

# OUR PLACE OUR FUTURE

Proposed Special Rate Variation  
Frequently Asked Questions





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[www.ourplaceourfuture.lithgow.com](http://www.ourplaceourfuture.lithgow.com)

### **If I prefer Option 2, will I still have an increase in my rates?**

Yes. If Option 2 is ultimately approved all ratepayers will see an increase in their rates, although this will be limited to the rate peg set by IPART (anticipated to be 2.5%). Under this scenario, Council will need to undertake a comprehensive review of its services and present a plan to the community for a reduction in levels of service from 1 July 2023.

### **Will there be transparency around how the new rates are spent or distributed across different areas?**

Yes. Each year Councils are required to publish their draft Operational Plan for community review and feedback. The Operational Plan outlines where all Council revenues are spent.

### **If Option 1 is voted in, will we get a say on the 'future focused new services'?**

Yes. Council engages with the community and residents to understand how they see Council performing, and what services can be improved. Council is committed to engaging further with the community on how it can improve Council's financial sustainability and performance, including supporting local economic diversification.

### **How are the rates calculated for businesses in the LGA versus homes?**

The rating categories across the LGA are structured on:

- a base amount – an amount paid by every rateable property in each rating category, regardless of land value, **plus**
- an ad-valorem amount – a cents in the dollar amount calculated in addition to the base amount, based on the land valuation as determined by the NSW Valuer General.

The ad-valorem amount varies between the residential and business categories. Based on average land valuations, the average rating increase under Option 1 for residential households will be \$4.43 per week, while for business rate payers, it will be an average of \$21.48 per week.

Council has developed a Rates Calculator, which is available on the Our Place Our Future webpage. [www.ourplaceourfuture.lithgow.com](http://www.ourplaceourfuture.lithgow.com)

## **What will Council do to support people who can't afford a rate increase?**

Council understands that it is a difficult decision to substantially increase rates and has carefully considered rating increases across all rate categories.

Council has a Hardship Policy to accommodate the special needs of those unable to pay their rates in full on time and will support those who request assistance.

Council is also very pleased to maintain the Pensioner Rebate Scheme, which financially supports this important cohort in our community.

## **What other strategies has Council attempted to remediate the situation?**

Over the past several years, Council has reviewed its operations and maintenance programs, reducing costs wherever possible, and continues to diversify its revenue streams.

The asset maintenance backlog coupled with the need to support the community and diversify the local economy has identified that Council is not financially sustainable to continue to provide existing levels of service in either the short or the long term.

Council considers seeking a Special Rate Variation to be in the best interests for community.

## **How have our rates been calculated previously? Why haven't our rates been slowly increasing at the right rate over the years to accommodate the changing needs of the Council?**

There has been no change to the structure of rate calculations for some time. Rate-pegging deprives Councils of the opportunity to readily align their rates income with their costs.

In July, Councillors endorsed the need to commence broad community consultation as part of Council's proposed Special Rate Variation application. This is a critical conversation that requires community input to ensure the communities have a sustainable future in the LGA.



## How can we get involved and have our say apart from responding via a feedback form or website?

Council will be holding town halls throughout the LGA from early August to mid-September. You can also schedule a one-on-one with a Council officer at a café pop-up stand.

Alternatively, you can send Council an email – [srv@lithgow.nsw.gov.au](mailto:srv@lithgow.nsw.gov.au) or contact the Mayor or your local Councillor.

An independent telephone survey has been arranged to assess residents' views on the proposed options. This will take place in October 2022.

## We feel we pay a lot for our rates already, where have you spent the money?

Council revenues fund the work required on roads, bridges, footpaths in our main streets, parks, civic centres, and sporting facilities. We support our community through ageing and disability services, youth and Aboriginal programs, building and developing connections. We support events across our LGA and provide essential services to large parts of our community.

We are also focused on planning for the future, as much as we are on today.

You can view our Annual Reports and End of Term Reports on our website to find out exactly what has been achieved. [www.council.lithgow.com/council/ipr/](http://www.council.lithgow.com/council/ipr/)

The [Your Council website](http://www.yourcouncil.nsw.gov.au/your-council) developed by the NSW Office of Local Government provides residents with access to comprehensive statistics on the operations of their local council and the profile of their local community. The website is user friendly, easy to understand and boasts detailed information about council expenditure and community facilities. [www.yourcouncil.nsw.gov.au/your-council](http://www.yourcouncil.nsw.gov.au/your-council)

**Important note:** *Lithgow Council's Time Series Rating Revenue Data on the Your Council website for 2019/20 is incorrect due to the inclusion of sewerage special rates with residential rates income. Council's average residential rate for 2019/20 is showing as \$1,528.56 when it should be \$783.07 to be comparable with other Council's data.*

*The correct Lithgow Council rating information for the 2019/20 Time Series Data is as follows:*

*Total residential rating revenue - \$7,541 (\$'000)*

*Average residential rate - \$783.07*

## **We pay our rates and trust Council to be doing the right things with our money – how did we get in this situation?**

Through our long-term financial planning, we have identified Council is not financially sustainable to continue providing existing levels of service in either the short or long term.

Rising costs have not kept pace with income and Council has experienced a decade of deficits in its financial operating results and expects deficits to continue in all future periods.

An external review assessed that Council requires an additional \$4.75 million annually to meet existing maintenance and operating requirements – mostly related to roads.

## **It looks like the financial situation has been bad for years, why did you wait so long to think about how to fix it?**

Over recent years, Council has taken decisive action to contain costs and increase its own-source revenue.

Rising costs have not kept pace with income that is set by IPART and challenged Council's ability to maintain our local community's assets and deliver the outcomes residents want.

Council has carefully assessed all options and considers seeking a Special Rate Variation to be in the best interests for community.

## **How will we know that the extra money will be spent on the right things?**

Each year Councils are required to publish their draft Operational Plan for community review and feedback. The Operational Plan outlines where all Council revenues are spent.

You can view a copy of the 2022/23 Operational Plan and supporting documents on [www.ourplaceourfuture.lithgow.com](http://www.ourplaceourfuture.lithgow.com)

## **Will there be an independent person involved so that we know our money is going to the right things?**

Council is both independently internally and externally audited. Additionally, Council is regulated by the NSW Department of Planning, Infrastructure and Environment which has a mandate to assist councils with continual improvement and to monitor council performance. IPART also requires Council to report on the expenditure of any SRV annually to its community.

## **Who is responsible for getting us into this mess? Is the council making staff changes to address this?**

There are many reasons why Council is in the position it is today. Some of these reasons include an historical unwillingness to address the growing shortfall in roads funding, the unmet expectation that Council would receive a fairer share of road funding from other levels of government and a poorer understanding of the assets Council manages on behalf of the community than modern techniques allow us to have today. Council continues to review its operations to ensure that it is as effective and efficient as possible. Part of the SRV expenditure is planned to improve Council's strategic and financial capacity to ensure that the issue we face today will not be faced by future generations.

## **Why don't the council staff all take pay cuts to pay for getting us into this situation?**

Council's staff / officers are paid commensurately with employees in the local government sector in regional and rural NSW. Our goal is to attract and retain the best possible employee base within a very tight budget. Our focus is on employing people who live locally and contribute to the liveability of our City.

## **Why doesn't Council Multi-skill its staff and train someone already in the office. Thereby dropping resources and saving money?**

Council has implemented a cost savings program, for example, nearly \$1M of employment cost savings in the 2021/22 year. However, the Council's operation is stretched and additional resources, rather than fewer resources, are likely to result in greater productivity and efficiency. The lack of specialist resourcing in some areas of Council means that Council is absorbing unnecessary risk and expense.

## **With the cost of living going up so much now, how can we be expected to manage such a huge increase?**

Council understands that it is a difficult decision to substantially increase rates and has carefully considered rating increases across all rate categories.

Council offers the Pensioner Rebate Scheme, which financially supports this important cohort in our community. Council also has a Hardship Policy to accommodate the special needs of those unable to pay their rates in full on time.

## **Why haven't our rates been slowly increased at the right rate over the years to accommodate the changing needs of the council – having such a big increase suddenly will be hard to manage**

There are many reasons why Council is in the position it is today. Some of these reasons include an historical unwillingness to address the growing shortfall in roads funding, the unmet expectation that Council would receive a fairer share of road funding from other levels of government and a poorer understanding of the assets Council manages on behalf of the community than modern techniques allow us to have today.

If we do not resolve the issue now, the gap between what is necessary to run the City and what Council collects will continue to widen putting an even greater burden on future generations. Our rates are comparatively very low compared with similar councils and every attempt has been made to minimise the impact of the proposed SRV increase on those in our community who can least afford it.

## **If we choose to go with option 2, what sort of discretionary items will we be saying no to?**

Under OPTION 2, Council would put a plan prioritising essential services and reduce more discretionary services. The focus would be managing risk, including closure or removal of unsafe infrastructure. This plan would be developed and finalised with extensive community consultation.

It is likely Council would reduce services for community and recreation facilities have less capacity to support and advocate for community services, and close unsafe facilities.

Council would continue to reduce services required in future years as revenues will not be sufficient to ensure assets reach assumed asset lives.

## **I only want the basics in terms of council assets and services – will I have to pay for an increase irrespective?**

If Option 1 is ultimately approved all residents and rate payers will see an increase in their rates. Care has been taken to distribute the rating as fairly as possible between residential, farming, business and industry rate payers.



**In the council’s vision it states that a priority for the council is developing community confidence in the organisation by the way it is directed, controlled, and managed. How can I have any confidence in the Council now that I understand it has been going backwards financially for years without doing anything different?**

There are many reasons why Council is in the position it is today. Some of these reasons include an historical unwillingness to address the growing shortfall in roads funding, the unmet expectation that Council would receive a fairer share of road funding from other levels of government and a poorer understanding of the assets Council manages on behalf of the community than modern techniques allow us to have today.

Council is walking up to the issue and facing it head on. We intend to be absolutely frank about the extent of the problem and how we intend to fix it.

**How much did the review cost?**

In 2021/22, Council engaged external consultants to conduct a comprehensive review of Council’s financial position, operations and provide independent recommendations for consideration. The review cost \$45,360.

**Lithgow LGA has been declared a disaster zone several times in recent years. That means, that council gets money for flood repairs and ratepayers don’t have to pay for such things, doesn’t it?’**

There is no doubt that natural disasters have added to the resource demands on Council. It is important to note that Lithgow Council has to cover the first \$154,000 of works for each natural disaster, which impacts Council's ability to deliver critical services to the community. Natural disaster repairs are additional to Council's annual asset maintenance and renewal program.

**Council also has/and often gets large grants for much of the work that gets done around town...like the replacement of the dangerous paving on Main Street. That was granted months ago...yet nothing has been done. Where is that money?**

Most grants are paid in arrears. Council usually has to fund projects in advance then claim a grant payment when an agreed project milestone is reached. Project scheduling needs to take into account Council's resource constraints - operational staffing as well as project management for contracted works.

The Main Street footpath renewal is programmed to commence in the 2022/23 year, however, Council needs to consult with affected businesses on the best timing to commence works.

## Isn't Lithgow Council already receiving "Special Rate Increases" on top of the already exorbitant rates charged?

The Additional Special Variation was recently approved by the Independent Pricing and Regulatory Tribunal (IPART). The decision allows 86 Council to increase rates by 2.5%, against an inflation rate expected to reach 7% by December 2022. IPART's decision simply acknowledged the dire financial situation created by IPART's initial decision to cap rate rises at 0.7%.

## What do land valuations have to do with my rates?

Land values are the main factor all NSW Councils use to calculate rates for residents. New land values are given to Council by the Valuer General NSW, every 3 years. The next land valuations are being completed during the coming months. It is anticipated that the General Revaluation Notices should be issued to ratepayers by the Valuer General in January 2023.

Lithgow City Council calculates rates using the land value determined for your property plus a base amount.

## Can I lodge an objection to my new land valuation?

Yes, you can. You need to lodge your objection directly with the Valuer General of NSW's office.

You have 60 days from the date you are notified of the new valuation, and this date is on the front of the 'Notice of Valuation' you receive from them. You can lodge online or via post, and you must provide evidence to support your objection. Information about lodging an objection is available at:  
[valuergeneral.nsw.gov.au/land\\_values/what\\_if\\_you\\_have\\_concerns/lodge\\_an\\_objection](http://valuergeneral.nsw.gov.au/land_values/what_if_you_have_concerns/lodge_an_objection)

*Customers without internet access can telephone 1800 110 038 to discuss their options.*

## If my land value has increased, does it mean my rates will definitely go up?

No, it depends on how an individual land valuation changes when compared with the average valuation change for the city.

Generally, properties whose land valuation increase is lower than the average increase may see a reduction in rates. However, properties whose valuation increase is higher than the average for the city may see a rise to rates.

## Does Council get more money because my land valuation has changed?

No, Council does not receive any extra income when land valuations change. Council's total income cannot exceed the percentage increase set by NSW rate peg plus any approved Special Rate Variation. If valuations increase in the city more than the rate peg, then the total rates determined by Council must decrease to offset that and keep us below the rate peg limit.

## Council had over \$30M of cash and investments at 30 June 2022. Why can't Council draw on these funds rather than ask for a Special Rate Variation?

The majority of Council's investments (around \$24M) are restricted reserves to use for specific purposes. It is legislated that these restricted reserves must be spent for the purpose for which they have been received (e.g. Water, Sewer, Domestic Waste). Council's other reserves (around \$6M) are held to fund specific liabilities such as employee leave entitlements and to replace plant and equipment.

## If an increase of 26.5% happens, what amount will be asked for the following year?

Option 1, is for a one-off permanent total increase of 24% plus the expected rate peg of 2.5% to residential, business and farmland rates from 1 July 2023. In future years, only the rate peg would be applied. Council's Long Term Financial Plan forecasts the rate peg to average 2.5% per annum.

## Is Council \$6M in debt? Or is there a shortfall in funding?

The rating review identified an annual shortfall in Council's General Revenues of \$6.018 million at existing levels of service before adopting available productivity, savings and other measures. Lithgow's land rating Income (excluding water, sewer and domestic waste) is very low compared with Comparable Councils (see Comparable Data Table from 2019/20 below source: [Comparative Council Information - Office of Local Government NSW](#)).

	Rating	Population	Road Length (kms)
Lithgow City	\$13.2m	21,090	886.2
Mid-Western	\$29.8m	24,076	1,922.7
Muswellbrook	\$19.1m	16,086	575.3
Singleton	\$22.3m	22,987	809.1

Council's road maintenance budget allocation is approximately \$500,000 p.a. less than that required to meet the associated level of service expense. Additionally, most of the \$5.518m remaining shortfall relates to infrastructure (mostly road) renewal.

Council has around \$12.7M of outstanding long-term loans for infrastructure projects. Loan repayments are planned and paid as they fall due. The planned borrowings have not impacted Council's current financial position.

## For Option One - Service Levels Maintained, how did Council consider capacity of residents / businesses to pay compared with mines / quarries / power generation?

Whilst the total increase proposed under option one is 44.5% (including assumed rate peg), Council has carefully considered the distribution of the additional rating burden amongst the various rating categories. Council accepts that the residential, farmland and business categories of the rating base have less capacity to pay than other categories. The overall increase in the residential, business and farming categories is 26.5% (including expected rate peg).

Council proposes to align the rating in the mining, power generation and quarrying categories and sub-categories to better reflect the impact those industries have on Council resources (such as road maintenance) as well as the services Council will need to provide to support economic and social resilience in the LGA as our economy moves to a less carbon-intensive industrial base.

Council has hardship provisions, which permit people experiencing financial hardship time to pay.

### Council uses land values for rating

Land values are one factor councils use to calculate and distribute rates.

#### The Valuer General gives:

- Councils new land values at least every three years (next due late 2022); and
- You a Notice of Valuation when your council has the new land values.

This Notice shows the land value of your property and lets you consider it before your council uses it for rating.

Land value increases do not always lead to rate increases.

*The rates calculator shows you how to locate your property valuation on your rates notice.*

### Revenue NSW uses values for land tax

Revenue NSW use land values to calculate land tax. The Valuer General provides Revenue NSW with land values **each** year.

*Due to the different valuation dates, you need the 2019 land valuation on your rates notice to use the Rates Calculator. The rates calculator shows you how to locate your property valuation on your rates notice.*

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Want to find out more? Scan here

