



COOTAMUNDRA-  
GUNDAGAI REGIONAL  
COUNCIL

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# Business Paper

## EXTRAORDINARY COUNCIL MEETING

**ALBY SCHULTZ MEETING CENTRE,  
COOTAMUNDRA**

**5PM, THURSDAY 3<sup>RD</sup> DECEMBER, 2020**

Administration Centres: 1300 459 689

The Mayor & Councillors  
Cootamundra-Gundagai Regional Council  
PO Box 420  
Cootamundra NSW 2590

**NOTICE OF MEETING**

An Extraordinary Meeting of Council will be held in the Alby Schultz meeting Centre, Cootamundra  
on:

**Thursday, 3rd December, 2020 at 5pm**

The agenda for the meeting is enclosed.

Phillip McMurray  
General Manager

# AGENDA

## Order Of Business

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<b>2</b>	<b>Apologies .....</b>	<b>5</b>
<b>3</b>	<b>Disclosures of Interest .....</b>	<b>5</b>
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<b>4.1</b>	<b>    Finance .....</b>	<b>6</b>
	4.1.1    Proposal to proceed with consultation for a Special Rate Variation (SRV) under Section 508 (a) of the Local Government Act, to be retained permanently in the rate base .....	6



**1 ACKNOWLEDGEMENT OF COUNTRY**

Council acknowledges the Wiradjuri people, the Traditional Custodians of the Land at which the meeting is held and pays its respects to Elders, both past and present, of the Wiradjuri Nation and extends that respect to other Aboriginal people who are present.

**2 APOLOGIES**

**3 DISCLOSURES OF INTEREST**

## 4 GENERAL MANAGER'S REPORT

### 4.1 FINANCE

#### 4.1.1 PROPOSAL TO PROCEED WITH CONSULTATION FOR A SPECIAL RATE VARIATION (SRV) UNDER SECTION 508 (A) OF THE LOCAL GOVERNMENT ACT, TO BE RETAINED PERMANENTLY IN THE RATE BASE

DOCUMENT NUMBER	340204
REPORTING OFFICER	Kay Whitehead, Interim Deputy General Manager
AUTHORISING OFFICER	Phillip McMurray, General Manager
RELEVANCE TO COMMUNITY STRATEGIC PLAN	<p><b>4. Good governance: an actively engaged community and strong leadership team</b></p> <p>4.1 Decision-making is based on collaborative, transparent and accountable leadership</p>
FINANCIAL IMPLICATIONS	There are significant financial implications as detailed in the report.
LEGISLATIVE IMPLICATIONS	There are no Legislative implications associated with this report.
POLICY IMPLICATIONS	There are no Policy implications associated with this report.
ATTACHMENTS	<ol style="list-style-type: none"> <li>1. Draft addendum to 2018-2021 Delivery Program</li> <li>2. <a href="#"><u>↓</u></a> Draft Long Term Financial Plan (LTFP) (Late, under separate cover, to be provided 2/12/20)</li> </ol>

### RECOMMENDATION

1. **Council adopt the Draft Addendum to 2018-2021 Delivery Program and Draft Long Term Financial Plan for 2020/21 to 2029/30 for public exhibition for a period of no less than 28 days.**
2. **Council endorse community consultation being undertaken in relation to proposed SRV under Section 508(A) to be permanently included in the rate base, of successive rate increases of 19%, 18%, 5%, 5% and 5%, commencing in 2021/22, amounting to a cumulative 62.6% increase per the tables in this report.**
3. **Council undertake Community Engagement Activities in relation to the proposed SRV as detailed in the report.**
4. **Professor Drew undertake further examination of ratepayer capacity to pay as detailed in the Draft Addendum to Delivery Program and in the report.**
5. **Council continue to pursue organisational efficiencies through continued implementation of regular service reviews; and**
6. **A further report be prepared for Council following conclusion of community consultation.**

## Introduction

Council has reviewed its long term financial plan following completion of the 2019/20 annual financial statements which confirms the need for application for a Special Rate Variation. This report details the reasons, the effect on ratepayers, and the proposed Engagement Strategy to ensure ratepayers are properly consulted. A further report and resolution will be required before Council formally commits to an application to IPART for Special Rate Variation.

## Discussion

At its meeting held 27 October 2020, Council resolved to notify IPART of Council's intention to apply for a Special Rate Variation under Section 508(A) of the Local Government Act, 1993, to be retained permanently in the rate base.

Council sought quotations for consultants to assist with the work, and Professor Drew was appointed. Preliminary work has commenced.

### NEED FOR SPECIAL RATE VARIATION

In its adopted Operational Plan for 2020-2021, Council included a statement about proposed Special Rate Variation (SRV) as follows:

'In January 2020 Council engaged Professor Joseph Drew from the University of Technology Sydney to prepare a submission for the Local Government Boundaries Commission proposal to re-establish the pre-merger councils.

In preparing the submission, Professor Drew conducted a full review of Council's finances. The review observed that Council's rates are significantly lower than the average of our class (OLG Group 11) and recommended Special Rate Variations (SRV) of 17.5% in each of the 2021/22 and 2022/23 years and 10% in the 2023/24 year, before returning to the rate peg the following year.'

Council has updated fiscal data since the time of Professor Drew's original report in light of the final results for 2019/20 and a review of 2020/21 budget year to date. Council has carefully re-examined its long term financial plan (LTFP), and asset management plans. A detailed discussion of measures already taken and proposed is included in the Draft Long Term Financial Plan (LTFP) attached to this report.

Alternatives to a SRV that have been considered or are included in the LTFP include, (i) increase to non-regulated fees and charges, (ii) reduction to capital works, (iii) reduction to staff costs, (iv) increases to operating efficiency, (v) taking out of additional debt, and (vi) greater grant income. Despite these measures, without a SRV included in income the balance of unrestricted cash is predicted to reduce to zero around the end of 21/22.

CGRC comprehensively reviewed all of its non-regulated fees and charges before publication of its 2020-21 Operational plan. Fees were reviewed with emphasis placed on recovery according to supply-side marginal cost including full overheads.

As part of its efforts to dispel fiscal illusion Council engaged Professor Drew to conduct a thorough review of financial sustainability early 2020. This review included public meetings, a comprehensive report, and a series of information videos to explain local government finance matters to residents. The review flagged significant increases to rates (SRV), and was the catalyst for an efficiency drive prior to the finalisation of the 2020-21 budget. In addition, CGRC conducted its rate harmonisation for the commencement of the 2020-21 year.

There is little scope to reduce the scale of expenditure on capital works as there is quite a large extant backlog. Some of this backlog is being addressed through extensive water works in

Cootamundra, and sewer works in Gundagai (although these are funded from reserves and borrowings, not General Funds). In the LTFP appended we have reduced capital works for transport assets, where there is relatively less backlog, by \$1 million in 2020/21.

Council has already reduced staff costs relating to consultants and overtime thus far in 2020/21. Moreover, we plan to make a further reduction of \$500,000 p.a. from 2022/23 onwards.

During preparation for the 2020/21 budget, Council did significant work to improve efficiency and is on target to realise savings in excess of \$2 million. These savings will continue in the later years.

Council has drawn down \$8.4 million dollars of debt (for major water and sewerage works and plant purchase). The LTFP to support this SRV involves an additional general fund debt of \$1 million to meet matching grant criteria for transport infrastructure.

The draft LTFP incorporates all the above measures, and the proposed SRV will result in rate increases (including expiring Gundagai Main Street SRV) of 19%, 18%, 5%, 5%, 5% over five years commencing 21/22.

The purpose of this SRV application is to try to assure financial sustainability, with a view to maintaining service levels wherever possible, in response to very significant cost pressures imposed by the May 2016 forced amalgamation and subsequent rate path freeze.

#### IMPACT ON RATING

The impact of the proposed SRV on the average rates in each of the Residential, Business and Farmland rating categories is summarised in the Addendum to 2018-2021 Delivery Program and in the following tables.

**Table 1. Impact on Average Farmland Rate of an Expiring Special Rate Variation and a s508A Special Variation of 19%, 18%, 5%, 5%, 5%**

Proposed Rates	Base Year	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	Cumulative Increase
Financial Year	20/21	21/22	22/23	23/24	24/25	25/26	
<i>Farmland Category</i>							
Assumed rate peg with expiring SRV (Gundagai Main Street Upgrade)	\$2,900	\$2,958	\$3,032	\$3,108	\$3,024	\$3,100	\$200
Annual increase (%)		2.0%	2.5%	2.5%	-2.7%	2.5%	6.9%
Proposed SRV with Main Street SRV expiring 23/24 and SRV increases 19%, 18%, 5%, 9%, 5% over 5 years commencing 21/22	\$2,900	\$3,451	\$4,072	\$4,276	\$4,489	\$4,714	\$1,814
Annual increase (%)		19.0%	18.0%	5.0%	5.0%	5.0%	62.6%
Cumulative impact of SRV above Base year and expiry of Gundagai Main Street Upgrade SRV		\$551	\$1,172	\$1,376	\$1,590	\$1,814	
Difference between SRV and rate peg only scenarios		\$493	\$1,040	\$1,168	\$1,465	\$1,614	

**Table 2. Impact on Average Residential Rate of an Expiring Special Rate Variation and a s508A Special Variation of 19%, 18%, 5%, 5%, 5%**

	Base Year	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	Cumulative Increase
Financial Year	20/21	21/22	22/23	23/24	24/25	25/26	
<b>Residential Category</b>							
Assumed rate peg with expiring SRV (Gundagai Main Street Upgrade)	\$675	\$689	\$706	\$724	\$704	\$722	\$47
Annual increase (%)		2.0%	2.5%	2.5%	-2.7%	2.5%	6.9%
Proposed SRV with Main Street SRV expiring 23/24 and SRV increases 19%, 18%, 5%, 9%, 5% over 5 years commencing 21/22 (including rate peg)	\$675	\$804	\$948	\$996	\$1,046	\$1,098	\$422
Annual increase (%)		19.0%	18.0%	5.0%	5.0%	5.0%	62.6%
Cumulative impact of SRV above Base year and expiry of Gundagai Main Street Upgrade SRV		\$128	\$273	\$320	\$370	\$422	
Difference between SRV and rate peg only scenarios		\$115	\$242	\$272	\$341	\$376	

**Table 3. Impact on Average Business Rate of an Expiring Special Rate Variation and a s508A Special Variation of 19%, 18%, 5%, 5%, 5%**

	Base Year	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	Cumulative Increase
Financial Year	20/21	21/22	22/23	23/24	24/25	25/26	
<b>Business Category</b>							
Assumed rate peg with expiring SRV (Gundagai Main Street Upgrade)	\$1,560	\$1,591	\$1,631	\$1,672	\$1,627	\$1,668	\$107
Annual increase (%)		2.0%	2.5%	2.5%	-2.7%	2.5%	6.9%
Proposed SRV with Main Street SRV expiring 23/24 and SRV increases 19%, 18%, 5%, 9%, 5% over 5 years commencing 21/22	\$1,560	\$1,857	\$2,191	\$2,300	\$2,415	\$2,536	\$976
Annual increase (%)		19.0%	18.0%	5.0%	5.0%	5.0%	62.6%
Cumulative impact of SRV above Base year and expiry of Gundagai Main Street Upgrade SRV		\$296	\$631	\$740	\$855	\$976	
Difference between SRV and rate peg only scenarios		\$265	\$560	\$628	\$788	\$869	

## ENGAGEMENT STRATEGY

IPART (2020) requires Councils to use a variety of communication strategies and states that these must be responsive to the magnitude and permanency of the proposed SRV. The CGRC SRV is very high and thus will require almost all of the suggested strategies. The following strategies are proposed:

1. A mail-out to all ratepayers. This is the only way to ensure that all people directly affected by the changes are advised. We should include the average change tables, clearly state that it is a permanent change, clearly articulate that future rate pegs will be calculated according to the year 5 (2025/26) levels as base year, note that the SRV for the main street upgrade would have otherwise expired at the end of 2023/24 (and the relative effect of this), the other options and cost containment strategies that we have adopted, state that the average rate may differ to specific properties, and explain why the proposal is the most appropriate option. All of these things are required and laid-out in the aforementioned IPART (2020) document. The mail out will also include a survey form, notice of public meeting, expression of interest in participating in a citizen jury, and a return-paid envelope (this latter device is specifically mentioned by IPART (2020)). The mail out needs to be out by the 18<sup>th</sup> of December.

2. Fact sheet. A Fact Sheet will be displayed prominently on the council website and be part of the mail out. A fact sheet ensures that everyone has clear and precise information for decision-making according to the IPART instructions.
3. Media Release. The fact sheet and material sent out to ratepayers should form the basis of a media release issued by Council in the first week of January.
4. An online survey is not recommended given that we are already mailing out a survey. Many of the most vulnerable residents do not have access to the internet and multiple channels for surveys introduces a high risk of biased survey results (for example, where a person might submit both a written *and* online survey).
5. Public meetings. Professor Drew will conduct two public meetings after hours on Monday the 18<sup>th</sup> and Tuesday the 19<sup>th</sup> of January, 2021 respectively. This ensures people with standard working hours have an opportunity to ask questions and provide direct feedback.
6. Resident workshops. Professor Drew will conduct two citizen juries during standard working hours on Monday 18<sup>th</sup> and Tuesday the 19<sup>th</sup> January, 2021. These juries need to be held during work hours so that citizens can call up Council 'witnesses' should they choose to do so. Citizen juries are a technique from the scholarly literature where twelve people from each community first hear a presentation from Professor Drew, then interrogate the information presented, interview Council representatives and executives as required, and finally formulate a report to the community which should be displayed on the Council website and perhaps provided to the media. It ensures that randomly selected<sup>1</sup> and fully informed members of the community can have a prominent voice on the matter before them.
7. Listening Posts. These should be conducted for the whole week of 18-22 January inclusive to coincide with the public meetings and citizen juries.
8. Professor Drew recommends against online discussion forums. First, because the ABS (2020) reports that just 69.3% of the community has access to the internet and it is likely that vulnerable demographics will not be able to participate. Second, because forums of this kind can easily encourage misinformation and hateful speech under the perceived anonymity of the internet. Third, it should be noted that in monitoring online forums there is a heightened risk that staff members might accidentally provide information that is not consistent with the strict OLG or IPART guidelines.
9. Discussions with particular community groups. Given the political sensitivities in the community and also the fact that we are providing multiple pathways for engagement, this channel of communication is not recommended.
10. Videos: This is an additional resource we will provide to the community. The videos outlining the SRV should be made available on the Council website and should be played at the listening posts in order to ensure wide exposure and also stimulate comment.

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<sup>1</sup> After expressing a willingness to attend.

**CRITERIA REQUIRED FOR THE SPECIAL RATE VARIATION APPLICATION**

The criteria for assessing the SRV are outlined in the OLG (2020) Guidelines for the Preparation of an Application for a Special Variation to General Income.

1. The need for, and purpose of, a different revenue path for the council's General Fund is clearly articulated and identified in the council's IP&R documents.
2. Evidence that the community is aware of the need for and extent of a rate rise
3. The impact on affected ratepayers must be reasonable
4. The relevant IP&R documents must be exhibited, approved and adopted by Council
5. The IP&R documents or the Council's application must explain the productivity improvements and cost containment strategies

Adoption of the Draft Delivery Program Addendum and Long Term Financial Plan attached to this report will address many of the issues identified in the Guidelines. The programmed Community Consultation and Review of Capacity to Pay will assist Council with a detailed, well-grounded application.

If Council's application fails to address all issues to the satisfaction of the IPART Tribunal, Council's application may be refused, or approved to a lesser extent. As previously advised, if Council applies for and is approved for an SRV, but elects not to increase rates to the full extent of the approved SRV, it has up to 10 years to "catch up" on the collection of the rates income.

**ADDITIONAL TASKS**

Professor Drew will be undertaking a number of additional tasks to ensure a thorough and well-grounded application:

- A. An econometric analysis of capacity to pay local government taxation based on data drawn from the entire state over a five year panel of data
- B. Updating the financial sustainability review document prepared for Council earlier this year so that it includes 2020/21 data and is reflective of the SRV proposal
- C. Updating the local and global intertemporal data envelopment analyses to demonstrate improvements to efficiency already realized
- D. Conducting an econometric debt capacity analysis based on the entire state over a five year panel of data
- E. Council's Finance Manager will be constructing and graphing the key OLG ratios for the next ten years under the 'status quo' and 'proposed SRV' scenarios

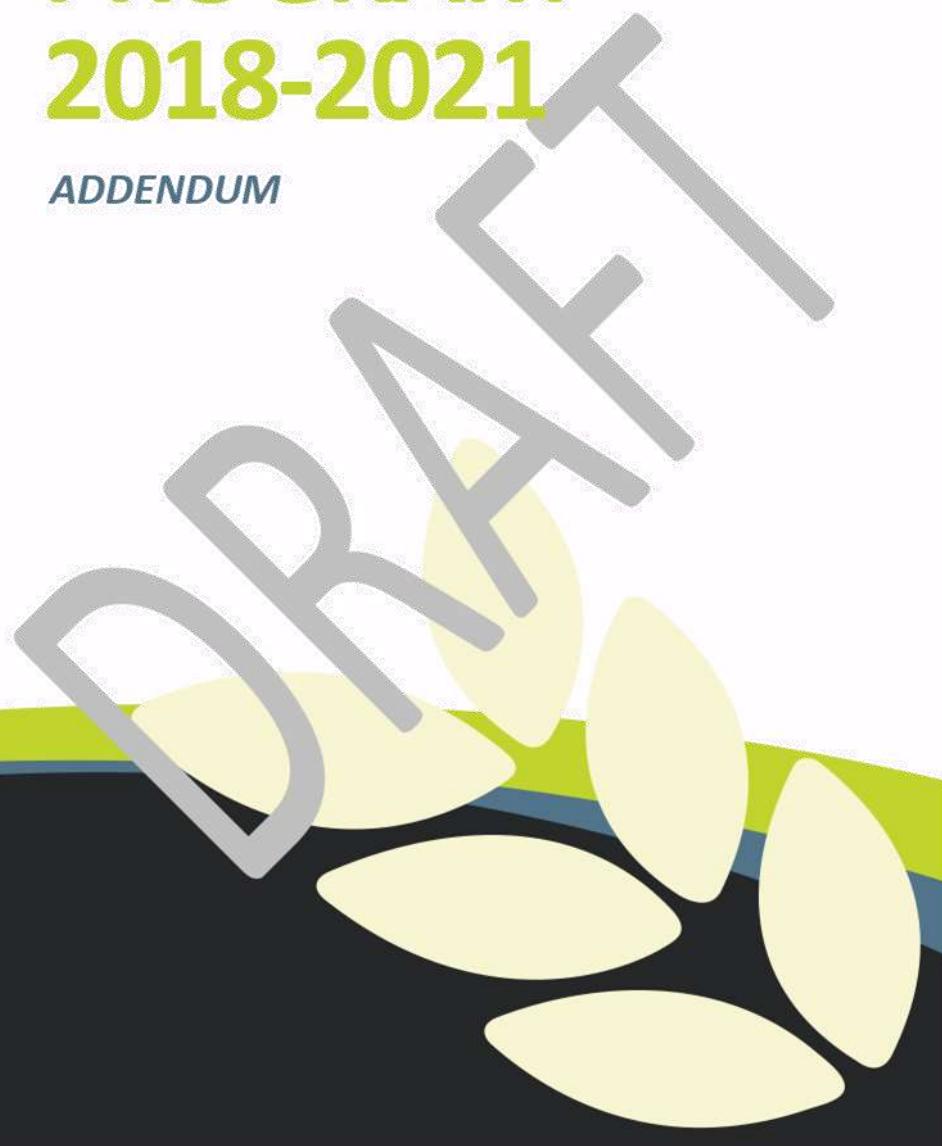


COOTAMUNDRA-  
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COUNCIL

1 December 2020

# DELIVERY PROGRAM 2018-2021

*ADDENDUM*



**ADDENDUM**

Council's Delivery Program for 2018-2021 was prepared and adopted in 2018. The 2020-2021 year is the final year in the Delivery Program.

In its adopted Operational Plan for 2020-2021, Council included a statement about proposed Special Rate Variation (SRV) as follows:

'In January 2020 Council engaged Professor Joseph Drew from the University of Technology Sydney to prepare a submission for the Local Government Boundaries Commission proposal to re-establish the pre-merger councils.

In preparing the submission, Professor Drew conducted a full review of Council's finances. The review observed that Council's rates are significantly lower than the average of our class (OLG Group 11) and recommended Special Rate Variations (SRV) of 17.5% in each of the 2021/22 and 2022/23 years and 10% in the 2023/24 year, before returning to the rate peg the following year.'

Council has updated fiscal data since the time of Professor Drew's original report. In addition, Council has carefully re-examined its long term financial plan (LTFP), and asset management plans. Accordingly, Council has resolved to submit an application to IPART in early February 2021, for a SRV under S508A of the Local Government Act (1993) to be retained permanently in the rate base, commencing 2021/2022 as per the tables below:

**Table 1. Impact on Total Rate Revenue of an Expiring Special Rate Variation and a s508A Special Variation of 19%, 18%, 5%, 5%, 5%**

Notional Rates Income	Base Year	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	Cumulative Increase
<b>Financial Year</b>	<b>20/21</b>	<b>21/22</b>	<b>22/23</b>	<b>23/24</b>	<b>24/25</b>	<b>25/26</b>	
<b>Baseline Scenario</b>							
Total Notional Rates Income (\$) under Rate Peg with no SRV (removes existing SRV)	\$7,266,232	\$7,411,596	\$7,596,845	\$7,786,766	\$7,981,435	\$8,180,971	\$914,740
Annual Increase (%)		2.0%	2.5%	2.5%	2.5%	2.5%	12.6%
<b>Status Quo Scenario</b>							
Total Notional Rates Income (\$) Under Rate Peg with an Expiring SRV	\$7,653,564	\$7,806,695	\$8,001,801	\$8,201,846	\$7,981,435	\$8,180,971	\$527,407
Annual Increase (%)		2.0%	2.5%	2.5%	-2.7%	2.5%	6.9%
<b>Proposed SV</b>							
Total Notional Rates Income (\$) With both Expiring SV and Requested New SV	\$7,653,564	\$9,107,741	\$10,747,135	\$11,284,491	\$11,848,716	\$12,441,152	\$4,787,588
Annual Increase (%)		19.0%	18.0%	5.0%	5.0%	5.0%	62.6%
Cumulative Impact ON Notional Income of Proposed SV		\$1,454,177	\$3,098,571	\$3,630,927	\$4,195,152	\$4,787,588	
Difference between Proposed SV and Status Quo Scenario		\$1,301,106	\$2,745,333	\$3,082,645	\$3,867,280	\$4,260,180	

**Table 2. Impact on Average Farmland Rate of an Expiring Special Rate Variation and a s508A Special Variation of 19%, 18%, 5%, 5%, 5%**

Proposed Rates	Base Year	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	Cumulative Increase
<b>Financial Year</b>	<b>20/21</b>	<b>21/22</b>	<b>22/23</b>	<b>23/24</b>	<b>24/25</b>	<b>25/26</b>	
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Difference between SRV and rate peg only scenarios		\$488	\$1,040	\$1,168	\$1,465	\$1,614	

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<b>Residential Category</b>							
Assumed rate peg with expiring SRV (Gundagai Main Street Upgrade)	\$675	\$689	\$706	\$724	\$704	\$722	\$47
Annual increase (%)		2.0%	2.5%	2.5%	-2.7%	2.5%	6.9%
Proposed SRV with Main Street SRV expiring 23/24 and SRV increases 19%, 18%, 5%, 5%, 5% over 5 years commencing 21/22 (including rate peg)	\$675	\$804	\$948	\$996	\$1,046	\$1,098	\$422
Annual increase (%)		19.0%	18.0%	5.0%	5.0%	5.0%	62.6%
Cumulative impact of SRV above Base year and expiry of Gundagai Main Street Upgrade SRV	\$128	\$273	\$320	\$370	\$422		
Difference between SRV and rate peg only scenarios		\$115	\$242	\$372	\$341	\$376	

**Table 4. Impact on Average Business Rate of an Expiring Special Rate Variation and a s508A Special Variation of 19%, 18%, 5%, 5%, 5%**

	Base Year	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	Cumulative Increase
<b>Financial Year</b>	<b>20/21</b>	<b>21/22</b>	<b>22/23</b>	<b>23/24</b>	<b>24/25</b>	<b>25/26</b>	
<b>Business Category</b>							
Assumed rate peg with expiring SRV (Gundagai Main Street Upgrade)	\$1,560	\$1,591	\$1,631	\$1,672	\$1,627	\$1,668	\$107
Annual increase (%)		2.0%	2.5%	2.5%	-2.7%	2.5%	6.9%
Proposed SRV with Main Street SRV expiring 23/24 and SRV increases 19%, 18%, 5%, 5%, 5% over 5 years commencing 21/22	\$1,560	\$1,857	\$2,191	\$2,300	\$2,415	\$2,536	\$976
Annual increase (%)		19.0%	18.0%	5.0%	5.0%	5.0%	62.6%
Cumulative impact of SRV above Base year and expiry of Gundagai Main Street Upgrade SRV	\$296	\$631	\$740	\$855	\$976		
Difference between SRV and rate peg only scenarios		\$265	\$560	\$628	\$788	\$869	

It should be noted that the presentation of cumulative rate data is strictly controlled by iPART. These tables have been produced to conform to Table 3.4 on page 9 of the 2020-21 *Community Awareness and Engagement for Special Variation and Minimum Rate Increases* document.

#### PURPOSE OF PROPOSED SRV

On page 4 of the Guidelines IPART (2020) lists a number of possible purposes for a SRV including, *inter alia*: 'improving financial sustainability', 'maintaining existing services and service levels generally', and 'meeting special cost pressures faced by council' (IPART, 2020, p. 4).

Accordingly, *the purpose of this SRV application is to try to assure financial sustainability, with a view to maintaining service levels wherever possible, in response to very significant cost pressures imposed by the May 2016 forced amalgamation and subsequent rate path freeze* (Local Government Act, 1993).

#### IMPACT OF POTENTIAL RATE INCREASES

Examining and reporting on the community's capacity to pay higher rates is a central component of the SRV application process. Council has commissioned Professor Joseph Drew to undertake a financial impact analysis of the proposed rate increase on the local community.

Professor Drew has already conducted a comparison of the 2020-21 Cootamundra Gundagai average rates to the 2018-19 time series data reported by the OLG. To ensure fair comparisons, Professor Drew increased the average rate data for each category and each Council in 2018-19 by the two respective rate caps that were employed in the relevant intervening periods. The data for Cootamundra-Gundagai 2020-21 is taken directly from Council adopted plans.

**Table 5. Comparison of Cootamundra-Gundagai Average Rates in 2020-21 to Other OLG11 Councils.**

2020-21	Residential	Farm	Business
Average OLG11 (including cap)	981.64	3,466.63	2,245.98
Standard deviation OLG11 (including cap)	505.19	2,070.97	1,469.98
Median OLG11 (including cap)	897.75	2,900.00	1,672.71
Quartile 1 OLG11 (including cap)	714.01	2,699.42	957.60
Quartile 3 OLG11 (including cap)	1,033.36	3,636.74	3,066.40
Inter Quartile Range OLG11 (including cap)	319.35	937.32	2,108.80
Cootamundra-Gundagai Post Harmonisation	\$675.00	\$2,900.00	\$1,560.00
Factor Required to Achieve Median	133.00	100.00	107.22
Factor Required to Achieve Mean	145.43	119.54	143.97
Factor Required to Achieve Quartile 3	153.09	125.40	196.56

It is important to be mindful of a number of things when interpreting this table. First, the 2018-19 OLG data was the most recent available at the time of writing; but is clearly not ideal (because changes to property valuations will have had an effect on averages). Each category of each OLG11 Council has been increased by the relevant rate cap, except for Muswellbrook which had a s508(2) SRV of 15.13% in 2019-20. Second, the use of averages by the OLG can be quite misleading (it would be more helpful if the OLG collated data by employing the median), given that averages are easily skewed by outliers. One or two

very large assessments can easily skew the mean to the right (thus making the average look far more than a true measure of center would show<sup>1</sup>). One only needs to look at Moree Plains 'farmland' (average \$11,134 in 2018-19), or Gunnedah 'business' (average \$4,739 in 2018-19) to see the effect of skewing on the average data reported. This point is particularly important for interpreting the average business rate in CGRC which is not skewed as much as some local government areas by the presence of very large business land values. Third, the implicit assumption in any comparative work is that the comparator local governments have distributed the burden of taxation fairly and also set taxes according to capacity to pay. However, there is no reason to suggest that these assumptions are indeed valid in New South Wales (see, Drew and Dollery, 2015; Drew, 2020).

Indeed, as noted in the rate harmonisation work (see Table 6) the taxation burden in CGRC already falls disproportionately on the business and residential categories. This suggests that whilst *prima facie* there appears to be little scope to increase farmland rates (according to the comparison in Table 5) this is not reflective of the dictates of distributive justice:

**Table 6. Adopted Rates 2020/21.**

Category	Number of Assessments	Ad Valorem	Base Rate	Base Amount %	Land Value	2020/21 Estimated Income	Yield %
Farmland	1277	0.2102605	\$307.11	10.59%	\$1,574,719,960	\$3,703,194	48.41%
Residential	4632	0.4881518	\$307.11	45.47%	\$349,466,660	\$3,128,461	40.90%
Business	524	1.2009279	\$307.11	19.68%	\$54,677,951	\$817,568	10.69%
Mining	0	-	-	-	-	-	-
<b>Totals</b>	<b>6433</b>				<b>\$1,978,864,571</b>	<b>\$7,649,223</b>	

In terms of how the proposed SRV would be applied, we must be mindful of the theoretical rationale applied in the rates harmonisation process. The base rate is the overheads of the Council shared equally between all ratepayers because all benefit equally from having a local government. This base rate should be ideally recalculated on an annual basis and provides an important price signal to residents and Council alike. Therefore the bulk of the SRV increase should be applied to the *ad valorem* in a way such that each ratepayer takes on the burden in equal proportion. Indeed, we must be mindful that arbitrary increases to the base rate undermine the theoretical rationale of an unimproved land tax and in fact result in the people who gain the least unearned wealth paying a relatively higher share as a taxation impost.

In addition to what has already been presented above, Professor Drew will undertake more appropriate and sophisticated revenue capacity modelling using econometric techniques. It is appropriate to conduct these supplementary analyses given the IPART position that 'the extent of the evidence required for assessment of the criteria can alter with the scale and permanence of the SV proposed' (IPART, 2020, p. 2).

<sup>1</sup> The best measure of central tendency for skewed data is the median, augmented by the interquartile range to show the spread of data.

In the interim, Table 7 provides some useful information regarding both the socio-demographics and business activity of Cootamundra-Gundagai. In terms of socio-demographics the community is slightly more disadvantaged than its OLG11 peers (see the SEIFA<sup>2</sup> number which is well below both the average and median). For instance, Cootamundra-Gundagai has much higher proportions of people on the aged pension than its peers and much lower employee income than the comparator cohort. This would tend to suggest that there is lower capacity to absorb residential rate increases in Cootamundra-Gundagai relative to many other OLG11 councils. However, in terms of unincorporated business<sup>3</sup> income Cootamundra-Gundagai sits in the top quartile, performing better than seventy-five percent of its peers. Much of this income would be farm income used to supplement wages, although there is also clearly some small trader activity here. This unincorporated business data suggests that farm and business category ratepayers are likely to have relatively higher capacity to absorb increases to local taxation with reference to most of the peer group.

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<sup>2</sup> SEIFA is the ABS socio-economic index for areas. The number included here is the decile, where lower numbers suggest relatively greater disadvantage.

<sup>3</sup> Unincorporated businesses are entities that do not trade as a registered company and include sole traders and most partnerships. Unfortunately, the ABS does not collate data for incorporated business earnings, presumably because many incorporated businesses are national operations and revenues cannot be apportioned easily on a geographical basis.

Table 7. Socio-Economic Indicators, Comparison of OLG 11 Local Governments

Council	Number of Households	Population	Number of Businesses	Proportion Under 15 Years	Proportion Under 65 Years	ATSI	NESB	Median Employee Income (2017)	Mean Employee Income (2017)	Median Unincorporated Business Income	Mean Unincorporated Business Income	Median Total Income (excluding welfare; 2017)	Mean Total Income (excluding welfare; 2017)	Aged Pension (%)	Disability Pension (%)	Newstart (%)	Carers Pension (%)	Single Parent (%)	Youth Allowance (%)	SEIFA IRSD Australia Decile	SEIFA IRSD State Decile
Bellingen	5023	12963	1206	18	23.7	3.5	3.2	39755	46186	8421	16843	36601	45273	15.5982	4.9757	4.61313	1.51971	1.35771	0.871712	5	5
Cabonne	4769	13680	1789	21.5	20	3.8	2	44972	53479	8489	22146	44409	57174	11.6447	2.99708	1.95175	0.899123	0.957602	0.445906	8	8
Cootamundra	4402	11260	1141	18.4	25.7	4.6	2	40372	45888	13016	27392	42258	51753	17.72647	4.849023	3.756661	1.660746	1.119005	0.56838366	3	3
Cowra	4900	12767	1347	18.2	24.7	7.9	2.6	39607	43834	11787	19970	39187	46525	17.0439	6.00768	4.33148	2.00517	1.69969	0.947756	2	2
Federation	4981	12462	1208	17	28.2	1.7	2	42961	46855	14048	23164	41225	47465	19.9246	3.888381	3.17766	1.39624	1.09934	0.722195	5	5
Greater Hume	3816	10686	1361	21.9	20.3	3.2	2	41716	46271	11277	27225	42871	51116	12.2965	2.97586	2.3863	1.29141	1.02938	0.608272	6	7
Gunnedah	4626	12661	1562	21.6	18	12.8	2.2	47221	57094	7323	21314	47432	59493	11.7684	3.72009	3.79117	1.17684	1.89558	1.04257	4	4
Hilltops	7176	18782	2128	20	22.7	4.4	3.4	39639	43935	12295	25667	41470	50319	15.3179	5.01544	3.514	1.4056	1.59195	0.825258	4	3
Inverell	6205	16844	1711	20.6	20.6	8.5	3.1	41220	44002	8381	19897	40912	46904	14.4562	5.65186	4.26265	1.7573	2.22631	1.21111	2	2
Leeton	3931	11438	946	21.3	17.5	5.7	7.3	46000	48993	8407	19584	45470	50373	11.9426	3.89928	3.28729	1.4513	1.76604	0.865536	4	4
Moree Plains	4572	13350	1926	22.9	15	21.6	3.5	45255	49132	21971	61681	49774	67076	8.02996	4.52434	5.55805	1.66292	3.16105	1.22097	2	2
Murray River	4654	12118	1292	18	26.1	3.2	2.5	40962	47175	9925	21500	40117	50647	18.0475	2.88827	2.40139	1.24608	0.882984	0.511636	7	7
Muswellbrook	5787	16383	1012	22.7	13	8.3	3.5	54037	67720	3338	8064	51411	65353	8.77739	4.26051	4.16285	1.2513	2.31948	1.03156	3	3
Nambucca	7844	19773	1492	17	27.5	7.6	2.4	37970	43798	7957	15969	34783	42111	20.3662	7.43438	6.21049	2.91306	1.95216	1.12274	2	1
Narrabri	4650	13231	1752	22.5	17.6	12.2	1.8	45381	52966	9721	23853	46425	56375	11.1405	3.83191	4.104	1.23951	2.01799	0.944751	4	4
Parkes	5361	14894	1315	20.7	19.3	10.1	2.8	43984	51432	10651	21586	43580	51383	12.6561	4.84759	3.90761	1.54425	1.96052	0.98026	3	3
Snowy Valleys	5459	14532	1568	19.3	22.1	4.4	3.5	45157	51723	12371	23270	44698	53109	15.1046	4.2114	3.50261	1.23176	1.32122	0.467933	4	4
Upper Hunter	5211	14220	1712	20.8	18.4	5.1	3	47666	59016	2904	11855	45918	58351	12.3277	2.98172	2.79887	1.01266	1.08298	0.4782	6	6
Yass Valley	5846	16953	2050	21.1	16.7	2.4	3.6	57524	66870	5028	15699	56005	68053	7.85702	2.01144	1.40388	0.637055	0.66065	0.530879	10	9
Average	5222	14158	1501	20	21	7	3	44284	50862	9858	22457	43923	53624	13.8	4.3	3.6	1.4	1.6	0.8	4.4	4.3
Standard Devi.	989	2469	332	2	4	5	1	4838	7094	4138	10417	4934	7200	3.6	1.2	1.1	0.5	0.6	0.3	2.1	2.2
Median	4981	13350	1492	21	20	5	3	43984	48993	9721	21500	43580	51383	12.7	4.2	3.8	1.4	1.6	0.9	4.0	4.0
Quartile 1	4638	12562	1250	18	18	4	2	40667	46037	8169	18214	41069	48892	11.7	3.4	3.0	1.2	1.1	0.5	3.0	3.0
Quartile 3	5623	15639	1732	22	24	8	3	45691	53223	12041	23562	46172	57763	16.3	4.9	4.2	1.6	2.0	1.0	5.5	5.5
Interquartile R	985	3077	482	3	6	5	1	5024	7186	3872	5348	5103	8871	4.6	1.6	1.2	0.4	0.9	0.5	2.5	2.5

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**COOTAMUNDRA-GUNDAGAI REGIONAL COUNCIL**

Council reviewed its Rates and Charges Financial Hardship Policy in May 2020. This will be reviewed again in light of the proposed SRV and if changes are necessary, they will be incorporated and placed on public display for a period of 28 days prior to adoption by Council. .

**LONG TERM FINANCIAL PLAN**

Before adopting its Long Term Financial Plan in 2020 for the period 2020/21 to 2029/30, Council undertook a comprehensive review of operational expenditures, resulting in operational savings of \$3.1 million being targeted and included in the budget for 2020/2021. The adopted Long Term Financial Plan also included special rate variations of 17.5% in each of the 2021/2022 and 2022/2023 years and 10% in the 2023/2024 year, before returning to rate peg the following year. The SRV that is now proposed differs slightly to earlier recommendations in response to relatively higher need in the first year to ensure solvency and also relatively lower increases over multiple remaining years to try to ease the pain on the community as much as possible, in addition to addressing backlogs that are the inevitable outcome of the savings measures implemented in the early years.

Details of the underlying assumptions and financial outcomes are included in the detailed Long Term Financial Plan published at the same time as this Delivery Plan Addendum.

**References**

*Drew, J. (2020). Reforming Local Government. Springer Palgrave: Singapore.*

*Drew, J. (2020b). Report for the Boundaries Commission.*

*Drew, J. and Dollery, B (2015). A Fair Go? A Response to the Independent Local Government Review Panel's Assessment of Municipal Taxation in New South Wales. Australian Tax Forum, 30(3): 471-489.*

*Independent Pricing and Regulatory Tribunal (IPART) (2020)<sup>4</sup>. Application for a Special variation for 2020-21 Guide for Special Variation Application Form Part B. IPART: Sydney.*

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<sup>4</sup> It should be noted that this was the most up-to-date version available at the time of writing and we have placed reliance on it according to the advice of Sheridan Raptmund from IPART (pers com Tuesday 24<sup>th</sup> November, 2020).



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