



29 November 2024

Dear Ratepayer

Proposed Special Rate Variation and Minimum Rate Increase

Like many councils across NSW, Gunnedah Shire Council is facing the difficulty of maintaining its infrastructure and services within our existing income levels. Our long-term financial projections show that we are currently operating with an average \$3.1 million annual deficit in the General Fund.

This essentially means that we are spending \$3.1 million per annum less than we should be to maintain our assets and services to our current targeted service levels.

The Gunnedah Shire is a wonderful place to live, work and visit and maintaining our assets and services is essential to retaining the high quality of life we enjoy as residents, businesses, investors and tourists.

Council recently undertook an extensive community engagement process regarding a potential Special Rate Variation (SRV) driven by a need to address our financial and asset sustainability.

The additional income generated by the SRV would ensure Council has sufficient funds to maintain and renew its assets and address the backlog of works.

We have listened to the community's feedback and, at a meeting held on 6 November 2024, Council made the difficult but necessary decision to proceed with an application to the Independent Pricing and Regulatory Tribunal of NSW (IPART) for a Special Rate Variation that is an overall 37.67% cumulative increase to be implemented over two years and retained permanently, comprised of:

- A capped **15%** increase per year or **32.25%** cumulative increase applied to the **Residential, Business, Farmland** rating categories, and
- An **85.13%** cumulative increase applied to the **Mining** rating category.

At the same meeting, Council also resolved to:

- make application to increase Minimum rates in line with the proposed SRV, and
- strive to achieve **\$930,000** of savings and efficiency gains over the next three years along with a report to Council each May to outline progress.

If Council's application is successful, the SRV would be implemented over the 2025/26 and 2026/27 financial years.

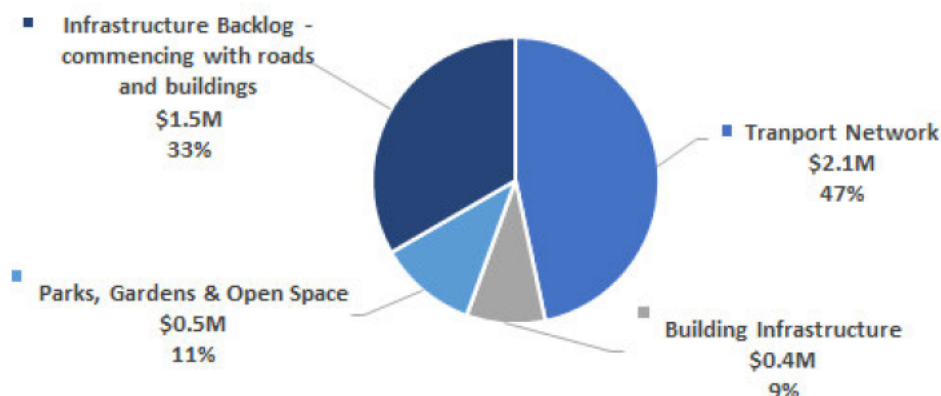
The current SRV proposal is lower for Residential, Business, Farmland rating categories than what was previously consulted on. In the original SRV proposal, these rating categories would have experienced an increase of 38.88% over two years. Under the revised SRV proposal we have been able to reduce the burden for these rating categories by 6.63% to 32.25% over two years.

Whilst there was strong support for no SRV indicated in the community feedback, there was equally strong support for levels of service to at least be maintained or even improved, which is not possible without an SRV.



The proposed SRV would generate additional revenue to address the maintenance and renewal of Council's assets and address our unsustainable unrestricted cash forecast. The graph below shows the annual allocation of the additional funding that would be generated by the proposed SRV following the two-year implementation period.

Average additional annual allocation over 10 year period



Council considered six scenarios prior to endorsing the application for the 37.67% SRV and the below table shows how the community feedback influenced the decision on the revised SRV proposal.

Community Feedback	Influence on SRV Proposal
The community does not want to pay higher rates (noting current difficult times and costs).	<ul style="list-style-type: none"> Clearly heard, however, this is not an option whilst being financially responsible and undertaking appropriate asset maintenance and renewal. Council is investigating options to consider freezing or limiting increases to Water, Sewerage and Waste annual charges to partly offset the SRV increase, should it be approved. Note that while these are all shown on the 'Rates and Charges' notice the SRV only applies to rates.
The community does not want to see a reduction in service levels and wants to see an increase in some areas (especially in the condition of Council's roads).	Clearly heard and the key factor in the scale of the revised proposed SRV and implementation timeframe, especially the ability to commence addressing the backlog of works with rising costs.
If an SRV is required, then it should be for a smaller amount and/or phased in over a longer period to reduce the single year impact on residents and ratepayers (especially those on fixed incomes).	<ul style="list-style-type: none"> The proposed cumulative increase to residential, business and farmland rating categories reduced from 38.88% to 32.25%. The proposed first year increase applicable to residential, business and farmland rating categories reduced from 24% to 15%.
The split of how an SRV is applied should be reviewed so the balance is right between the various rating categories of residential, business, farmland and mining.	<ul style="list-style-type: none"> The proposed SRV implementation retained as two years to address the unrestricted cash position and commence addressing the backlog of works.
Council needs to ensure it is operating as efficiently as possible, is engaging with the community and is transparent in its decision-making.	<ul style="list-style-type: none"> The driver behind Council's decision that it strive to achieve \$930,000 of efficiency gains over the next three years. Council has committed to regular public reporting on savings and efficiency gains and ongoing engagement with the community.
Council needs to look at non-rate revenue that can help address the asset renewal gap and find a solution to ensure large SRVs are not needed in the future.	Council is continuing to advocate that the State and Federal governments return total taxation revenue provided to Local Government for operational purposes to 1% of total taxation revenue, as this has reduced to approximately 0.55%.



Council would like to hear from the community regarding this revised proposal and we invite you to provide your views on the revised SRV proposal by **5pm Thursday, 19 December 2024**.

Following this engagement, Council will prepare, finalise and lodge applications to IPART to apply for a Special Rate Variation and Minimum rate increase. A copy of the application and submissions from the revised proposal will be formally presented to Council in January 2025 prior to lodgement with IPART by 3 February 2025.

Once an application is submitted, IPART will also undertake their own community consultation where residents and ratepayers will have the ability to lodge submissions directly to IPART regarding the applications.

The enclosed Fact Sheet provides information on the SRV, where you can obtain further information and how you can have your say.

Yours faithfully



Eric Groth
GENERAL MANAGER

Contact: 02 6740 2100

See what the SRV means for you

Use our rates calculator to see how the SRV could affect your property by going to:

<https://rates-app.gunnedah.nsw.gov.au/>

And entering your address or assessment number. Below is an example of what the rates calculator will show you.

Ordinary Rate Calculator

Assessment No

13279251

Property Address

144 Little Conadilly Street GUNNEDAH NSW 2380

2022 Rateable Land Value

\$49,900.00

Rate Category/Sub Category

Residential Gunnedah

Current (24-25)

Ordinary Rates Payable	\$585.15
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Proposed Rate Structure (25-26)

Ordinary Rates Payable	\$672.96
Movement between rating years	\$87.81
% movement	15.01%
Weekly Variance	\$1.69

Proposed Rate Structure (26-27)

Ordinary Rates Payable	\$773.96
Movement between rating years	\$101.00
% movement	15.01%
Weekly Variance	\$1.94

Cumulative % increase	32.27%
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Disclaimer

Please note that these are indicative rates based upon current information utilising Land Valuations base dated 1 July 2022. The actual rate amount will be dependent upon future valuation changes, categorisation changes and land value movements and final approval of the rating structure by Council during the finalisation of the Special Rate Variation process. The special rate variation is applicable to the general rate only and does not include annual charges for Council services such as stormwater, water supply, sewer supply, waste services or government levies.



PROPOSED SPECIAL RATE VARIATION – FACT SHEET

What SRV is now proposed?

Council considered a range of scenarios in response to the community feedback and has determined to proceed with an application to IPART for a Special Rate Variation (SRV) as follows:

1. a section 508(A) permanent SRV to address Council's financial sustainability and maintain essential community infrastructure and service levels,
2. the total SRV is 37.67% cumulative to be implemented over two years commencing in the 2025/26 financial year,
3. the increase on Residential, Business and Farmland rating categories is capped at 15% per year (32.25% cumulative) with the balance of the revised SRV to be sourced from the Mining rating category (85.13% cumulative), and
4. An application to increase the Maximum value of the Minimum ordinary rate to match the section 508(A) permanent SRV application value.

Council was mindful of community feedback regarding efficiency and productivity and included an action to strive to find \$930,000 through efficiency gains and operational savings and report on progress in May each year.

The following tables show the revised proposed SRV by year.

Table 1: Revised Proposed Special Rate Variation			
	2025/26	2026/27	Cumulative
Permanent increase above rate peg	13.30%	13.17%	
Rate Peg (2025/26 actual, 2026/27 forecast)	4.70%	3.50%	
Total SRV	18.00%	16.67%	37.67%

Table 2: Revised Proposed Special Rate Variation by Rating Category			
Rating Category	2025/26	2026/27	Compounded Increase %
Residential	15.00%	15.00%	32.25%
Business	15.00%	15.00%	32.25%
Farmland	15.00%	15.00%	32.25%
Mining	43.66%	28.87%	85.13%

The impact on individual ratepayers will vary according to the rating category their property is in. The below information shows the indicative impact of the SRV on the average ratepayer in each main rating category.

Rating Category	2024/25 Average	2025/26 Year 1 Increase	2025/26 Year 1 Increase	2026/27 Year 2 Increase	2026/27 Year 2 Increase	2026/27 Average
	Per Annum	Per Annum	Per Week	Per Annum	Per Week	Per Annum
Residential	\$1,106.16	\$165.93	\$3.19	\$190.81	\$3.67	\$1,462.90
Business	\$5,899.02	\$884.85	\$17.02	\$1,017.58	\$19.57	\$7,801.45
Farmland	\$5,336.54	\$800.49	\$15.39	\$920.55	\$17.70	\$7,057.58
Mining	\$316,615.92	\$138,232.82	\$2,658.32	\$131,297.32	\$2,524.95	\$586,146.06

To apply the SRV as proposed, Council will also be applying for an increase in the Maximum value of its Minimum rates, as follows:

Rating Category	2024/25	2025/26	2025/26 Year 1 Increase	% Increase	2026/27	2026/27 Year 2 Increase	% Increase	Cumulative % Increase
Residential – Ordinary								
Residential – Rural	\$555.00	\$638.00	\$83.00	14.95%	\$733.00	\$95.00	14.89%	32.07%
Residential – Gunnedah								
Business – Gunnedah	\$544.00	\$625.00	\$81.00	14.89%	\$718.00	\$93.00	14.88%	31.99%
Farmland	\$555.00	\$638.00	\$83.00	14.95%	\$733.00	\$95.00	14.89%	32.07%

The above increase is designed to ensure an equitable rating distribution across all ratepayers.



What is a Special Rate Variation?

IPART sets the amount councils in NSW can increase total rates by each year, which is called the rate peg. A Special Rate Variation is a request by a council to increase rates by more than the rate peg amount. The value of the SRV must include the value of the rate peg applicable in each year of the SRV.

Where can I obtain further information?

Further information on the proposed SRV is available from Council's website www.gunnedah.nsw.gov.au including access to a calculator that will show you the impact of the proposed SRV on your property's rates, based on the current land value as set by the NSW Valuer General. It is important to note that changes in land value will likely impact rates, however, Council's overall revenue from rates does not increase due to changes in land valuations.



Council's Integrated Planning and Reporting (IP&R) documents have been updated to include additional information on the proposed SRV. These are currently on public exhibition until Thursday, 19 December 2024 and can be viewed on Council's website under 'Draft Documents & Exhibition'. These documents include:

- Community Engagement Strategy
- Amended Delivery Program 2022/23-2025/26
- Amended Resourcing Strategy 2022/23-2025/26; including the Long Term Financial Plan 2025/26-2034/35
- Amended Operational Plan 2024/25

Enquiries regarding this SRV proposal should be directed to Council's customer service team on (02) 6740 2100 or via email: council@gunnedah.nsw.gov.au

What would the SRV be used for?

The proposed SRV would generate additional revenue to address the maintenance and renewal of Council's assets and the forecast unsustainable unrestricted cash position. The portion above the rate peg component and funds required to address the unrestricted cash position would be used to fund maintenance and renewal of assets, including:

1. Transport Network

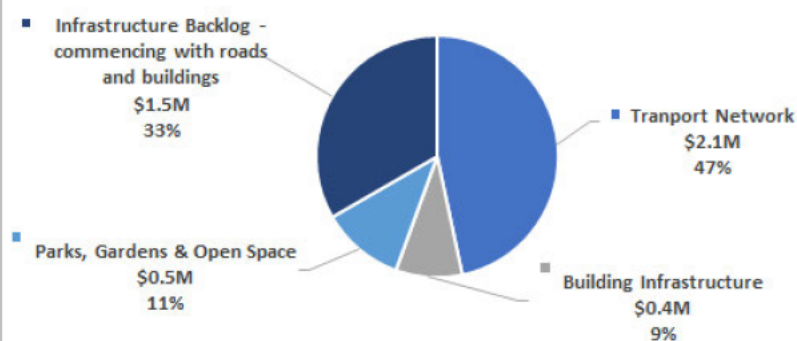
Sealed and unsealed roads, bridges, footpaths, kerb and gutter.

2. Building Infrastructure

Community halls, cultural precinct, library, Council offices, community housing.

3. Parks, Gardens and Open Space

Average additional annual allocation over 10 year period



The above graph shows the annual allocation of additional funding generated by the SRV following the two-year implementation period.

If the SRV application is successful, Council would be required to account for and report on the allocation of SRV-related expenditure each year via the Annual Report, which is a public document. Council has also committed to quarterly reporting on SRV expenditure that will be publicly available.

What is Council doing to be more efficient?

Council has made significant efforts to improve operations and deliver services to the community without increasing rates over several years. Council has a focus on continuous improvement and has introduced a program of service reviews to improve operations and maximise the use and efficiency of resources. This program is overseen by the Audit, Risk & Improvement Committee and, while the reviews are showing that a number of improvements have already been achieved and more are possible, the reality is that any drop in funding will translate to a drop in service levels.

A key criteria for the SRV application is that Council can demonstrate the achievement of past efficiencies and what is planned for the future. Council also included the following action as part of the endorsement of the SRV:

That Council strive to achieve \$930,000 through efficiency gains and operational savings over the 3-year period 2025 to 2028 with a report to council by May 30th annually during this period on the progress of achieving these savings and/or efficiency gains.



Why is an SRV needed?

Like many councils across NSW, Gunnedah Shire Council is facing the difficulty of maintaining its infrastructure and services within our existing income levels and our long-term financial plan shows that we are currently operating with an average \$3.1 million annual deficit in the General Fund (excluding domestic waste).

This essentially means that we are spending \$3.1 million per annum less than we should be to maintain our assets and services to our current targeted service levels.

Council's role in the community includes managing a vast network of infrastructure assets used by the general public on a daily basis. The SRV funding is needed to maintain existing infrastructure and service levels.

The SRV is also needed to address Council's current and forecast cash position. Our current forecast shows that our projected cash reserves will be in decline and the unrestricted cash position in the General Fund will potentially move into a negative balance within two years without intervention. A negative unrestricted cash balance cannot be allowed to occur.

The SRV is required to address:

- Current and forecast General Fund operating deficits (averaging around \$3.1m/year for the next 10 years),
- Council's unrestricted cash position (currently forecast to become negative during 2027/28), and
- The current asset renewal gap and backlog of works (\$15m over 10 years for roads and buildings).

The following has contributed to the current unsustainable financial outlook:

- the cost to deliver services and maintain community assets to current service levels has been increasing above the value of rate peg each year,
- reduced financial assistance and ongoing cost shifting to Local Government by other levels of government with limited or no financial compensation, and
- high inflation that has contributed to an increase in Council's costs in a range of areas.

If no SRV is implemented, Council would need to defer necessary capital works and revise the basic range and levels of services provided to the community to avoid a deteriorating cash position, which is not sustainable in the long term. Service levels would need to reduce in the absence of additional funding being available.

What would the SRV apply to?

The proposed SRV would only apply to the rates portion of the 'Rates and Charges Notice' (usually listed as the first item e.g. "Residential Gunnedah"). It does not apply to the separately listed essential charges such as waste, water and sewer.

Council is investigating options to consider freezing or limiting increases to Water, Sewerage and Waste annual charges to partly offset the SRV increase, should it be approved.

What happens now?

Residents and ratepayers are invited to read about the proposed SRV and have their say. You can provide a submission in writing by **5pm Thursday, 19 December 2024** in the following ways:

Mail	The General Manager Gunnedah Shire Council PO Box 63 Gunnedah NSW 2380
Email	council@gunnedah.nsw.gov.au
Web Form	Accessible from Council's website from the 'Contact Us' page

At the conclusion of the current period of community engagement, Council will prepare, finalise and lodge an application to IPART to apply for a Special Rate Variation by 3 February 2025. A copy of this application, including any submissions to the revised SRV proposal, will be presented to Council at an extraordinary meeting in January 2025 prior to lodgement.

IPART will then assess Council's SRV application and conduct their own process of consultation, which the community can directly make submissions to. Further information on the SRV process, including the timeline, fact sheets and information papers are available on IPART's website: www.ipart.nsw.gov.au