period would be -0.1%.

This suggests that, without the SV, the council may not be able to maintain its current service levels and expenditure, as its operating expenditure would exceed its operating revenue. In this situation, the council will not be financially sustainable and will need to reduce expenditure, including possibly reducing service levels.

[b] We averaged over a 5-year period rather than 10 years because we recognise forecasts are subject to variability.

[c] The council has told us that the Baseline with SV expenditure Scenario has a better OPR than the Baseline Scenario because, relative to the Baseline, the SV expenditure Scenario includes some cost savings (mainly relating to asset renewal and road maintenance). It explained that the Baseline is not a viable option, as it would result in the council spending more in delivering services to the community than it receives in revenue from rates, fees, charges and grants. Therefore, the three scenarios the council presented to the community involved various levels of rate rises (SVs) and expenditure reductions (Pers Comm, Queanbeyan-Palerang Regional Council, 1 May 2023).

Figure 4.1 The council's OPR from 2022-23 to 2032-33



Note: OPR shown excludes capital grants and contributions
Source: Queanbeyan-Palerang Regional Council, Application Part A

Table 4.1 The council's projected OPR with proposed special variation, 2023-24 to 2032-33 (%)

	23-24	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33
Proposed SV	-7.7	-3.0	3.2	3.3	3.7	3.8	3.9	4.1	4.1	4.1
Baseline	-21.3	-23.8	-25.3	-25.5	-25.5	-25.7	-25.9	-25.9	-25.9	-25.8
Baseline with SV expenditure	-15.1	-17.9	-19.6	-20.1	-20.4	-21.0	-21.6	-22.0	-22.4	-22.8

Source: Queanbeyan-Palerang Regional Council, Application Part A and IPART calculations.

Impact on net cash

A council's net cash (or net debt) position is another indicator of its financial position. For example, it indicates whether a council has significant cash reserves that could be used to fund the purpose of the proposed SV.

On 30 June 2022, the council held a total of $100.5 million in cash reserves. Of these funds:

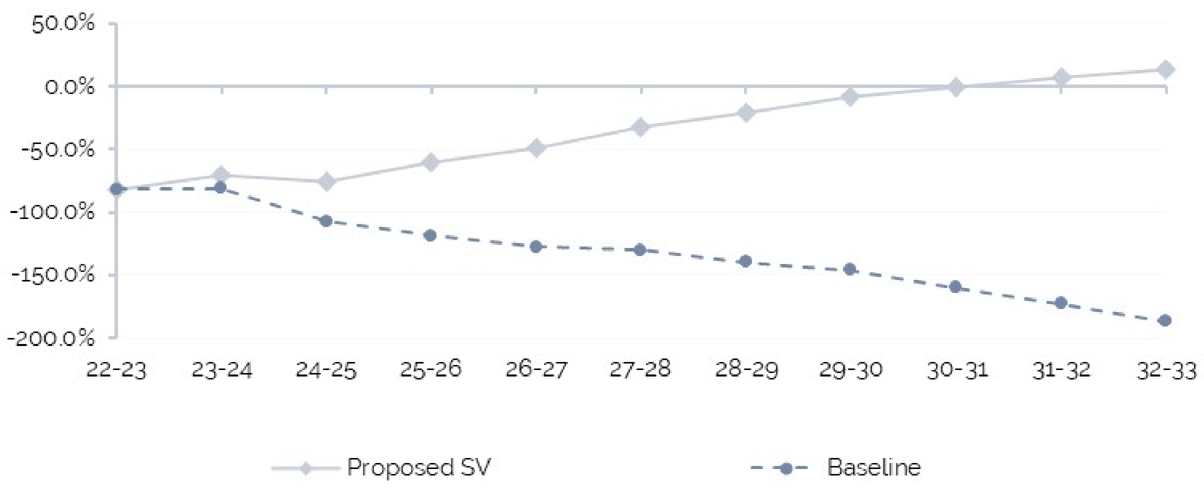
- **$87.5 million was externally restricted funds** (i.e., subject to external legislative or contractual obligations, such as developer contributions towards water or sewer funds, domestic waste management or crown land reserves)
- **$12.8 million was internally restricted funds** (i.e., subject to a council resolution to cover commitments and obligations expected to arise in the future and where it is prudent to hold cash in restrictions to cover those obligations, such as plant and vehicle replacement and employee leave entitlements)
- **$0.3 million was unrestricted funds** (i.e., can be used to fund the council's day to day operations).

This shows that the majority of the council's cash reserves were committed to other purposes and are not available for the purpose of the SV.

We calculated that as at 30 June 2023, the council will have a net cash of -$68.6 million (or a net debt of $68.6 million). We calculated that as at 30 June 2023, the council will have a net cash (debt) to income ratio of -82.1% As Figure 4.2 shows, our analysis found that over the next 10 years:

- **under the Proposed SV Scenario**, the council's net cash to income ratio would improve, and be 12.8% by 2032-33
- **under the Baseline Scenario**, the council's net cash to income ratio would decline, and reach -187.0% by 2032-33.

Figure 4.2 The council's net cash (debt) to income ratio, 2022-23 to 2032-33 (%)



Source: Queanbeyan-Palerang Regional Council, Application Part A and IPART calculations.

Taking into account the council's OPR and net cash position, we consider the council is in financial need of the proposed SV to enhance its financial sustainability 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 another indicator of its financial position. To measure this indicator, we used information provided by the council to assess its infrastructure backlog and infrastructure renewals ratios, and compared them to OLG's benchmarks:

- **The infrastructure backlog ratio** indicates whether the council has a need for additional revenue to maintain its infrastructure assets. It shows the infrastructure backlog as a proportion of the total value of a council's infrastructure. OLG's benchmark for the infrastructure backlog ratio is less than 2.0%.
- **The infrastructure renewals ratio** measures the rate at which infrastructure assets are being renewed against the rate at which they are depreciating. OLG's benchmark for the infrastructure renewals ratio is greater than 100%. (See Box 4.2 for more information on these ratios and how we interpret them.)

Box 4.2 Infrastructure ratios for councils

Infrastructure backlog ratio

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

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

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

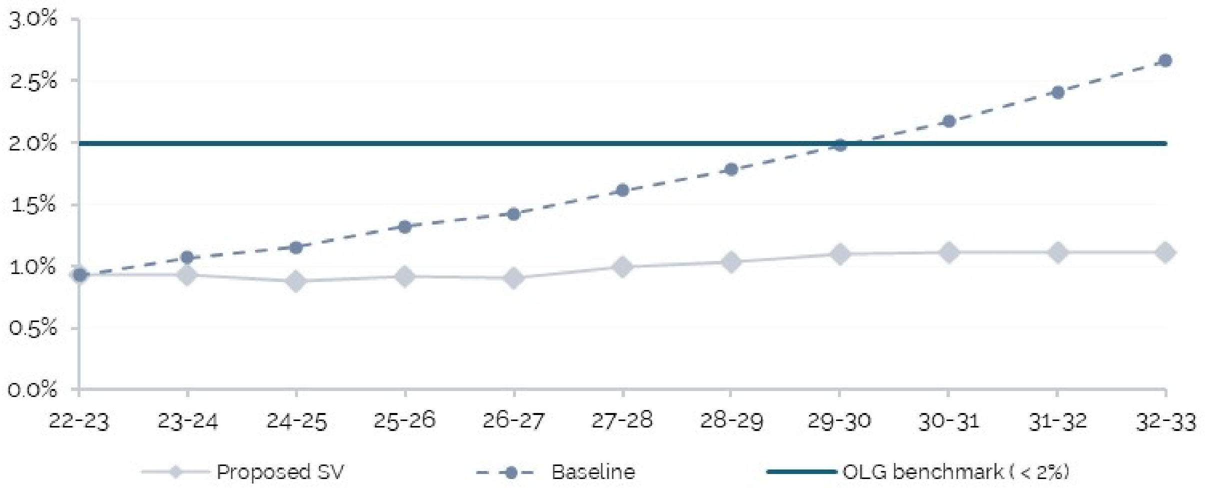
Our analysis shows that both with and without the proposed SV, the council's infrastructure backlog ratio would meet the OLG benchmark of less than 2.0% over the next 5 years.

As Figure 4.3 shows, over the next 10 years:

- **under the Proposed SV Scenario**, the council's infrastructure backlog ratio would remain fairly stable, ranging between 0.9% and 1.1% and above the OLG benchmark of 2.0%.
- **under the Baseline Scenario**, the council's infrastructure backlog would consistently increase and exceed 3% (i.e., perform worse than) and above the OLG benchmark of 2.0% by 2029-30.

In principle, a consistently increasing infrastructure backlog ratio indicates increased costs to bring assets to a satisfactory condition.

Figure 4.3 The council's infrastructure backlog ratio 2022-23 to 2032-33 (%)



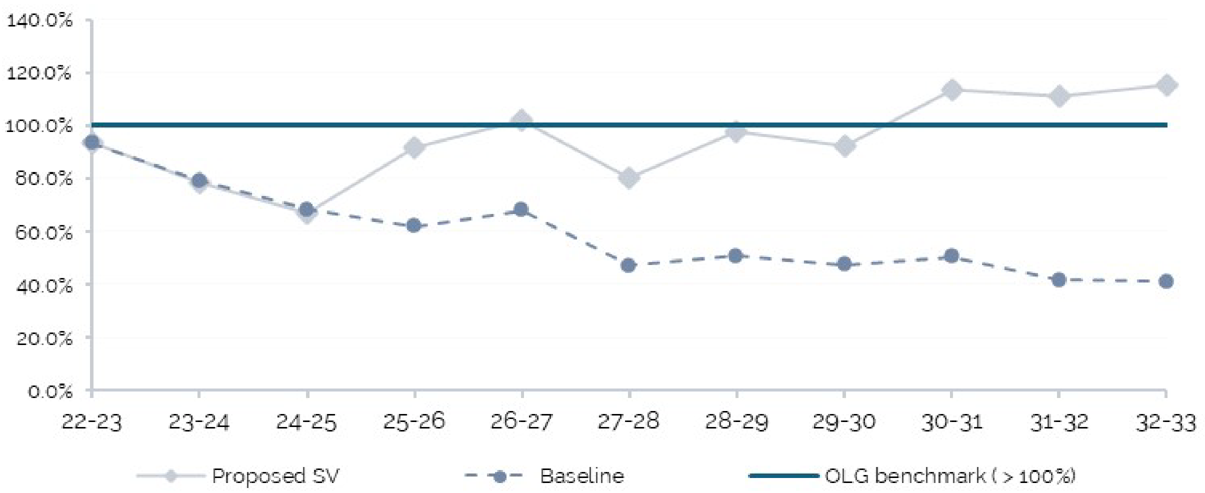
Source: Queanbeyan-Palerang Regional Council Application Part A

Impact on infrastructure renewals ratio

Based on the council's forecasts, we found that with the proposed SV, the council's infrastructure renewals ratio would improve over the next 10 years. As Figure 4.4 shows:

- **under the Proposed SV Scenario**, the council's infrastructure renewals ratio would be consistent with the OLG benchmark of greater than 100% by 2030-31
- **under the Baseline Scenario**, the council's infrastructure renewals ratio would continue to decline and be well below the OLG benchmark by 2032-33.

Figure 4.4 The council's infrastructure renewal ratio, 2022-23 to 2032-33 (%)



Source: Queanbeyan-Palerang Regional Council, Application Part A

Together with the impact on the infrastructure backlog ratio, the infrastructure renewal ratio indicates that without the proposed SV, the council will be unable to renew infrastructure at the same rate as infrastructure depreciates. Over time, the capacity of infrastructure that provides services to the community will be reduced.

With the proposed SV, the council will have the resources to maintain and renew its infrastructure as they depreciate – and thus generally maintain the capacity of the council to deliver services to the community.

Alternatives to the rate rise

As required by the OLG Guidelines, 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 its financial need.

We found that the council considered alternative funding sources in its IP&R documents, including:

- increasing revenues from user fees and charges
- reducing consolidated service expenditure through merger savings
- borrowing to enable substantial increases in infrastructure capital expenditure and renewals and reduction and maintenance of the infrastructure backlog ratio.
- increasing asset (property) sales
- aligning asset renewal expenditure with asset management plans, and establishing a sinking fund/reserve equivalent to annual depreciation to fully fund the cost of asset renewal.[4]

After considering alternative revenue streams, the council decided that the proposed SV would be the most feasible funding source to address its financial need.

4.2 OLG Criterion 2: The council provided evidence of community awareness

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

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

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

Note: See Appendix A for the full assessment criteria.

To assess this criterion, we:

- considered stakeholder comments about community awareness.
- analysed the council's community engagement on the proposed SV.

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

4.2.1 Stakeholder comments on community awareness

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

- was not transparent in its consultation on the proposed SV
- did not provide adequate consultation with community members who do not have digital literacy or internet access
- did not respond to their concerns about the proposed SV
- did not make the community aware of its IP&R documentation
- did not inform the community of the proposed rate increases
- was not clear about the reason for the rate increases or the alternative sources of funding considered
- did not include the community's input in informing the council's strategic priorities.

We considered these concerns, alongside other available information. Our assessment is discussed in section 4.2.2.

4.2.2 Our assessment of 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 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 by the council in preparing its SV application.

Information provided to ratepayers

The material the council prepared for ratepayers on its proposed SV set out the detail required to ensure ratepayers were well informed and able to engage with the council during the consultation process.

The council's consultation material presented information on:

- why the SV is needed and other measures the council has implemented to achieve financial sustainability (including cost savings and revenue from the sale of assets)
- each of the 3 potential SV scenarios being considered, including their potential implications for council activity, expenditure and service levels[5]
- the estimated annual and cumulative increases in both dollar and percentage terms for average ratepayers in each of its rating categories under each of the 3 potential SV scenarios.[6]

The council's Long-Term Financial Plan and Delivery Program set out the extent of the General Fund rate rises under the proposed SV in annual and cumulative percentage terms (although not the increase in dollar terms, by rating category).

The Long-Term Financial Plan also outlined the 3 potential SV scenarios considered by the council, as well the business-as-usual or no change scenario. These were:

- Scenario 1: significantly reduced services, with a 3-year rate increase of 12% per year, for a 40.5% cumulative increase over the period, requiring an additional annual expense reduction of $12 million
- Scenario 2: reduced services, with a 3-year rate increase of 18% per year, for a 64.3% cumulative increase over the period, requiring an addition annual expense reduction of $5.5 million
- Scenario 3: maintain services, with a 3-year rate increase of 28%, 25% and 23% per year, for a 96.8% cumulative increase over the period, which would fully fund current service levels.

The Long-Term Financial Plan noted that although all 3 SV scenarios would meet the council's minimum objectives, scenarios 1 and 2 would involve significant cuts to the council's services. It stated that the no change scenario would leave the council unable to pay its current liabilities (including loan repayments to service its current financial commitments and projects already commenced) or fund future service provision.

The council's website also provided access to a range of information, including an explanation of the 3 SV scenarios and their impacts on rates and service levels; an online rates calculator to allow ratepayers to understand their rates under each of the SV scenarios; the council's community engagement strategy; and the council's decision to apply for Scenario 2.[7]

Engagement methods used

We found the council used an appropriate variety of engagement methods to promote awareness of and obtain community views on its proposed rate increase – including sufficient non-digital methods. For example, its engagement activities throughout the consultation period included:

- newspaper advertisements through the weekly and fortnightly mayors' column in The Regional Independent local newspaper
- community roadshows or face-to-face meetings with a variety of community groups
- community noticeboards in Bungendore, Braidwood and Queanbeyan
- face-to-face workshops
- local media channels
- social media channels
- print media
- distribution of web newsletters and stories
- use of the council's consultation website; Your Voice (https://yourvoice.qprc.nsw.gov.au/).[8]

Process for community consultation

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

The council primarily consulted with the community from 15 November 2022 to 31 January 2023.

The Mayor, Councillors, General Manager and Council staff made themselves available to attend community meetings to meet with people face to face. They attended 17 meetings and met with 350 members of the community between 15 November 2022 to 30 January 2023.

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.

We found that the council did consider these results in preparing its application. It prepared reports that summarised the outcomes of each phase of its process and made resolutions in response to the community feedback it received during the process.

The council survey asked the community to rate the importance to them of council assets, services, facilities and a supplementary pensioner rebate, and indicate which SV scenario they preferred. It also included 3 open responses. All parts of the survey were voluntary.

The survey received 840 responses. Of these:

- 26% rated all council services as important or very important
- 81% rated sealed and unsealed roads as important or very important
- 26% rated Family Day Care as important or very important.

In terms of preferences for the 3 SV scenarios:

- 322 respondents did not opt for any of the 3 scenarios, with 223 of those respondents not wanting any increase, and 99 making other comments
- 184 respondents preferred Scenario 3
- 172 respondents preferred Scenario 1, and
- 68 respondents preferred Scenario 2.

The top 3 themes in responses to the open response questions were:

- general disagreement and dissatisfaction with the 3 SV scenarios
- the council should reduce staff and councillor costs
- the council should focus on the core functions, and essentials or basics of council operations/responsibilities.

The council collated community feedback in 2 documents, which were the subject of 2 council workshops and made public at a February 2023 council meeting. At its 8 February 2023 meeting, the council voted to apply for a permanent SV of 18% each year for 3 years (Scenario 2).

The council noted that in response to community feedback, the following actions have either commenced, will be progressed immediately or will be included in future plans:

- review the rate structure in 2023-24 to ensure continued equity, including:
  - an updated benefits model – estimating the council's costs of service provision that proportionally benefit each category of ratepayer
  - the structure of sub-categories, base and ad-valorem
- review the level of user charges and appropriate level of rates funding for all services, with the adoption of the annual Revenue Policy
- review staff vehicle leaseback arrangements to ensure staff remuneration is best value for both ratepayers and employees
- conduct a plant utilisation review to make optimal decisions for the use and management of council owned and leased plant
- immediately review all capital project budgets against community priorities, analysing long-term cost against value
- include funding for a Contract Management Officer to report on contractor performance and value for money outcomes
- report on annual efficiency savings against a savings target in the annual End of Year Report
- report and review employee costs and the number of positions as part of the annual Operational Plan

- provide plain English financial updates to the community each quarter in the "QPRC News", including a clear and accurate view of the council's financial performance and position.[9]

4.3 OLG Criterion 3: The council demonstrated the SV's impact on ratepayers is reasonable

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

Note: See Appendix A for the full assessment criteria.

To assess this criterion, we:

- considered stakeholder comments on the SV's impact on ratepayers.
- analysed the council's assessment of the impact of its proposed SV on ratepayers.
- considered whether the council has policies in place to mitigate impacts of rate rises, including whether there is a hardship policy in place.

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

4.3.1 Stakeholder comments on impact on ratepayers

We received around 110 submissions raising concerns about the impact of the proposed SV on the affordability of rates, particularly for those experiencing financial hardship. Some stakeholders said 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 for ratepayers on fixed incomes
- an uneven impact on ratepayers, with residents in lower socioeconomic suburbs (such as Braidwood and Queanbeyan) being more impacted than more affluent areas (such as Googong).

We have considered these concerns as part of our assessment of this criterion, alongside other available information. We acknowledge that some 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, given the:

- level of rates will vary across suburbs within the LGA – with less advantaged suburbs generally subject to lower rates relative to more advantaged suburbs
- council's hardship policy, which can assist in mitigating the impact of the SV on financially vulnerable customers
- likely negative impact on services to ratepayers over time, in the absence of the SV.

We also note that the council has flexibility in implementing the SV – for example, to delay rate increases for a period to manage the impact on the community. Under section 511 of the Act, councils can delay the approved increase in general income for up to 10 years.

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

We analysed the council's assessment of the impact of the proposed SV on ratepayers, including the community's capacity to pay the proposed increased rates. We also considered how the council's rates have changed over the past 6 years, and how its rates compare to those of other councils.

Impact on average rates

The council estimated the increase in average rates associated with its proposed SV for each main ratepayer category. As Table 4.2 shows, it estimated that over the 3-year period of the proposed SV, average residential, business, farmland and mining rates would increase by 64.3%.

Table 4.2 Impact of the proposed special variation on average rates

	2022-23	2023-24	2024-25	2025-26	Cumulative increase $	Cumulative increase %
Residential average $ rates	1,266	1,494	1,763	2,080		
$ increase		228	269	317	814	
% increase		18.0	18.0	18.0		64.3
Business average $ rates	5,085	6,000	7,080	8,355		
$ increase		915	1,080	1,274	3,270	
% increase		18.0	18.0	18.0		64.3
Farmland average $ rates	2,613	3,083	3,639	4,293		
$ increase		470	555	655	1,680	
% increase		18.0	18.0	18.0		64.3
Mining average $ rates	24,374	28,761	33,938	40,047		
$ increase		4,387	5,177	6,109	15,673	
% increase		18.0	18.0	18.0		64.3

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

Community's capacity to pay

The council's assessment of the community's capacity to pay found that the Queanbeyan-Palerang Regional LGA is generally one of the more advantaged (or least disadvantaged) areas in NSW, based on metrics such as its SEIFA score, levels of unemployment and employment and proportion of households paying more than 30% of their income on their mortgage (although this last measure would have increased for many areas across NSW in recent months).[10] This is supported by the council's SEIFA score and median annual household income relative to comparative councils, as listed in Table 4.5 below. However, the council also found there is considerable variation in socioeconomic characteristics within the LGA, including some areas with high levels of disadvantage.

The council noted that its rates are structured to promote equitable outcomes and moderate the impact of the SV. This is because rates are structured so that all ratepayers pay a proportionate share toward the cost of infrastructure based on their land value and the type, quality, accessibility and scope of services provided in different localities. Therefore, while the council intends to apply the percentage increase of the SV equally across all categories and sub-categories of ratepayers, the level of rates will vary throughout the LGA – with more advantaged areas generally paying higher rates.

The council also recognised the important role of its hardship policy in providing assistance to ratepayers experiencing financial hardship, noting that in January 2022 it adopted a new, enhanced hardship policy (section 4.3.3).

The council concluded that, while rate increases would be significant, the community has the capacity to pay the proposed SV.[11]

Table 4.3 Average rates with proposed SV 2022-23 to 2029-30 ($)

Category	Sub-category	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Residential									
Residential	General	1,164	1,374	1,621	1,913	1,961	2,010	2,060	2,111
Residential	Queanbeyan-Urban	1,304	1,528	1,802	2,127	2,180	2,235	2,290	2,348
Residential	Googong	1,530	1,867	2,203	2,600	2,665	2,732	2,800	2,870
Residential	Bungendore	1,037	1,220	1,439	1,698	1,741	1,784	1,829	1,875
Residential	Braidwood	778	927	1,094	1,291	1,323	1,357	1,390	1,425
	Average	1,266	1,494	1,763	2,080	2,132	2,186	2,240	2,296
Business									
Business	General	1,012	1,194	1,409	1,662	1,704	1,747	1,790	1,835
Business	CBD - Queanbeyan	11,558	14,778	17,438	20,576	21,091	21,618	22,158	22,712
Business	Googong	6,526	6,820	8,048	9,497	9,734	9,978	10,227	10,483
Business	Poplars Business Park	48,585	34,638	40,873	48,230	49,435	50,671	51,938	53,237
Business	Queanbeyan urban	10,101	11,919	14,065	16,596	17,011	17,436	17,872	18,319

Category	Sub-category	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Business	Industrial	4,047	4,775	5,635	6,649	6,815	6,986	7,160	7,340
	Average	5,085	6,000	7,080	8,355	8,564	8,778	8,997	9,222
Farmland									
Farmland	General	2,613	3,083	3,639	4,293	4,401	4,511	4,624	4,739
	Average	2,613	3,083	3,639	4,293	4,401	4,511	4,624	4,739
Mining									
Mining	General	24,374	28,761	33,938	40,047	41,048	42,074	43,126	44,204
	Average	24,374	28,761	33,938	40,047	41,048	42,074	43,126	44,204

Source: Queanbeyan-Palerang Regional Council Part A Application, Worksheet 5A

How the council's rates changed over time

Over the past 6 years, the average annual increases in the council's rates for residential, business and farmland ratepayers have been only slightly higher than the rate peg. For example, over this period residential rates have increased at an average of 3.4% per year (Table 4.4). This compares to the average rate peg of 2.1% over the same period.

Table 4.4 Historical average rates in Queanbeyan-Palerang Regional Council 2017-18 to 2022-23 ($)

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	Average annual growth (%)
Residential	1,069	1,137	1,155	1,201	1,225	1,266	3.4
Business	4,381	4,474	4,570	4,681	4,775	5,085	3.0
Farmland	2,300	2,376	2,487	2,510	2,560	2,613	2.6
Mining	12,000	12,500	12,500	23,000	23,460	24,374	15.2

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

How the council's rates compare to other councils

The council's residential average rates, before the proposed SV, are higher than those of its neighbouring councils and councils within its OLG Group. However, its average residential and farmland rates are lower than those of comparable councils in terms of their SEIFA score (which measures their population's relative socio-economic disadvantage) and their population's median household income. As Table 4.5 shows, in 2022-23 the council's:

- average residential rates were higher than most neighbouring councils and slightly higher than the average for other councils in its OLG Group and but lower than average by income, and lower than most comparable councils by SEIFA score
- average business rates were higher than most neighbouring councils, all comparable councils by SEIFA score and income, and the average for other councils in its OLG Group
- average farmland rates were higher than most neighbouring councils and slightly higher than the average for other councils in its OLG Group, but lower than most comparable councils by SEIFA score and income

- outstanding rates ratio was higher than its neighbouring councils, comparable councils based on SEIFA and income, and higher than the average for other councils in its OLG Group.

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

Box 4.3 Comparable councils

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

Office of Local Government (OLG) groups

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

Socio-Economic Indexes for Areas (SEIFA) rank

- SEIFA is a product developed by the Australian Bureau of Statistics that ranks areas in Australia according to relative socio-economic advantage and disadvantage.
- Queanbeyan-Palerang Regional Council has a SEIFA rank of 110 out of 130 councils in ABS 2016 which is above average and indicates relative advantage.
- The 4 councils with closest SEIFA rank within the OLG group 4 are Ballina Shire Council, Byron Shire Council, Kiama Council, and Wingecarribee Shire Council.

Median household income

- The councils can be ranked by the median household income.
- We compared Queanbeyan-Palerang Regional Council to the 4 councils within OLG group 4 with closest median income ranking. These are Griffith City Council, Kiama Council, Singleton Shire Council, and Wingecarribee Shire Council.

Box 4.3 Comparable councils

Neighbouring councils

- We compared Queanbeyan-Palerang Regional Council to the neighbouring councils of Eurobodalla Council, Goulburn Mulwaree Council, Shoalhaven City Council, Snowy-Monaro Regional Council, Upper Lachlan Shire Council and Yass Valley Council.
- These councils are geographically close to Queanbeyan-Palerang Regional Council but do not necessarily share a common border.

Table 4.5 Comparison of the council's average rates and socio-economic indicators with those of other councils prior to the SV (2022-23)

Council (OLG Group)	Average resident-ial rate[a] ($)	Average business rate ($)	Average farmland rates ($)	Average mining rates ($)	Median annual household income[b] ($)	Average residential rates to median household income ratio (%)	Outstand-ing rates ratio	SEIFA Index NSW[c] Ranking
Queanbeyan-Palerang Regional (4)	**1,266**	**5,085**	**2,613**	**24,374**	**119,340**	**1.1**	**8.9**	110
Neighbouring councils								
Snowy Monaro Regional	880	2,364	1,942	.	82,836	1.1	7.7	90
Eurobodalla	1,136	3,832	1,685	.	60,684	1.9	2.7	40
Shoalhaven	1,338	2,215	2,715	.	65,000	2.1	6.9	50
Goulburn Mulwaree	1,071	5,450	1,922	.	76,232	1.4	3.5	52
Upper Lachlan Shire	582	1,135	1,954	2,089	76,180	0.8	1.7	91
Yass Valley	1,073	3,072	3,056	.	119,028	0.9	8.0	111
Average	**1,013**	**3,011**	**2,212**	**2,089**	**79,993**	**1.3**	**5.1**	**72**
Comparable councils (SEIFA)								
Kiama	1,672	2,257	2,976	.	95,368	1.8	1.6	108
Wingecarribee	1,853	4,721	4,062	363,516	86,996	2.1	7.9	100
Byron	1,525	3,788	2,775	.	83,304	1.8	8.5	98
Ballina	1,164	3,672	1,817	.	74,308	1.6	3.8	92
Average	**1,554**	**3,609**	**2,907**	**363,516**	**84,994**	**1.8**	**5.4**	**100**
Comparable councils (Income)								

Council (OLG Group)	Average resident-ial rate[a] ($)	Average business rate ($)	Average farmland rates ($)	Average mining rates ($)	Median annual household income[b] ($)	Average residential rates to median household income ratio (%)	Outstand -ing rates ratio	SEIFA Index NSW[c] Ranking
Singleton	1,219	2,564	2,166	209,841	104,832	1.2	3.9	85
Kiama	1,672	2,257	2,976	.	95,368	1.8	1.6	108
Griffith	1,067	2,863	4,035	.	90,376	1.2	2.8	48
Wingecarribee	1,853	4,721	4,062	363,516	86,996	2.1	7.9	100
Average	**1,453**	**3,101**	**3,310**	**286,678**	**94,393**	**1.6**	**4.0**	**85**
Group 4 average (excl Queanbeyan-Palerang)	**1,239**	**3,928**	**2,595**	**378,963**	**75,847**	**1.6**	**6.5**	**57**

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

With the proposed SV, the council's average rates are expected to be relatively high compared to the average across comparator councils. Table 4.6 shows that by 2026-27, the council's:

- average residential rates would be above the average for other councils in its OLG Group, comparable councils based on both SEIFA score and income, and neighbouring councils
- average business rates would be above the average for other councils in its OLG Group, comparable councils based on both SEIFA score and income, and neighbouring councils
- average farmland rates would be above the average for other councils in its OLG Group, comparable councils based on both SEIFA score and income, and neighbouring councils.
- average mining rates would be below the average for other councils in its OLG Group, comparable councils based on both SEIFA score and income and higher than neighbouring councils.

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

Further, the comparison with neighbouring councils only includes NSW councils. It does not include a comparison with rates in Canberra and the Australian Capital Territory, which is adjacent to the LGA.

Table 4.6 Comparison of the council's average rates with those of other councils for period of the SV ($)

Council (OLG Group)	2022-23	2023-24	2024-25	2025-26
Residential				
Queanbeyan-Palerang	**1,266**	**1,494**	**1,763**	**2,080**
OLG Group 4 (excl Queanbeyan-Palerang)	1,239	1,289	1,321	1,354
Neighbouring councils (average)	1,013	1,055	1,082	1,109
Comparable councils (SEIFA) (average)	1,554	1,623	1,663	1,705

Council (OLG Group)	2022-23	2023-24	2024-25	2025-26
Comparable councils (Income) (average)	1,453	1,515	1,553	1,591
Business				
Queanbeyan-Palerang	**5,085**	**6,000**	**7,080**	**8,355**
OLG Group 4 (excl Queanbeyan)	3,928	4,082	4,184	4,289
Neighbouring councils (average)	3,011	3,134	3,212	3,292
Comparable councils (SEIFA) (average)	3,609	3,766	3,860	3,957
Comparable councils (Income) (average)	3,101	3,230	3,310	3,393
Farmland				
Queanbeyan-Palerang	**2,613**	**3,083**	**3,639**	**4,293**
OLG Group 4 (excl Queanbeyan)	2,595	2,697	2,765	2,834
Neighbouring councils (average)	2,212	2,303	2,361	2,420
Comparable councils (SEIFA) (average)	2,907	3,037	3,113	3,190
Comparable councils (Income) (average)	3,310	3,448	3,534	3,622
Mining				
Queanbeyan-Palerang	**24,374**	**28,761**	**33,938**	**40,047**
OLG Group 4 (excl Queanbeyan)	378,963	393,681	403,523	413,612
Neighbouring councils (average)	2,089	2,166	2,220	2,276
Comparable councils (SEIFA) (average)	363,516	378,420	387,880	397,577
Comparable councils (Income) (average)	286,678	298,222	305,678	313,320

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

4.3.3 The council's hardship policy

The council has a hardship policy in place, which it updated in 2022 to incorporate additional measures to assist ratepayers facing financial difficulty. This included changing its debt recovery procedure, to move from legal debt recovery to a financial assistance model. The council explained that it engaged Recoupa to offer independent financial advice to ratepayers, as an alternative to legal debt recovery.

The council's hardship policy and a rates relief application form are available on its website.[12] This policy notes that the council will consider all options for financial assistance allowed under the *Local Government Act 1993*, including:

- periodic payment agreements for overdue rates and charges
- writing off or reducing interest accrued on rates or charges for a set period of time
- waiving, reducing or deferring the increase in rates payable because of substantial hardship resulting from a general land revaluation
- extending pensioner rebates on rates and annual charges
- postponing rates for properties that are used differently from how they are zoned.[13]

Some of the submissions we received indicated that the median income for certain areas including Braidwood and Queanbeyan, are lower than the council average. However, given the council's rating structure, this should generally result in lower rates relative to other areas within the LGA. For example, Table 4.3 above indicates that Braidwood is expected to be subject to lower rates than other suburbs or precincts. We also note that Queanbeyan pensioners receive an additional concession of $40 per annum (on top of the standard concession of $250).

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

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

Note: See Appendix A for the full assessment criteria

To assess whether the council met this criterion, we checked the information provided by the council in their application and IP&R documentation. We found that it met the criterion. The council:

- publicly exhibited its current Community Strategic Plan from 23 February to 3 April 2022 and adopted it on 8 June 2022
- publicly exhibited its current Delivery Program and Long-Term Financial Plan from 28 November 2022 to 31 January 2023 and adopted these plans on 8 February 2023
- adopted its transport, water, sewerage, buildings, sport & recreation and stormwater Asset Management Plans on 26 August 2020
- submitted its SV application on 3 March 2023.

Box 4.4 IP&R documents

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

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

Source: Office of Local Government Integrated Planning and Reporting Guidelines

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

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

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

Note: See Appendix A for the full assessment criteria

To assess this criterion, we considered stakeholders' comments on the council's productivity and cost containment strategies, 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.

4.5.1 Stakeholder comments on productivity and cost containment

Some submissions to IPART raised concerns relevant to this criterion. In particular, some stakeholders said the council could:

- improve its own efficiency to cover the revenue shortfall sought by the SV
- improve its labour productivity
- reduce the amount spent on consultants and contingent labour
- demonstrate its ability to deliver on productivity improvements and cost savings.

We have considered these concerns as part of our assessment of this criterion. On balance, we found the council provided sufficient evidence of its past and planned productivity and cost containment strategies to meet the criterion.

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

The council provided information on its past and current productivity and cost containment strategies and initiatives in its SV application, IP&R documents and correspondence with IPART. The SV application and Long-Term Financial Plan quantify the productivity gains it expects to realise over the SV period[14].

Past productivity and cost containment strategies

The council's application outlined its past initiatives to increase productivity and ensure cost containment. These included:

- Merger efficiency savings of $2.2 million annually
- Replacement of Queanbeyan streetlights with LED to reduce streetlighting costs and energy consumption, resulting in $457,000 in annual savings realised from 2021-22, with a capital investment of $2 million being paid back over 4 and a half years.
- Sale of land and buildings, raising $8 million, as a result of the Queanbeyan Civic and Cultural Precinct development[15].

Planned productivity and cost containment strategies over the SV period

The council's IP&R documents note that it plans to implement strategies to increase productivity and contain costs over the SV period where possible. Its application noted that it has identified the following initiatives to contain costs and improve productivity over the SV period:

- reviewing its asset strategy and reconsidering affordable levels of service to be provided over the expanded asset base
- establishing targeted savings for joint regional procurement with the Canberra Region Joint Organisation and other regional networks to share overheads, attract better pricing and reduce overall costs
- valuing and supporting the use of volunteers to improve the availability and quality of community facilities

- implementing workforce strategies to improve health and wellbeing of the workforce and reduce unplanned absences
- integrating flexible working conditions including flexible hours of work and working from home to attract and retain productive employees
- using natural disaster and other grant funding to build back assets that can withstand future natural disasters under the 'build back better' infrastructure plan.
- reviewing all employee vacancies and where appropriate fill these vacancies with cadets, trainees or apprentices on a 2:1 basis as part of the council's strategy to increase productivity and increase the pool of skilled workers
- mapping and reviewing the council's procedures and putting in place digital workflows to streamline performance.

The council also noted that its Organisational Service Review has identified additional improvements. While some service reviews have already commenced, some will involve additional analysis and implementation – for example, the plant utilisation review. According to the council, the Organisational Service Review will be reviewed annually, and new and existing improvements and a program of service reviews will be included in the council's Operational Plan and efficiency savings reported in its Annual Plan.

The council's application indicated that its Long-Term Financial Plan includes $200,000 per annum in targeted organisational service review savings.[16] However, neither the application nor the Long-Term Financial Plan appear to quantify the impact of other future productivity or cost savings measures.

The Long-Term Financial Plan also includes provision for increases in other fees and charges as a result of the council's pricing reviews.[17] We note that while these other sources of revenue can reduce the need for the SV and are important considerations for the council (as recognised in criterion 1 above), they are not direct productivity measures.

Overall, we consider the council has:

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

4.5.3 Indicators of the council's efficiency

We examined a range of indicators of the efficiency of the council's operations and asset management, including looking at how these indicators have changed over time and how they compare with those of similar councils. This data is presented in Table 4.7 and Table 4.8 below.

We found that, over recent years, the council's:

- number of full time equivalent (FTE) staff has increased by an average annual rate of about 1.7% per annum
- ratio of population to FTE staff initially declined, but had increased slightly above 2017-18 levels by 2020-21

- average costs per employee have decreased by an average of 1.2% per annum, and employee costs as a percentage of operating costs have declined since 2018-19 – suggesting that the council's other costs have increased more than its labour costs.

We also found that, compared to other councils in its OLG Group, the council has a higher average cost per FTE but also a higher ratio of population to FTE.

We note that 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.

Table 4.7 Trends in selected performance indicators, for Queanbeyan-Palerang Regional Council, 2017-18 to 2020-21

Performance indicator	2017-18	2018-19	2019-20	2020-21	Average annual change (%)
FTE staff (number)	406.0	426.0	443.0	427.0	1.7
Ratio of population to FTE	144.8	140.7	137.9	145.8	0.2
Average cost per FTE ($)	98,579	98,315	92,323	95,012	-1.2
Employee costs as % of operating expenditure (General Fund only) (%)	38.9	42.7	33.9	32.5	-5.9

Source: IPART calculations

Table 4.8 Select comparator indicators for Queanbeyan-Palerang Regional Council

	QPRC	OLG Group 5 Average	NSW Average
General profile			
Area (km2)	5,319	4,297	5,531
Population	62,239	38,441	63,814
General Fund operating expenditure ($m)	113.8	76.6	94.3
General Fund operating revenue per capita ($)	2,939	2,416	
Rates revenue as % of General Fund income (%)	27.9	38.2	46.2
Own-source revenue ratio (%)	38.8	58.8	67.5
Productivity (labour input) indicators			
FTE staff	427.0	367.3	380.2
Ratio of population to FTE	145.8	104.7	167.9
Average cost per FTE ($)	95,012	87,861	98,952
Employee costs as % of operating expenditure (General Fund only) (%)	32.5	36.5	37.7
General Fund operating expenditure per capita ($)	1,828	1,993	1,477

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

4.6 OLG Criterion: Any other matter that IPART considers relevant

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

Note: See Appendix A for the full assessment criteria.

We consider that one of the relevant matters is whether the council has been granted an SV over the past 5 years, and if so, whether the council has complied with any conditions of that SV approval.

In 2022-23, we granted the council a rate increase of 2.5% as part of an Additional Special Variation (ASV).

A condition of the approval was that the council outline in its 2022-23 annual report:

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

We are unable to assess the council's compliance at the time of this determination, because the 2022-23 financial year is still in progress.

5 IPART's decision on the special variation

Based on our assessment of the council's application against the OLG Guidelines and consideration of stakeholder submissions, we have approved the council's proposed permanent SV to general income from 2023-24 to 2025-26.

The approved increase to general income is set out in Table 5.1 below.

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

	2023-24	2024-25	2025-26
Permanent increase above the rate peg	13.4	15.5	15.5
Rate peg[a]	4.6	2.5	2.5
Total increase	18.0	18.0	18.0
Cumulative increase	18.0	39.2	64.3

Note: The 2023-24 rate peg is the actual rate peg issued by IPART. The rate peg of 2.5% from 2024-25 is our assumed rate peg that we advise councils to use in their forecasts. The approved total increase will not change when an actual rate peg is set in future years.

Source: Queanbeyan-Palerang Regional Council Application Part A, Worksheets 1 and 4 and IPART calculations.

The special variation is subject to the following conditions:

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

5.1 Impact on ratepayers

IPART sets the maximum allowable increase in the council's general income, but the council determines how it allocates any increase across different categories of ratepayer. Based on what the council has told us in its application, the expected impacts on ratepayers under the approved SV are shown in Table 5.2 below. This shows that over the 3-year period from 2023-24 to 2025-26, if the council chooses to increase rates so as to recover the maximum permitted general income and does so in the manner the council has indicated, the impact on ratepayers under the approved SV will be as follows:

- the average residential rate would increase by $814 or 64.3% by 2025-26
- the average business rate would increase by $3,270 or 64.3% by 2025-26
- the average farmland rate would increase by $1,680 or 64.3% by 2025-26
- the average mining rate would increase by $15,673 or 64.3% by 2025-26.

Table 5.2 Indicative annual increases in average rates under the approved SV (2023-24 to 2025-26)

	2022-23	2023-24	2024-25	2025-26	Cumulative increase $	Cumulative increase %
Residential average $ rates	1,266	1,494	1,763	2,080		
$ increase		228	269	317	814	
% increase		18.0	18.0	18.0		64.3
Business average $ rates	5,085	6,000	7,080	8,355		
$ increase		915	1,080	1,274	3,270	
% increase		18.0	18.0	18.0		64.3
Farmland average $ rates	2,613	3,083	3,639	4,293		
$ increase		470	555	655	1,680	
% increase		18.0	18.0	18.0		64.3
Mining average $ rates	24,374	28,761	33,938	40,047		
$ increase		4,387	5,177	6,109	15,673	
% increase		18.0	18.0	18.0		64.3

Note: These figures have been rounded in calculation.
Source: Queanbeyan-Palerang Regional Council, Application Part A and IPART calculations.

5.2 Impact on the council

Our decision means that the council may increase its general income by $42.7 million above the rate peg by 2025-26, $91.1 million by 2027-28 and $222.9 million by 2032-33. This increase can remain in the rate base permanently.

Table 5.3 shows the percentage increases we have approved and estimates the annual increases in the council's general income over 2023-24 to 2025-26.

Table 5.3 Permissible general income (PGI) of council from 2023-24 to 2025-26 from the approved SV.

	Increase approved (%)	Cumulative increase approved (%)	Increase in PGI above rate peg ($'000)	Cumulative increase in PGI ($'000)	PGI ($'000)
2023-24	18.0	18.0	5,736.7	7,706.1	50,517.6
2024-25	18.0	39.2	13,710.4	16,799.2	59,610.7
2025-26	18.0	64.3	23,292.8	27,529.1	70,340.6
Total above rate peg			42,739.9		

Note: The rate peg of 2.5% from 2024-25 is our assumed rate peg that we advise councils to use in their forecasts.
Source: Queanbeyan-Palerang Regional Council, *Application Part A*, Worksheets 1 and 4 and IPART calculations.

This extra income will enable the council to:

- achieve a break-even operating result
- have sufficient cash to continue to provide services to the community
- maintain infrastructure at levels that are acceptable to the community.

With the SV, the council's projected:

- OPR will improve and remain greater than 0% over the SV period – as shown in Figure 4.1 in section 4.1.3.
- net cash to income ratio, which is currently projected to decline without the SV, will increase to 12.8% by 2032-33 with the SV – as shown in Figure 4.2 in section 4.1.3.

Appendices

A Assessment criteria

The Office of Local Government (OLG) sets the criteria for assessing special variation applications in its 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 in fact sheets and information papers available on our website. Additionally, we publish information for councils on our expectations of how to engage with their community on any proposed rate increases above the rate peg.

Criterion 1: Financial need

The need for, and purpose of, a different revenue path for the council's General Fund (as requested through the 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[4]:

- 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.

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

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

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

Criterion 2: Community awareness

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

Criterion 3: Impact on ratepayers is reasonable

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

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

In assessing the impact, IPART may also consider:

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

Criterion 4: IP&R documents are exhibited

The relevant IP&R documents[5] 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

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.

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

B Queanbeyan-Palerang Regional Council's projected revenue, expenses and operating balance

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

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

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

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
Total revenue	135	160	133	138	143	148	153	157	162	167	135
Total expenses	101	108	113	117	121	125	130	134	139	144	101
Operating result from continuing operations	34	52	21	21	22	23	23	22	23	23	34
Net operating result before capital grants and contributions	1	-3	4	4	5	5	6	6	6	7	1
Cumulative net operating result before capital grants and contributions	135	160	133	138	143	148	153	157	162	167	135

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

Table B.2 Projected expenditure plan for Queanbeyan-Palerang Regional Council under its proposed SV application 2023-24 to 2032-33 ($'000)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
SV revenue above assumed rate peg	5,737	13,710	23,290	23,880	24,470	25,080	25,710	26,350	27,010	27,690
Buildings and other structures	0	0	2,000	2,100	2,200	2,300	2,400	2,500	2,600	2,700
Roads, bridges and footpaths	0	0	3,500	5,200	4,900	9,600	9,300	16,000	18,700	21,400
Stormwater	0	0	1,000	1,100	1,200	1,300	1,400	1,500	1,600	1,700
Recreation assets	0	0	2,500	2,600	2,700	2,800	2,900	3,000	3,100	3,200

Note: Numbers may not add due to rounding.
Source: Queanbeyan-Palerang Regional Council, *Application Part A*, Worksheet 6 and IPART calculations.

Glossary

ABS	Australian Bureau of Statistics
Baseline Scenario	Shows the impact on the council's operating and infrastructure assets' performance without the proposed SV revenue and expenditure.
Baseline with SV expenditure Scenario	Includes the council's full expenses from its proposed SV, without the additional revenue from the proposed SV. This scenario is a guide to the council's financial sustainability if it still went ahead with its full expenditure program included in its application, but could only increase general income by the rate peg percentage.
General income	Income from ordinary rates, special rates and annual charges, other than income from other sources such as special rates and charges for water supply services, sewerage services, waste management services, annual charges for stormwater management services, and annual charges for coastal protection services.
IPART	The Independent Pricing and Regulatory Tribunal of NSW
IP&R	Integrated Planning and Reporting framework
Local Government Act	*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	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] Queanbeyan-Palerang Regional Council, Special Variation Form Part B 2023-24, p 37
[2] Queanbeyan-Palerang Regional Council, Special Variation Application Form Part B 2023-24, p 47.
[3] Office of Local Government, Performance Benchmarks, May 2020.
[4] Queanbeyan-Palerang Regional Council, LTFP, p.14
[5] See "3-page explainer of the scenarios, how we got here, what it means", at the Queanbeyan-Palerang Regional Council's Your Voice website: Special Rate Variation and Long Term Financial Plan.
[6] See "Impacts on rates" for Scenarios 1, 2 and 3, at the Queanbeyan-Palerang Regional Council's Your Voice website: Special Rate Variation and Long Term Financial Plan
[7] See Queanbeyan-Palerang Regional Council's Your Voice website: Special Rate Variation and Long Term Financial Plan
[8] Queanbeyan-Palerang Regional Council, Your Voice engagement website (Welcome to Your Voice QPRC)
[9] Queanbeyan-Palerang Regional Council, Special Variation Form Part B 2023-24, p 39
[10] Queanbeyan-Palerang Regional Council, Assessment of Capacity to Pay, p 20
[11] Queanbeyan-Palerang Regional Council, Assessment of Capacity to Pay, January 2023, p 28.
[12] Queanbeyan-Palerang Regional Council, Rates and Water Payments, Section 8
[13] Queanbeyan-Palerang Regional Council, Hardship & Financial Assistance Policy, 2022, p 3.
[14] Queanbeyan-Palerang Regional Council, LTFP, p 22
[15] Queanbeyan-Palerang Regional Council, LTFP, p 23
[16] Queanbeyan-Palerang Regional Council, Special Variation Application Form Part B 2023-24, p 63.
[17] Queanbeyan-Palerang Regional Council, Special Variation Application Form Part B 2023-24, p 61-63.

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