



# Special Rate Variation – Councillor Workshop

Goulburn Mulwaree Council

November 2023



# Agenda

- Financial sustainability obligations
- Community Engagement
  - Overview results
- Community Member Issues
- Special Variation (SV) options
  - 1 year
  - 2 year
  - 3 year
- Potential Service reductions and savings
- Observations
- Questions

# Councils' financial sustainability obligations

## Foundation to organisational and financial sustainability

### NSW Local Government Act – Chapter 3

- 8A Guiding principles for councils
- 8B Principles of sound financial management, councils should:
  - spend responsibly and sustainably align general revenue and expenses
  - invest in responsible and sustainable infrastructure
  - have effective financial and asset management
  - regard to achieving intergenerational equity.
- 8C Integrated planning and reporting principles that apply to councils
- Base performance measures – OLG prescribe measures (AO Report on LG).

# Financial sustainability - what does this mean for councils?

- Financial objectives for Councils:
  - achieving a **fully funded operating position**
  - adequate/sustainable **cash position** and use of reserves and borrowings
  - having an appropriately **funded capital program**
  - maintaining its asset base '**fit for purpose**'
  - having adequate resources to meet ongoing **compliance obligations**.
  - explore options **to improve** financial sustainability.

*Council must achieve a fully funded operating position, ensuring that Council collects enough revenue to fund operational expenditure and depreciation.*

# Community Engagement Overview

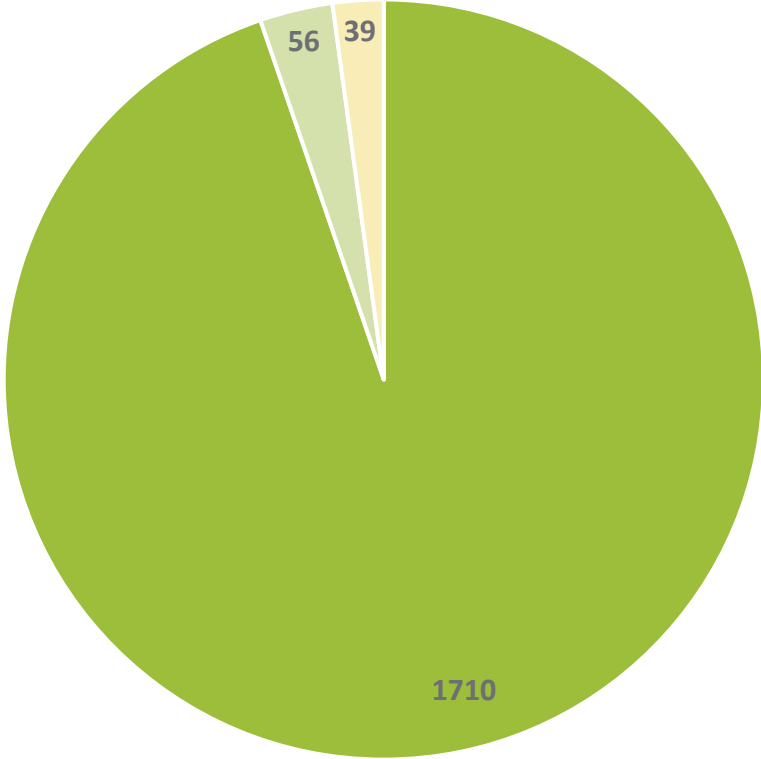
- Over 1800 responses with most nominating a preferred option
- Savings, efficiencies and service reductions
- Affordability of SV options
- Cost of living potential hardship
- Understand need for SV but increase is too much in proposed SV period

# Preferred scenario

- Of the 1855 responses, 1806 nominated a preferred scenario option with 49 respondents not indicating a preferred scenario option.
- 94.7 per cent of respondents nominated the Base Case (No SRV) as their preferred scenario.
- Of the 5.3 per cent of respondents who nominated one of the two SRV options as their preferred scenario, 3.1 per cent selected Option 1 and 2.2 per cent selected Option 2.
- As of 7 November, approximately 50 per cent of submissions have been coded. Given the volume of submissions received, this remains ongoing.

# Preferred scenario

Preferred SRV Scenario



■ Base Case ■ Option 1 ■ Option 2

# What we heard - key themes



30.9%

Affordability and hardship



29.3%

Council management and efficiencies



12.0%

Timing or extent of proposed SRV



26.2%

Cost of Living pressures



7.8%

Social and economic impact



9.6%

Reduce service levels or axe major projects



0.3%

NSW Government should pay



# Affordability and hardship (30.9%)

- Many respondents raised affordability as an issue, indicating that ratepayers would not be able to afford either of the proposed SRV options.

# Council management and efficiencies (29.3%)

- Many respondents indicated that Council should achieve further cost savings and efficiency improvements before an SRV should be considered.
- Common feedback included that Council needs to “live within its means”, “reduce staff” and “streamline processes”.
- Some respondents indicated they did not believe Council’s financial position was as serious as had been indicated, or questioned the accuracy of Council’s LTFP.

## Timing or extent of proposed SRV (12.0%)

- Some respondents questioned the timing of the proposed SRV, either questioning why an SRV hadn't been pursued earlier or why an SRV was being considered at a time when many ratepayers are struggling.
- Some respondents indicated that while they understood the need for an SRV, the extent of the proposed SRV was too great.
- Similarly, some respondents indicated that the two options presented were unpalatable and would have preferred a third option be included.

## Cost of Living pressures (26.2%)

- Many respondents cited ongoing Cost of Living pressures as a reason for their opposition to the proposed SRV.
- These respondents tended to cite rising inflation and interest rates, as well as increased grocery, fuel and general living expenses, grounds for opposing the proposed SRV.

## Social and economic impact (7.8%)

- Some respondents expressed concerns regarding the potential social and economic impact of an SRV, suggesting that it may lead to families needing to relocate from Goulburn or result in local businesses needing to close.

## Reduce service levels and major projects (9.6%)

- Some respondents indicated that Council should review and reduce service levels prior to introducing an SRV. Comments included that Council needs to refocus onto core/non-discretionary services (e.g. “roads, rates and rubbish”), away from non-core/discretionary services.
- Some respondents also suggested that Council should review and potentially axe major projects. Examples cited included CBD revitalisation projects, BMX track improvements, hockey complex improvements, and roundabout installations.

## Role of NSW Government (0.3%)

- A small number of respondents indicated that Council should approach the NSW Government for additional funding, in lieu of seeking an SRV.

# Community Member Issue

	Consolidated		General Fund		Domestic Waste		GF and DWM	
	2023 Est Actual	2023 Audit Actual	2023 Est Actual	2023 Audit Actual	2023 Est Actual	2023 Audit Actual	2023 Est Actual	2023 Audit Actual
OS - Rates & Charges	\$22,685	\$22,782	\$ 22,685	\$ 22,782	\$ -	\$ -		
OS - Special Rates	\$0	\$0	\$ -	\$ -	\$ -	\$ -		
OS - Annual Charges	\$18,275	\$18,413	\$ 380	\$ 327	\$ 4,879	\$ 4,931	\$ 27,944	\$ 28,040
OS - User Charges and fees	\$18,425	\$19,352	\$ 8,422	\$ 10,152	\$ -	\$ -	\$ 8,422	\$ 10,152
OS - Other revenues	\$1,561	\$1,557	\$ 1,416	\$ 1,316	\$ 28	\$ 38	\$ 1,444	\$ 1,354
OS - Grants & Contributions - Operating Purposes	\$18,231	\$20,612	\$ 18,231	\$ 20,576	\$ -	\$ -	\$ 18,231	\$ 20,576
OS - Grants & Contributions for Capital Purposes	\$22,320	\$20,078	\$ 18,269	\$ 15,717	\$ -	\$ -	\$ 18,269	\$ 15,717
OS - Interest and Investment Income	\$2,760	\$3,550	\$ 685	\$ 963	\$ 90	\$ 87	\$ 775	\$ 1,050
OS - Other Income	\$21,052	\$1,460	\$ 21,052	\$ 1,460	\$ -	\$ -	\$ 21,052	\$ 1,460
OS - Gains from disposal assets	\$0	\$0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>OS - TOTAL INCOME FROM CONTINUING OPERATIONS</b>	<b>\$125,309</b>	<b>\$107,804</b>	<b>\$ 91,140</b>	<b>\$ 73,293</b>	<b>\$ 4,996</b>	<b>\$ 5,056</b>	<b>\$ 96,136</b>	<b>\$ 78,349</b>
OS - Employee Benefits	\$30,439	\$28,599	\$ 25,351	\$ 24,149	\$ 962	\$ 995	\$ 26,314	\$ 25,144
OS - Materials and Contracts	\$28,960	\$26,685	\$ 22,114	\$ 13,070	\$ 4,315	\$ 4,428	\$ 26,429	\$ 17,498
OS - Borrowing Costs	\$1,700	\$1,927	\$ 803	\$ 999	\$ -	\$ -	\$ 803	\$ 999
OS - Depreciation & Amortisation	\$22,667	\$28,969	\$ 17,398	\$ 22,495	\$ -	\$ -	\$ 17,398	\$ 22,495
OS - Other Expenses	\$21,551	\$939	\$ 13,623	\$ 939	\$ -	\$ -	\$ 13,623	\$ 939
OS - Losses on disposal of assets	\$0	\$5,650	\$ -	\$ 5,650	\$ -	\$ -	\$ -	\$ 5,650
<b>OS - TOTAL EXPENSES FROM CONTINUING OPERATIONS</b>	<b>\$105,316</b>	<b>\$92,769</b>	<b>\$ 79,289</b>	<b>\$ 67,302</b>	<b>\$ 5,277</b>	<b>\$ 5,423</b>	<b>\$ 84,566</b>	<b>\$ 72,725</b>
<b>OS - OPERATING RESULT (Excl. Capital)</b>	<b>-\$2,327</b>	<b>-\$5,043</b>	<b>-\$ 6,419</b>	<b>-\$ 9,726</b>			<b>-\$ 6,699</b>	<b>-\$ 10,093</b>
<b>OS - OPERATING RESULT (Incl. Capital)</b>	<b>\$19,993</b>	<b>\$15,035</b>	<b>\$11,851</b>	<b>\$ 5,991</b>			<b>\$ 11,570</b>	<b>\$ 5,624</b>



# Community Member Issues

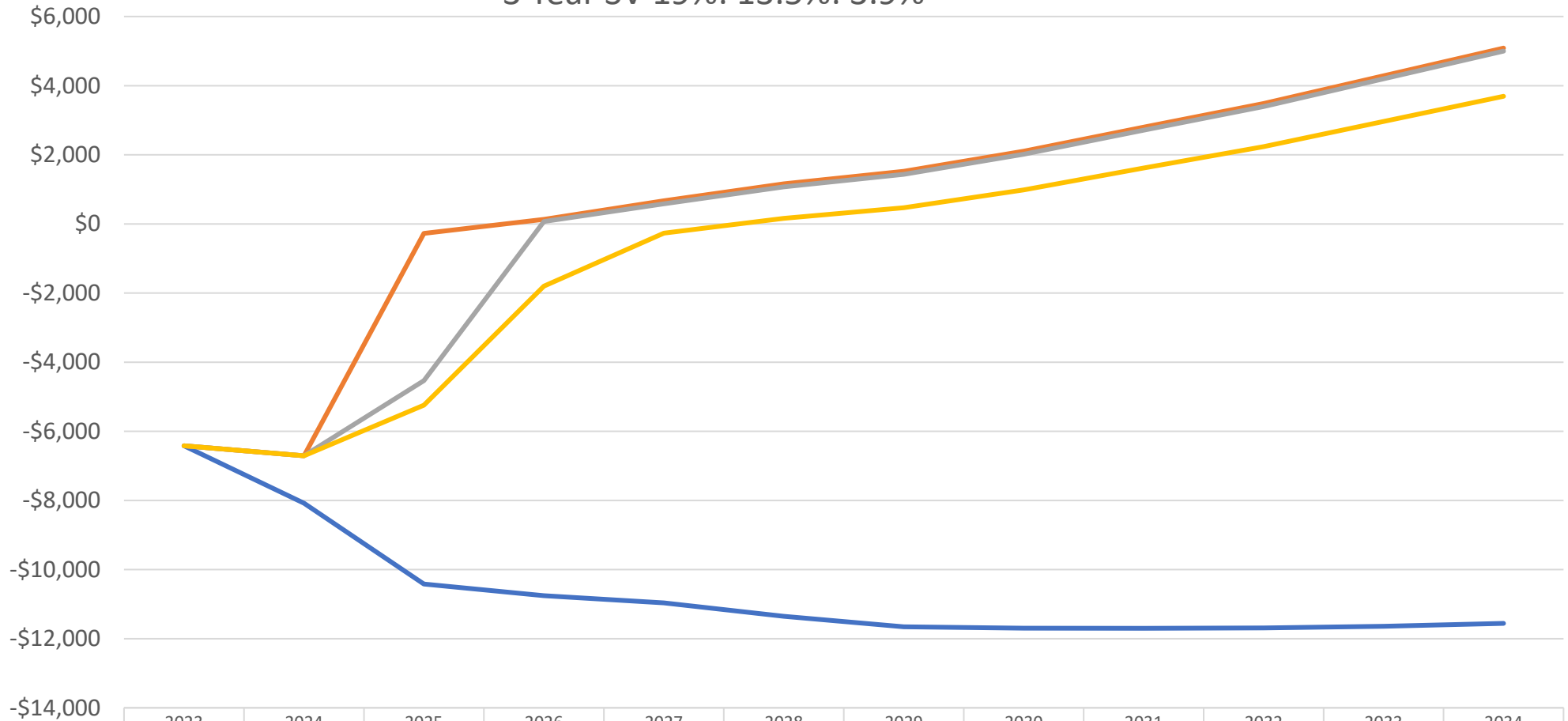
1. Rates and Annual Charges – Annual **Charges** Domestic waste \$4.931 m
2. Other Charges and Fees – Under stated due to end year accruals/transactions
3. Interest – Understated due to year end accruals.
4. Operational Grants – Timing issue in terms of receipt so adjustments due to year end transactions
5. 2024 LTFP Operating Grants drop (\$20,576 million Audit 2023 / \$11.878 million 2024) – partly due to auditor instructing council to recognise \$2.3m ‘pot hole’ grant in 2023 and reduction in grants in future years + \$7.815M in non-recurrent grants
6. Materials and Contracts expenses are Overstated \$4.616 million (. \$17.498 million Audit / \$22.144m million LTFP) - DWM ~ \$4.4m expenses
7. Depreciation is Understated by \$5.098 Million . Being \$22.496 in The 2023 Audit / compared to \$17.398 in the LTFP) – Council estimates prior to building revaluation and other indexation revaluations
8. CONSOLIDATED LTFP Overstates Employee Benefits expenses by \$1.839 million ( \$28.6 Million 2023 Audit / \$30.439 LTFP) – End of year accruals/adjustments – Leave entitlements for all Funds (Water, Sewer & General) + first pay 23/24
9. CONSOLIDATED LTFP Overstates Materials by \$2.275 million ( \$26.685 million 2023 Audit / \$28.960 LTFP) – transitions/payments after 30 June for all Funds (Water, Sewer & General) ~ \$2.4m
10. The CONSOLIDATED LTFP also contains what appears to be 2 completely FICTIONAL lines called “Other Income – (shown as \$21.052 million 2023 LTFP / 2023 Audit \$1.46 million).- Internal payments/overheads from Water, Sewer and DMW to General Fund - \$21m income GF and \$21 expenses consolidated (water Sewer and DWM)

# Scenario modelling

Scenarios	2024-25	2025-26	2026-27	Cumulative
Base Case – Rate Peg	3.5%	2.5%*	2.5%	8.7% (over 3 years)
Option 1 – One -year SV (including rate peg) SV only	43.5% 40.0%	2.5%		47.10% (over 2 years)
Option 2 – Two -year SV (including rate peg) SV only	25.5% 22.0%	20.5% 18.0%		<b>51.23% (over 2 years)</b>
Option 3– Three-year SV (including rate peg) SV only	22.5% 19.0%	16.0% 13.5%	6.4% 3.9%	<b>51.20% (over 3 years)</b>
3 year SV including RP SV Only	19.5% 16.0%	16.0% 13.5%	9.0% 6.5%	<b>51.10% (over 3 Years)</b>

**Note:** Cumulative amounts are expressed as required by IPART and only go the end year of the SV. Grey excludes rate peg percentage.

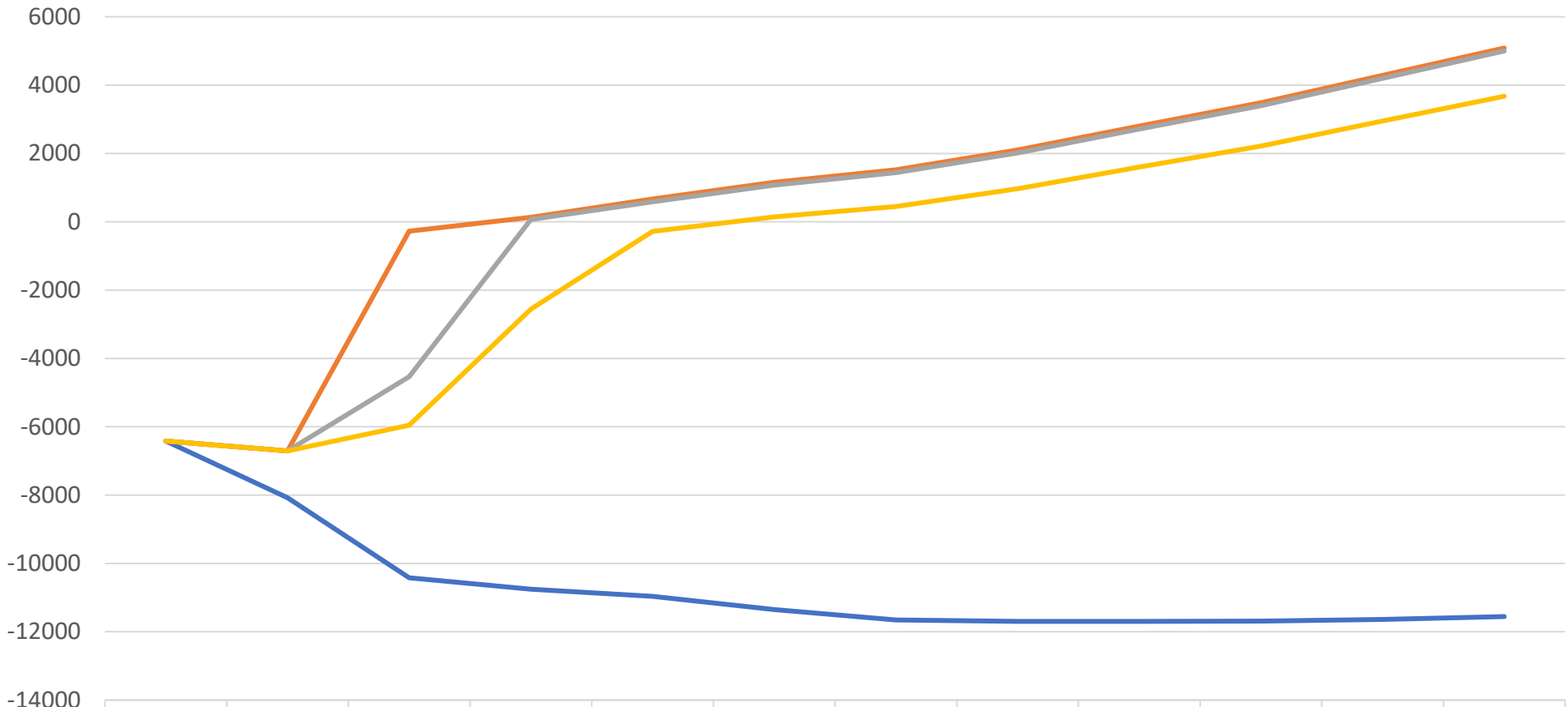
## Operating Result before Capital 3 Year SV 19%: 13.5%: 3.9%



	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Scenario 1 - Base Case	-6419	-8079	-10419	-10755	-10962	-11352	-11653	-11695	-11697	-11688	-11639	-11556
Scenario 2 - 1 year SRV	-6419	-6707	-273	132	669	1159	1524	2103	2801	3486	4287	5089
Scenario 3 - 2 year SRV	-6419	-6707	-4533	69	584	1073	1437	2015	2713	3397	4197	4999
Scenario 4 - 3 year SRV	-6419	-6707	-5244	-1801	-266	162	468	986	1619	2236	2966	3694

— Scenario 1 - Base Case    
 — Scenario 2 - 1 year SRV    
 — Scenario 3 - 2 year SRV    
 — Scenario 4 - 3 year SRV

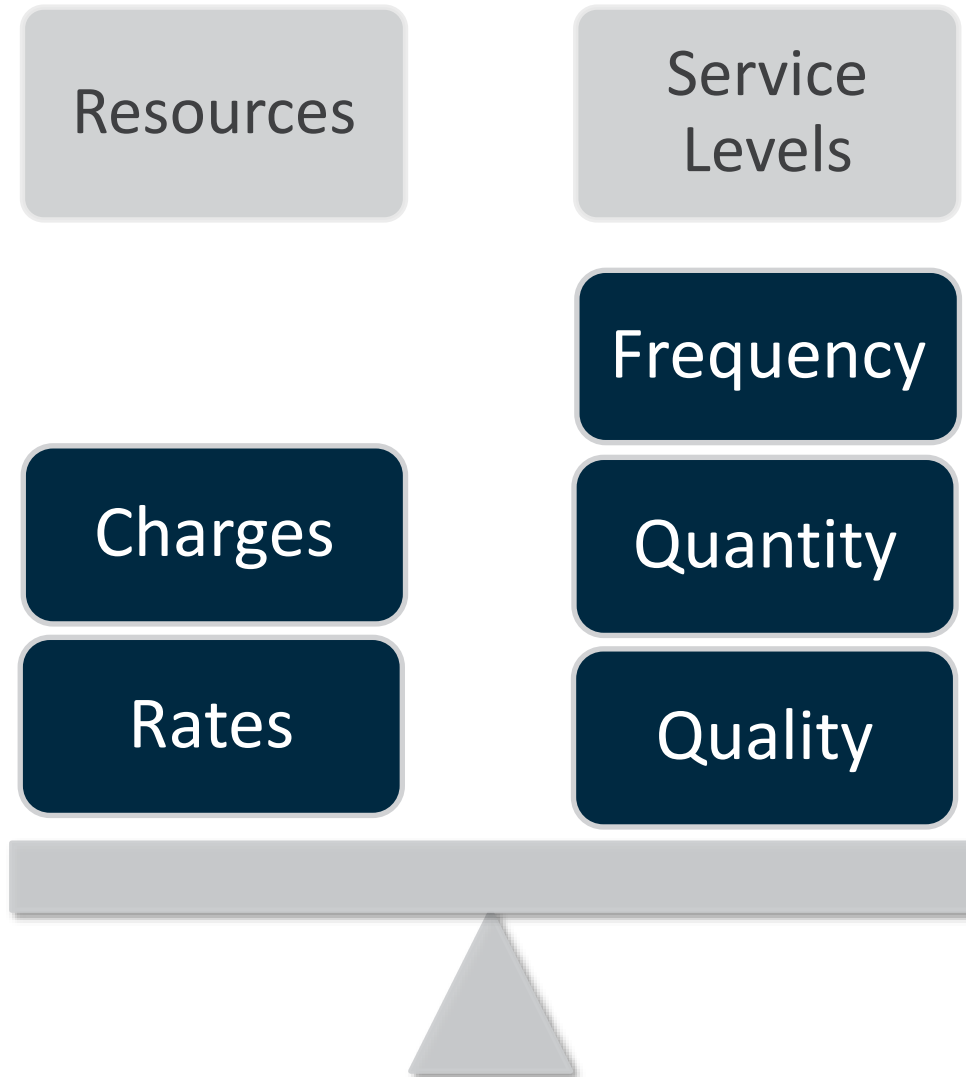
## Operating Result before Capital 3 Year SV 16%; 13.5% 6.5%



	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Scenario 1 - Base Case	-6419	-8079	-10419	-10755	-10962	-11352	-11653	-11695	-11697	-11688	-11639	-11556
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Scenario 3 - 2 year SRV	-6419	-6707	-4533	69	584	1073	1437	2015	2713	3397	4197	4999
Scenario 4 - 3 year SRV	-6419	-6707	-5954	-2556	-282	142	448	966	1600	2217	2948	3676

— Scenario 1 - Base Case    
 — Scenario 2 - 1 year SRV    
 — Scenario 3 - 2 year SRV    
 — Scenario 4 - 3 year SRV

# Potential Savings and service reductions



## ***Councils must:***

- ***achieve a fully funded operating position; by either/both***
  - ***Reduce services/assets; or***
  - ***Increase revenue***

## Potential savings and service reductions:

- General discussion ideas
- ?
- ?
- ?
- ?
- ?
- ?

***Ultimately a reduction in staff***

# Observations

- Types of response are typical to other Councils
- Financially your sustainability is delayed under 3 year SV, however:
  - Council can improve operating results with further commitment to savings and service reduction
- Understand 3 Councils have now pulled out of SV process – What does that mean?
  - What are the implications?
  - What is their solution?
  - What is the OLG position?

# Questions

