



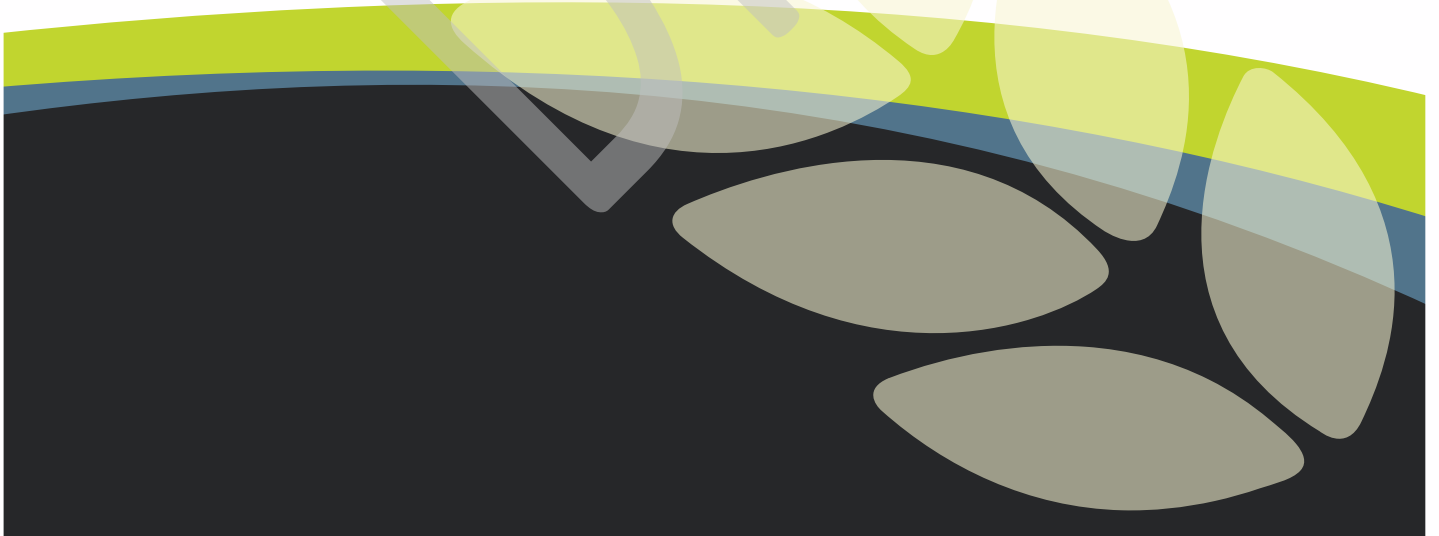
**COOTAMUNDRA-
GUNDAGAI** REGIONAL
COUNCIL

December 2020

DELIVERY PROGRAM 2018-2021

ADDENDUM

DRAFT



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
Financial Year	20/21	21/22	22/23	23/24	24/25	25/26	
Baseline Scenario							
Total Notional Rates Income (\$) under Rate Peg with no SRV (removes existing SRV)	\$7,266,232	\$7,411,556	\$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%
Status Quo Scenario							
Total Notional Rates Income (\$) Under Rate Peg with an Expiring SRV	\$7,653,564	\$7,806,635	\$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%
Proposed SV							
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	\$3,093,571	\$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
Financial Year	20/21	21/22	22/23	23/24	24/25	25/26	
Farmland Category							
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 3. 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	
Residential Category							
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 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
Financial Year	20/21	21/22	22/23	23/24	24/25	25/26	
Business Category							
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	

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 show¹). 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	-	-	-	-	-	-
Totals	6433				\$1,978,864,571	\$7,649,223	

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).

¹ 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 SEIFA² 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 business³ 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.

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

³ 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	3.88381	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 Deviation	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 Range	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

Long Term Financial Plan 2020/21 to 2029/30: Addendum for SRV proposal

Following the preparation of Draft Financial Statements for the 2019/20 financial year, the financial projections for the Long Term Financial Plan have been updated. The liquidity of the general fund continues to be a major concern, with unrestricted cash projected to be exhausted in the 2021/22 financial year. The detail following applies only to the general fund, as the water, sewer and waste operations will be unaffected by the SRV proposal.

Some adjustments have been made to the projection based on the Draft Financial Statements, and are consistent with the independent report produced by Deloitte Touch Tohmatsu for the Boundaries Commission (with data updated based on the Draft Financial Statements 19/20 and budget review to date 20/21) and the submission prepared by Professor Joseph Drew. The material changes are as follows:

Material Changes and Underlying Assumptions

Material Changes

The material changes from the adopted 2020-21 to 2029-30 Long Term Financial Plan for the General Fund are as follows:

- Increase in other revenues of around \$500,000 per year from 2020/21. This is a more realistic figure based on historic receipts.
- Increase in capital grants of \$500,000 per year from 2021/22, and indexed thereafter. This is to allow for unknown but reasonably probable grant receipts, and is to apply to capital works already budgeted.
- Include savings of materials and contracts of \$2,100,000 in 2020/21 and \$2,400,000 pa thereafter.
- Increase depreciation by around \$277,000 from 2020/21 and indexed thereafter. The 2019/20 revaluation of transport assets resulted in the recognition of a significantly increased value, and annual depreciation expense.
- Employee costs have been reduced by \$500,000 in 2022/23 and increase by only 1% pa thereafter as Council continues to seek ongoing productivity improvements. Employee costs have increased by approximately 18% since merger. The proposed savings in 2022/23 will reduce post-merger wage increase to a level consistent with other merged Councils.
- Capital expenditure on roads has been reduced by \$1,000,000 in 2020/21 and \$800,000 in 2021/22. The adjusted figure is the same as that recommended by the previous Moloney report, and similar to the recently updated 2020 version.
- Borrow \$1,000,000 in the general fund to provide for co-contributions required by budgeted capital grants. Repayments over 10 years with fixed interest.

Underlying Assumptions

The following underlying assumptions have been made:

- User charges and fees are increased by 4% pa with the exception of RMCC Income which is increased by 1% pa from 2022/23, because this is outside Council control.
- Interest on investments has been included at 1% pa.
- Employee costs are indexed at 1% pa beyond 2022/23.
- Materials and Contracts are indexed at 2.5% pa from 2022/23.
- Other expenses are indexed at 2.5% pa.
- Depreciation has been adjusted for the 2019/20 result, and is indexed at 1% pa.

Scenario 1: Status Quo

In the Status Quo Scenario rates are increased by the rate peg of 2% for 2021/22 and 2.5% each year thereafter.

Applying the material changes and underlying assumptions described on the previous page with no SRV or other drastic measures results in general fund annual operating losses before capital income of between \$3.4 and \$6.2 million over the 10-year period. The liquidity of the general fund continues to be an immediate concern, with unrestricted cash projected to be exhausted in the 2021/22 financial year. As presented, internally restricted and unrestricted cash and investments reduces from \$8.01 million to negative \$-17.15 million and unrestricted cash to less than -\$24.8 million.

The outcomes in the Status Quo scenario as presented cannot be contemplated and if a significant SRV is not implemented, must be prevented by imposition of urgent and significant austerity measures.

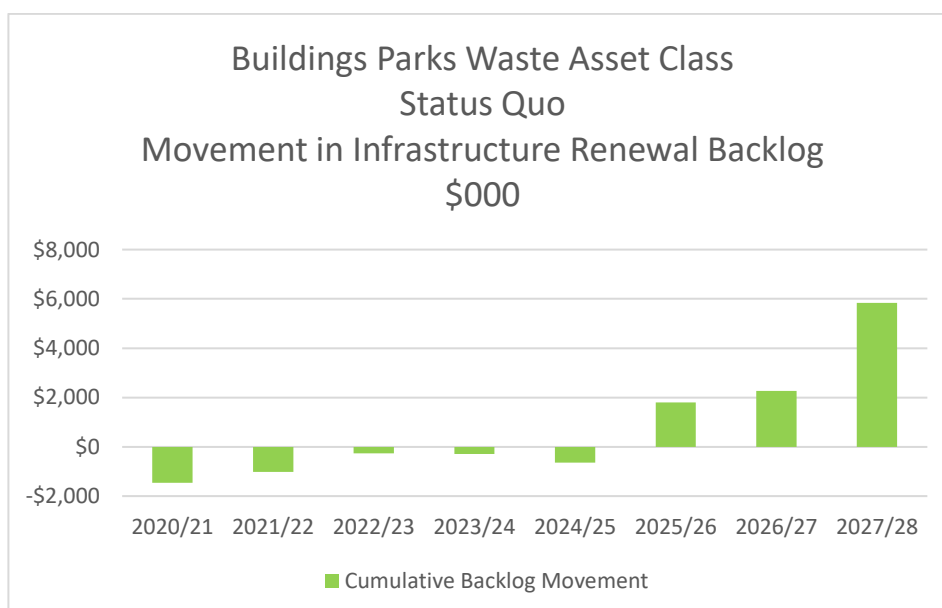
Examples of the scale of the cuts required are:

- Reducing the workforce by 25%; or
- Cutting the capital expenditure budget by 30% causing unsustainable increases in asset renewal backlog; or
- Ceasing Tourism and Economic Development activities; closing libraries, museums, visitor information facilities, swimming pools and sporting facilities, reducing maintenance of parks and gardens.

These measures, or more likely a combination of lesser reductions in each category, would drastically reduce service levels with significant social impacts and generate unsustainable infrastructure renewal backlogs.

It is noted that:

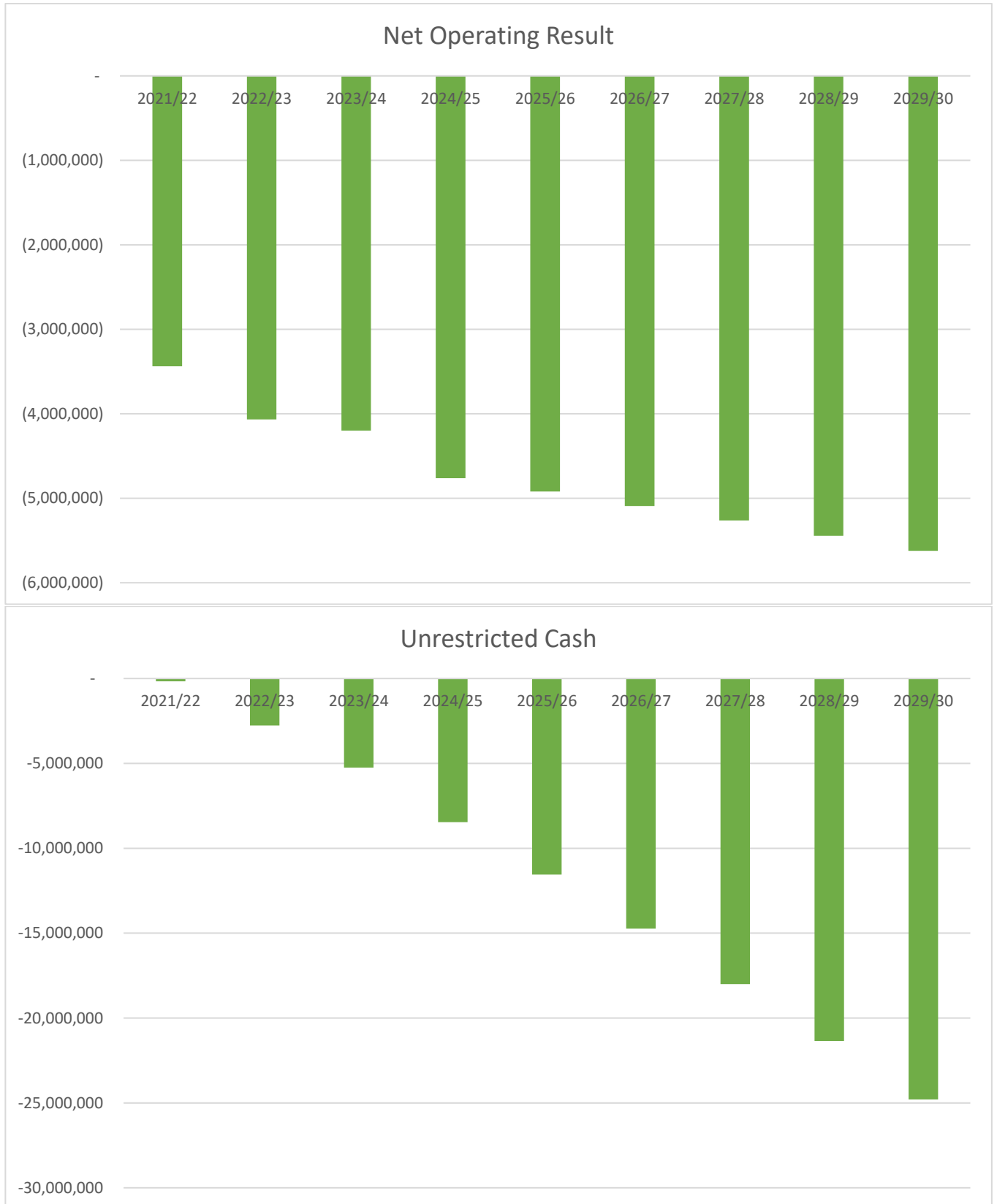
- Council's Asset Management Plan for Buildings, Parks & Waste Assets projects an increasing renewal backlog, based on budgeted capital renewal expenditure of \$590,000 pa. By 2027/28, the cumulative increase in backlog in this class is predicted to be \$5.8 million per the graph below. [The intent of Council is not to undertake renewal on an asset until it reaches its 'intervention level', that is the condition at which the community has determined renewal is required. Typically, assets will be renewed between condition 6 & 8 which ranges from fair/poor to very poor depending on their classification. For the purpose of Council's asset management plans, modelling assumes that all assets will be renewed at condition grade 7]
- Additional increases in fees and charges would not be reasonable given increases already imposed and planned annual increases of 4% pa, and in any case are not a significant income source.
- Unlike LGAs in city areas, Council doesn't have many readily saleable assets. While some asset realisation is possible, this has not been considered as a realistic short-term option.



Status Quo Income Statement and Unrestricted Cash

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
General fund - Financial Statement									
Income from continuing operations									
Rates	7,806,635	8,001,801	8,201,846	7,981,435	8,180,971	8,385,496	8,595,133	8,810,011	9,030,262
User charges and fees	4,687,467	4,793,588	4,903,140	5,016,252	5,133,058	5,253,698	5,378,317	5,507,065	5,640,100
Interest and investment revenue	65,065	65,130	65,130	65,195	65,195	65,260	65,260	65,326	65,326
Other revenues	888,306	890,971	893,644	896,325	899,014	901,711	904,416	907,129	909,850
Operating grants and contributions	8,029,498	8,109,793	8,190,891	8,272,800	8,355,528	8,439,083	8,523,474	8,608,709	8,694,796
Capital grants and contributions	1,565,650	571,307	577,020	582,790	588,618	594,504	600,449	606,453	612,518
Recovery of corporate overhead expenditure	1,894,691	1,912,018	1,929,544	1,947,272	1,965,204	1,983,341	2,001,688	2,020,245	2,039,016
Rental income	-	-	-	-	-	-	-	-	-
Net gain from the disposal of assets	-	-	-	-	-	-	-	-	-
Total Income	24,937,313	24,344,608	24,761,215	24,762,069	25,187,587	25,623,093	26,068,737	26,524,938	26,991,867
Expenses from continuing operations									
Employee benefits and on-costs	11,045,108	10,816,007	11,093,625	11,378,132	11,669,697	11,968,498	12,274,714	12,588,531	12,910,138
Borrowing costs	76,259	59,781	40,391	26,263	15,320	15,320	15,320	15,320	15,320
Materials and contracts	5,501,640	5,621,681	5,744,723	5,870,841	6,000,112	6,132,615	6,268,431	6,407,641	6,550,332
Depreciation and amortisation	8,252,847	8,335,375	8,418,729	8,502,916	8,587,945	8,673,825	8,760,563	8,848,169	8,936,650
Other expenses	3,061,931	3,138,480	3,216,942	3,297,365	3,379,799	3,464,294	3,550,902	3,639,674	3,730,666
Corporate overhead costs	436,320	440,683	445,090	449,541	454,036	458,577	463,162	467,794	472,472
Easement rental expense	-	-	-	-	-	-	-	-	-
Net loss from the disposal of assets	-	-	-	-	-	-	-	-	-
Total Expenses	28,374,106	28,412,007	28,959,500	29,525,058	30,106,911	30,713,129	31,333,092	31,967,130	32,615,579
Net Operating Result	(3,436,793)	(4,067,399)	(4,198,285)	(4,762,989)	(4,919,323)	(5,090,036)	(5,264,355)	(5,442,191)	(5,623,712)
Net operating result before grants and contributions provided for capital purposes	(5,002,443)	(4,638,706)	(4,775,304)	(5,345,779)	(5,507,941)	(5,684,540)	(5,864,804)	(6,048,645)	(6,236,230)
Unrestricted Cash	- 158,293	- 2,768,436	- 5,256,080	- 8,464,255	- 11,557,150	- 14,735,145	- 18,000,663	- 21,356,017	- 24,803,671
Rates Percentage Increase	2.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%

Status Quo Graphs



Scenario 2: Proposed SRV

The following increases to rates via special rate variation are proposed:

Year	Increase
2021/22	19.00%
2022/23	18.00%
2023/24	5.00%
*2024/25	5.00%
2025/26	5.00%

*In 2024/25 the increase is net of expiring Gundagai Main Street SRV. This represents a cumulative increase of 62.6% over the 5-year period.

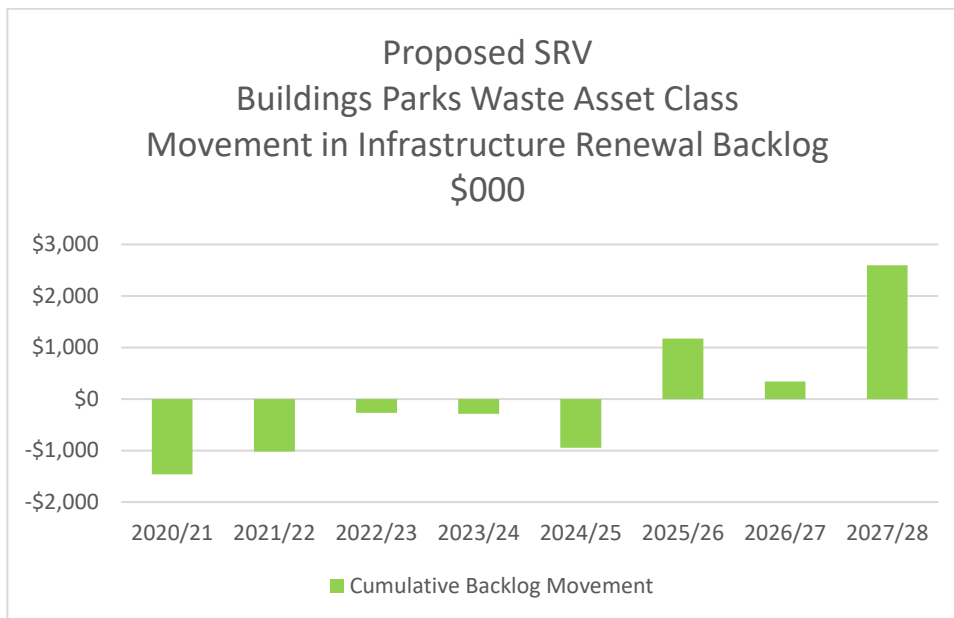
In this scenario, general fund operating losses before capital income are still projected after 10 years in the order of \$1.5 million pa.

Unrestricted cash remains uncomfortably tight in the early years reducing to a low of \$831,000 in 2020/21 before increasing to a reasonable range of between \$1.5 million and \$3 million.

Additional funding of \$310,000 is invested in building renewals from 2024/25 and additional \$1,000,000 in renewals for the Buildings, Parks & Waste Asset Class in each of 2026/27, 2027/28 and 2028/29, rising to \$2,000,000 in 2029/30. The projected increase of Infrastructure Renewal Backlog in the Proposed SRV Scenario is reduced to \$2.6 million, compared to the increase of renewal backlog in the Status Quo Scenario of \$5.8 million.

The easing liquidity pressures later in the projection also allow capital works on transport assets to be increased to the 2020 Moloney Report recommendation of \$4,700,000 pa from the amount of \$4,290,000 pa included in the Status Quo Scenario.

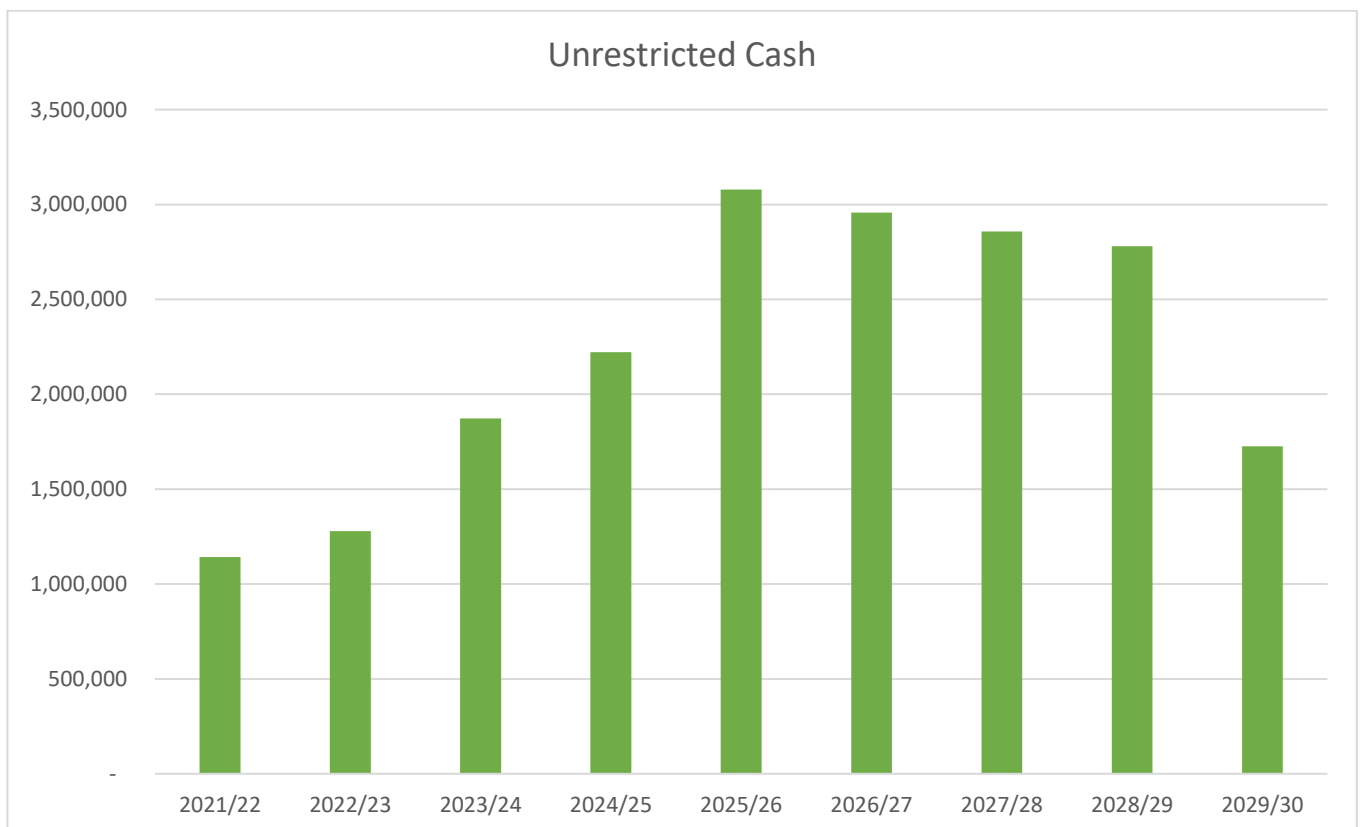
While ongoing operating losses before capital are predicted for the 10 year term of the plan, the improved cash flow delivered by the proposed SRV will allow Council time to implement further service level reviews and productivity improvements.



Proposed SRV Income Statement and Unrestricted Cash

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
General fund - Financial Statement										
Income from continuing operations										
Rates	7,653,564	9,107,741	10,747,135	11,284,491	11,848,716	12,441,152	12,752,180	13,070,985	13,397,760	13,732,704
User charges and fees	4,058,911	4,687,467	4,793,588	4,903,140	5,016,252	5,133,058	5,253,698	5,378,317	5,507,065	5,640,100
Interest and investment revenue	65,000	65,065	65,130	65,130	65,195	65,195	65,260	65,260	65,326	65,326
Other revenues	885,649	888,306	890,971	893,644	896,325	899,014	901,711	904,416	907,129	909,850
Operating grants and contributions	10,101,458	8,029,498	8,109,793	8,190,891	8,272,800	8,355,528	8,439,083	8,523,474	8,608,709	8,694,796
Capital grants and contributions	5,313,054	1,565,650	571,307	577,020	582,790	588,618	594,504	600,449	606,453	612,518
Recovery of corporate overhead expenditure	1,877,561	1,894,691	1,912,018	1,929,544	1,947,272	1,965,204	1,983,341	2,001,688	2,020,245	2,039,016
Rental income	-	-	-	-	-	-	-	-	-	-
Net gain from the disposal of assets	-	-	-	-	-	-	-	-	-	-
Total Income	29,955,197	26,238,419	27,089,941	27,843,860	28,629,349	29,447,768	29,989,778	30,544,589	31,112,687	31,694,309
Expenses from continuing operations										
Employee benefits and on-costs	10,700,609	11,045,108	10,816,007	11,093,625	11,378,132	11,669,697	11,968,498	12,274,714	12,588,531	12,910,138
Borrowing costs	86,487	76,259	59,781	40,391	26,263	15,320	15,320	15,320	15,320	15,320
Materials and contracts	5,684,527	5,501,640	5,621,681	5,744,723	5,870,841	6,000,112	6,132,615	6,268,431	6,407,641	6,550,332
Depreciation and amortisation	8,171,135	8,252,847	8,335,375	8,418,729	8,502,916	8,587,945	8,673,825	8,760,563	8,848,169	8,936,650
Other expenses	2,987,250	3,061,931	3,138,480	3,216,942	3,297,365	3,379,799	3,464,294	3,550,902	3,639,674	3,730,666
Corporate overhead costs	432,000	436,320	440,683	445,090	449,541	454,036	458,577	463,162	467,794	472,472
Easement rental expense	-	-	-	-	-	-	-	-	-	-
Net loss from the disposal of assets	-	-	-	-	-	-	-	-	-	-
Total Expenses	28,062,008	28,374,106	28,412,007	28,959,500	29,525,058	30,106,911	30,713,129	31,333,092	31,967,130	32,615,579
Net Operating Result	1,893,189	(2,135,687)	(1,322,066)	(1,115,640)	(895,709)	(659,143)	(723,351)	(788,503)	(854,443)	(921,270)
Net operating result before grants and contributions provided for capital purposes	(3,419,865)	(3,701,337)	(1,893,372)	(1,692,659)	(1,478,498)	(1,247,761)	(1,317,855)	(1,388,952)	(1,460,896)	(1,533,788)
Unrestricted Cash	831,692	1,142,813	1,278,003	1,873,004	2,222,110	3,079,396	2,958,085	2,858,419	2,780,813	1,725,602
Rates Percentage Increase		19.00%	18.00%	5.00%	5.00%	5.00%	2.50%	2.50%	2.50%	2.50%

Proposed SRV Graphs



Hardship Policy and Debt Recovery Policy

Council has reviewed its Hardship Policy and Debt Recovery Policy, and will place the drafts on public exhibition for 28 days. Community feedback will be considered before updated versions are adopted.

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)⁴. Application for a Special variation for 2020-21 Guide for Special Variation Application Form Part B. IPART: Sydney.

⁴ 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 Rapmund from IPART (pers com Tuesday 24th November, 2020).



COOTAMUNDRA- GUNDAGAI REGIONAL COUNCIL

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