



## Special rate variation



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## Quick Facts

- An SRV only applies to the General Fund (property rates) part of the bill.
- General rates only make up approximately 33% of an average total rate bill.
- General rates and annual charges make up 21% of the forecast general income for 2023-24 generating \$23.2 million.
- \$55.6 million, most of which is grant funded is budgeted to be spent on the roads, bridges and storm water drainage maintenance and renewal program for 2023-24.
- 2023 Community Survey found roads, bridges and transport is the highest priority service for 97% of residents. Other top five priorities were financial management waste, stormwater and drainage and communications. Across all areas of the survey there was no support for reduced levels of service.
- An operating deficit as forecast would mean only roads in poor condition would be replaced, without addressing the backlog. Council and the community would also have to consider significantly reducing services such as facility operating hours, access to recreation facilities, and frequency of maintenance and replacement.



## Have a Say: Visit [ksc.pub/financialfuture](https://ksc.pub/financialfuture)

Council will decide in November 2023 whether to apply to Independent Pricing and Regulatory Tribunal (IPART) for an SRV and if so, which option to apply for.

### Your submissions, questions and feedback will help with that decision.

- Read the Fact Sheets and Common Questions to help with understanding the issues.
- Use the rate calculator to understand the possible impact on your rates.
- Submit a question to get a response from Council.
- Complete the survey to indicate your preferences or make a submission.
- Book a community briefing so Council staff can come and talk to your community group or organisation.
- Look out for Council staff at markets and pop-ups.

## What do my rates pay for?

The rates collected under the categories of residential, business (urban and other business) or farmland are called the General Fund rates. This property rate does not include payments for water, sewer, waste or the environmental levy, which are all specific charges and uses.

Property rates will bring in just over \$23 million income to Council's General Fund for the 2023-24 financial year.

This income is used to deliver core services that meet community expectations. In 2023-24 this will include:

- Roads, Bridges and Stormwater drains (\$9.8m)
- Council Vehicles and Heavy Fleet (\$1.3m)
- Parks and Gardens (\$2.7m)
- Sporting Grounds (\$3m)

- Regulatory Services (\$0.7m)
- Library Services (\$1m)
- Airport (\$2m)
- Swimming pools (\$1m)
- Other public infrastructure and services (\$3m)

In 2023-24 it is estimated a further \$50 million in grants for capital infrastructure and programs will be secured to support Council's delivery of these services. This non-guaranteed income can't be relied on for future years, which contributes to the deficit forecasts for the next 10 years.

The cost of depreciation (putting away money to replace all the assets we have now) is forecast at \$14.9m for this financial year, and also comes from the General fund.

## What will change if we pay more in rates?

### An SRV won't mean we can afford new facilities or mass upgrades to roads. It means:

- Ongoing operations of Council are secured and service levels remain as close to current levels as possible.
- Lessen the reliance on external grant funding.
- Afford to put money away for future asset renewal, spreading the burden across generations.
- Depending on the level of the rate rise, the frequency of replacing and maintaining existing roads, bridges and community buildings may increase.
- Potential to use higher standard of materials so that assets like roads and bridges last longer, better for long term financial management.

### Timeline 2023

<b>June</b>	Long Term Financial Plan adopted with rate rise scenario
<b>August – Mid October</b>	Community education and engagement. Information pack mailed out and online / Pop up stalls / Surveys and submissions / Community Briefings
<b>November</b>	Council decides on applying for an SRV
<b>December – February</b>	Council complete detailed costings and application if proceeding. Community kept informed.

### Timeline 2024

<b>February</b>	Deadline for application to IPART (If proceeding with application)
<b>March – May</b>	IPART community submissions open
<b>May</b>	IPART determination
<b>June</b>	Council adopts 2024-25 Operating Plan, budget, and rates
<b>July</b>	First year of new rate charges apply (If an SRV application is approved and adopted by Council)

# Special Rate Variation

Council is facing significant financial challenges over the next 10 years if we are going to meet the community expectations on service delivery and maintain or improve major assets like roads, bridges and community facilities.

Current estimates are the General Fund, where your property rates are paid, will be in a deficit totalling \$103 million over the coming decade.

Since 2019 Council has been working on a

financial sustainability program that has made the operation more efficient and reduced costs, but it has not closed the gap between income and expenses. Council is now forced to take action and is considering having to make the difficult decision to apply to the Independent Pricing and Regulatory Tribunal (IPART) seeking approval for a Special Rate Variation (SRV) that could take effect July 2024.

## How has Council reduced expenses?

- Consistent review and alteration of the workforce and staff structure – 1 less Director and 3 less Senior Managers than 2017.
- Faster, more accurate financial management and reporting systems and processes.
- Negotiated an electricity power purchasing agreement to lock in lower costs.
- Environmental efficiencies and financial savings from solar panels and LED lights.
- Sale of vacant land.
- Centralised purchasing of all software to get maximum benefits from suppliers.
- Rates and water bills onto one account, saving printing, postage and equivalent of one staff member's time.
- Outsourced management of facilities such as saleyards.
- Maximise government rebates for staffing by introducing traineeship program.
- Introduced a Project Management Office with highly skilled project managers to reduce reliance on external contractors and deliver projects more cost effectively.

## What has caused the financial issues?

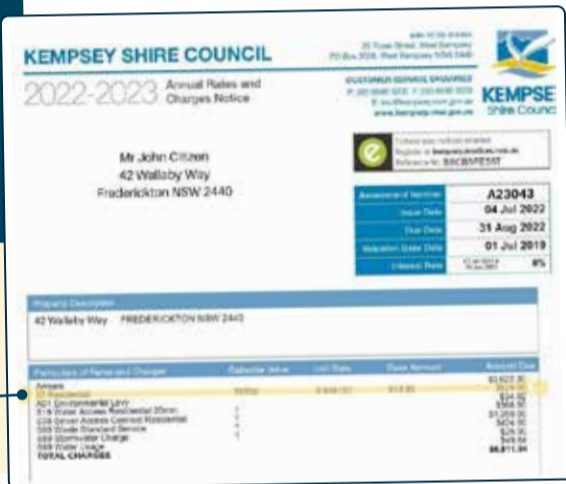
### Many factors have contributed to making Council's financial position unsustainable.

- Rate Pegging – the NSW Government restricts how much Councils can typically increase rates by, and in recent years rate rises haven't kept up with inflation.
- Forecast loan borrowings to help fund the deficit and backlog of asset maintenance required, will now be impacted by rising interest rates.

- Rising cost of materials, labour and contractors.
- Millions in grant funded improvements post fires and floods means we need to put more away each year to save for maintenance and future renewal of these new assets - depreciation costs.
- Community expectations are that maintenance and replacement of assets like roads, bridges and community facilities should be improved on current levels, requiring greater investment.

## How might a rate rise affect you?

Any proposed increase only applies to the General Fund (property) line on your rates notice.



**Use the online Rates Calculator to check the impact of the rate rise options for your property**

[ksc.pub/financialfuture](http://ksc.pub/financialfuture)

## What options are being considered?

Council's long term financial plan outlines three options for possible rate increases that deliver a moderate budget surplus and varying levels of improved asset conditions.

Based on an average residential rate charge of \$1,274 the table below shows the impact of the three rate rise options and average total difference in rate charges.

	Annual Rate Peg + SRV increase each year	Cumulative Increase after 3 years	Average \$ increase 2024/25	Average \$ increase 2025/26	Average \$ increase 2026/27	Average total \$ impact on residential rates
<b>OPTION 1</b> Address financial sustainability. Manage asset maintenance and backlog at current level of service.	14.77%	51%	\$188	\$216	\$248	\$652
<b>OPTION 2</b> Achieve financial stability. Replace assets in line with recommended replacement times.	22.79%	85%	\$290	\$357	\$438	\$1,085
<b>OPTION 3</b> Achieve financial stability. Replace roads & bridges to a better standard to increase longevity.	24.76%	94%	\$315	\$394	\$491	\$1,200

\* All three options will achieve a moderate annual operating surplus of \$1m on average over the years 2025-26 to 2032-33.

The breakdown of total impact for Farmland, Business and Business Other rates is available from the Fact Sheets at [ksc.pub/financialfuture](http://ksc.pub/financialfuture)