

## THEME 1: ENGAGING AND SUPPORTING THE COMMUNITY

|  |         |   |   |  |  |  |     |
|--|---------|---|---|--|--|--|-----|
| 1.2.4 Improve Council's financially sustainable position, delivering value for money services to the community   | 1.2.4.1 | Ensure compliance with statutory reporting obligations  |   |  |  |  | CS  |
|  | 1.2.4.2 | Work towards complying with new guidelines for Risk Management and Internal Audit for local councils in NSW   |   |  |  |  | CS  |
|  | 1.2.4.3 | Deliver financial management services across the organisation, including systems and controls to communicate and manage Council's financial performance |   |  |  |  | CS  |
|  | 1.2.4.4 | Deliver information technology across the organisation, including the information technology capital works program                                      |   |  |  |  | CS  |
|  | 1.2.4.5 | Manage Council's fleet and plant  |   |  |  |  | IS  |
|  | 1.2.4.6 | Ensure rates and charges are modelled, levied and collected in accordance with statutory and Council requirements                                       |   |  |  |  | CS  |
|  | 1.2.4.7 | Manage Council's loan portfolio   |   |  |  |  | CS  |
|  | 1.2.4.8 | Maximise the return on Council's investment portfolio   |   |  |  |  | CS  |
|  |         | 1.2.4.9   | Ensure the long-term financial sustainability of Council, including application for a Special Rate Variation. |  |  |  |     |
| 1.2.5 Continue to work so that Council has good governance and transparent decision-making   | 1.2.5.1 | Deliver records management across the organisation  |   |  |  |  | CS  |
|  | 1.2.5.2 | Comply with the Integrated Planning and Reporting process   |   |  |  |  | CS  |
|  | 1.2.5.3 | Provide Council with business papers, meeting notices and minutes.  |   |  |  |  | CS  |
|  | 1.2.5.4 | Provide a framework to manage risk across Council's operations  |   |  |  |  | CS  |
|  | 1.2.5.5 | Manage Council's governance and policy framework, including internal audit via the Audit Committee  |   |  |  |  | CS  |
| <b>1.3 Increased local investment from other sources including the State and Commonwealth governments, as well as developers</b>                       |         |   |   |  |  |  |     |
| 1.3.1 Identify and secure grant funding and explore opportunities for partnerships to provide for new and upgraded assets, infrastructure and services | 1.3.1.1 | Document 'shovel-ready' projects to take advantage of grant opportunities   |   |  |  |  | PES |
|  | 1.3.1.2 | Identify funding opportunities to assist with delivery of projects in infrastructure strategies and asset management plans                              |   |  |  |  | IS  |
| 1.3.2 Build relationships with all levels of government and strongly advocate for our local interests and projects                                     | 1.3.2.1 | Advocate our operational interests with local community groups, regional organisations and the State and Federal Governments                            |   |  |  |  | GM  |
| 1.3.3 Advocate for local facilities and services to receive funding from mining and other major developments   | 1.3.3.1 | Make submissions for funding on major project applications  |   |  |  |  | PES |

# Special Rate Variation

This document presents information about Gunnedah Shire Council’s application to the Independent Pricing and Regulatory Tribunal of NSW (IPART) for a permanent 37.67% cumulative Special Rate Variation (SRV) to be implemented over two years – from 1 July 2025 to 30 June 2027.

The detailed breakdown for the application is as follows:

1. The SRV application is to be made to the Independent Pricing and Regulatory Tribunal (IPART) under section 508(A) of *the NSW Local Government Act 1993* for a cumulative value of 37.67% to be phased in over two years and retained permanently commencing in 2025-2026.
2. The proposed increase caps the increase on Residential, Business and Farmland rating categories at 15% per year (32.25% cumulative).
3. The balance of the revised SRV of 37.67% cumulative is to be sourced from the Mining rating category.
4. Council will also make an application to IPART under section 548 of the *NSW Local Government Act 1993* for the Maximum value of the Minimum ordinary rate for Residential, Business and Farmland rating categories to be set as follows to match the section 508(A) permanent SRV application value:

| Category               | 2025-2026 | 2026-2027 |
|------------------------|-----------|-----------|
| Residential – Ordinary |           |           |
| Residential – Rural    | \$638.00  | \$733.00  |
| Residential – Gunnedah |           |           |
| Business – Gunnedah    | \$625.00  | \$718.00  |
| Farmland               | \$638.00  | \$733.00  |

5. Council will 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.

**This section includes information presented to the public during community engagement on the proposed SRV, as well as detailing the community impacts and benefits of the rate rise. Further information about the SRV can be found on Council’s website.**

The SRV can only be spent on the General Fund (excludes Water and Sewer Funds).

## Background

Like many councils across NSW, Gunnedah Shire Council is facing the difficulty of maintaining its infrastructure and services within our existing income levels. The cost to deliver services and maintain community assets to current service levels increases above the rate peg amount each year. Combined with reduced financial assistance and ongoing cost shifting to Local Government by other levels of government, councils are under constant financial pressure to deliver the same services for less, which is not a sustainable model.

Council's long term financial plan shows that we are currently operating with an approximate \$ 3.1 million operating deficit in the General Fund (excluding domestic waste services).

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

Without addressing this gap, the residents and visitors of the Shire will see a deterioration in service levels and each year we fall behind, the cost of renewing infrastructure will rise, and we will eventually have to catch up, often at a higher cost than addressing the issues when known.

Council has limitations on how it can spend money that is received for services. For example, income received via water charges can only be spent on water related services. The same applies to wastewater and waste management services. This means that while Council may have significant funds in its bank account, only a portion of these can be used on General Fund activities such as roads, parks, gardens, libraries, and planning services.

Current forecasts show that without action, either through additional income or reduced expenditure, Councils unrestricted cash balance will move to a negative value within two financial years. A negative unrestricted cash balance is akin to being insolvent for a council and cannot be allowed to occur.

While Council continues to review operational efficiencies, and will continue to do so, because of limited ability to increase revenue in other areas, we are forced to consider an increase in rates via an SRV to secure the level of funding necessary to ensure that we can continue to maintain and renew our asset base.

At Council's ordinary meeting on 19 June 2024, Council endorsed the 2024/25 Operational Plan that included the action to start a conversation with the community about a potential SRV. The decision was made to consult prior to the 2024 NSW local government elections to ensure the community was fully informed on Council's financial position; and to create awareness of the options for Council and the community that could be presented to the newly elected Council for a decision on what action would be taken to address Council's financial sustainability.

On Friday, 2 August 2024 Council commenced community consultation and outlined that Council had four options to achieve financial sustainability into the future.

| Option   | Practical implications  | Community Response   |
|--|---|--|
| <b>1. Reducing service levels, which will impact the asset base and local economy,</b>     | Significant long term asset deterioration impacting Councils core assets and services | The community did not want to see a reduction in service levels and in most cases wanted improvements, especially with roads.  |
| <b>2. Sell and/or dispose of assets that will reduce the associated on-going expenses,</b> | Sell off unused or inefficient Council assets   | The community does want Council to operate more efficiently, however as noted above, do not want to see a reduction in services.   |
| <b>3. Increase income raised through rates, user fee and charges, and other sources</b>    | A Special Rate Variation  | The majority of the community did not want rates to increase, however, they also did not want to see a reduction in service levels and in most cases wanted improvements, especially with roads. |
| <b>4. A combination of the above options.</b>  | A smaller Special Rate Variation than Option 3 combine with efficiency gains.         | The preferred option, if an SRV is required, with the SRV to be smaller and implemented over a longer period to reduce the single year impact.   |

To ensure full transparency, the consultation focused on a potential SRV. Council consulted on an SRV of 38.88% to be implemented over two years and be retained permanently to address the current asset renewal gap and create some capacity to commence addressing the infrastructure backlog of works. The percentage increases were to be 24% in the first year and 12% in the second year which compounded gave an overall increase of 38.88% including the two years estimated rate peg values.

| SRV – Community Engagement           | 2025/26    | 2026/27    | Total         |
|--------------------------------------|------------|------------|---------------|
| Rate Peg (forecast)                  | 5%         | 5%         | 10%           |
| SRV above rate peg                   | 19%        | 7%         | 26%           |
| <b>TOTAL</b>                         | <b>24%</b> | <b>12%</b> | <b>36%</b>    |
| <b>Cumulative SRV over two years</b> |            |            | <b>38.88%</b> |

This simplified discussion from this consultation is outlined in the below table:

| Operate Business as Usual  | Manage a deteriorating asset base   | Implement a Special Rate Variation  |
|--|---|---|
| <p>This option would require Council to accept an unsustainable financial position and to decline to the point where assets would become practically unmanageable and the ability to provide ongoing services would be severely impacted due to funding limitations.</p> <p>This option would see Council have no cash reserves and a negative unrestricted funds balance by 2027/28, and eventually Council would likely face being placed in financial administration.</p> | <p>This option would require Council to reduce or cut services which may include the following:</p> <ul style="list-style-type: none"> <li>• Reducing road maintenance (pothole patching, maintenance grading),</li> <li>• Reduced level of service in parks mowing and maintenance, toilet cleaning,</li> <li>• Reducing hours at libraries, swimming pools, customer service counter and museum,</li> <li>• Closing some sporting fields and parks,</li> <li>• Reduced activity in tourism marketing and events,</li> <li>• Reducing the economic development and regional activation programs,</li> <li>• Refusing grants for new assets (due to lack of funds to match grants/maintain assets), and</li> <li>• Ceasing the community grants program.</li> </ul> <p>Service cuts such as the ones listed above would have significant impacts on the community and any further cuts to services would be determined through the Service Review program that is already underway.</p> | <p>Implement an SRV of 38.88% (cumulative) over two years which includes the rate peg (24% in year 1 and 12% in year 2).</p> <p>In two years, the SRV would generate an additional \$6.2 million over and above the \$1.5 million from the rate peg alone.</p> <p>The additional \$3 million per annum income from the SRV in 2025/26 would enable Council to address the infrastructure renewal funding shortfall of approximately \$3.1 million per annum and the additional \$1.5 million per annum income from the SRV in 2026/27 would enable Council to invest \$1.5 million annually into addressing the infrastructure renewal backlog.</p> |
| <p>This option was not seen as a practical option.</p>   | <p>While seen as a realistic option, long term it is not a sustainable model and doesn't address that the community did not want to see a reduction in service levels and in most cases wanted improvements, especially with roads.</p>   | <p>This option addresses the service level expectations, but the community advised if an SRV is required, they would want it to be smaller and preferably implemented over a longer period to reduce the single year impact (particularly noting the significance of the 24% first year increase).</p>  |

## The Proposed SRV

Following the community engagement, the results of the engagement were presented to Council at its ordinary meeting on 30 October 2024 along with a revised SRV proposal considering the community's feedback through the engagement process.

Council deferred the report and requested an extraordinary meeting to allow further time to review the information and alternative options.

Council held an extraordinary meeting on 6 November 2024, where six alternative SRV options were presented and discussed. The Council subsequently resolved to give notice to IPART of the intention to apply for a 37.67% cumulative SRV over two years and be retained permanently.

To address concerns raised in the community engagement feedback, Council also resolved that the proposed SRV caps the increase on Residential, Business and Farmland rating categories at 15% per year (32.25% cumulative) with the balance of the revised SRV of 37.67% cumulative to be sourced from the Mining rating category (resulting in an 85.13% cumulative increase for this category).

### Why an SRV

Financial sustainability for local governments is critical because they are responsible for directly providing the community with a wide range of public services and community infrastructure and facilities. This requires local governments to control and maintain a significant base of infrastructure assets. This requires not only significant up-front expenditure and investment but also on-going expenditure to maintain and renew assets as required during their useful lives.

Council has recognised that financial sustainability requires the following to comply with Chapter 3 of the *NSW Local Government Act 1993*:

- Council must achieve a fully funded operating position,
- Council must maintain sufficient cash reserves,
- Council must have an appropriately funded capital program,
- Council must maintain its asset base, and
- Expenditure on assets should be driven by asset management plans.

The NSW Treasury Corporation defines financial sustainability as *A local government will be financially sustainable over the long term when it is able to generate sufficient funds to provide the levels of service and infrastructure agreed with its community.*

Council has recognised that there are significant financial sustainability challenges in the General Fund. These challenges focus on the shortfall of funding available to appropriately address the asset renewal and maintenance requirements.

To address these challenges Council is applying for an SRV and will use the additional rate revenue to:

- Address the current infrastructure asset renewal gap,
- Create capacity to address the infrastructure backlog and provide opportunities for matched funding opportunities into the future, and
- General a sufficient level of recurrent revenue to maintain current service levels.

## Where the SRV would be spent

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

- Maintenance and renewal of Council's transport network of roads, bridges, and associated assets,
- Maintenance and renewal of Council's open space and recreational assets, and
- Maintenance and renewal of Council's buildings and facilities.

| Where the SRV would be spent   |
|--|
| Additional \$2.1 million per annum for transport infrastructure renewal (sealed and unsealed roads, bridges, footpaths, kerb and gutter) |
| Additional \$500,000 per annum for open space asset renewal  |
| Additional \$400,000 per annum for buildings (community halls, cultural precinct, library, Council offices, community housing)           |
| Additional \$1.5 million per annum to commence addressing the backlog of works commencing with roads and building infrastructure         |

## What would happen if the SRV is not 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.

## Why maintaining assets is important

Asset management is the process for whole-of-life asset management from planning, acquisition/upgrade, operation, maintenance, renewal and disposal of assets. It encompasses the integration of asset and service delivery outcomes. As with many local governments, a major challenge for Council is the management of ageing assets in need of renewal and replacement.

Maintaining infrastructure assets such as sealed and unsealed roads, bridges, footpaths, kerb and guttering, stormwater, buildings and large recreational assets continues to create operational challenges as their condition and useful lives change over time. This is particularly challenging for those assets impacted by significant weather events.

The SRV funding would be used for managing Council's existing infrastructure. This includes renewal and ongoing maintenance of assets focused on transport (roads, bridges etc.), buildings and parks and garden assets.

Renewal activities extend the life of the asset, such as re-sheeting a section of road. Maintenance includes repairs, painting and replacement of broken fixtures. The SRV would be used to ensure assets are kept at current service standards and replaced at the planned replacement time, rather than allowing assets to deteriorate to a point at which major rehabilitation would be required.

One of Council's main roles in the community is to manage the assets it provides for the community to use as part of their daily lives. Without useable assets, the quality of life and potentially the safety of our community is negatively impacted.

It is important to reiterate that the SRV applies only to General Fund assets and the infrastructure that would be affected by funding provided by the SRV is included in the table below:

| Asset                        | Volume    | Asset   | Volume     |
|------------------------------|-----------|---|------------|
| Sealed roads                 | 429 km    | Stormwater  | 49 km      |
| Unsealed roads               | 899 km    | Buildings   | 169 assets |
| Regional roads               | 91 km     | Other Structures  | 69 assets  |
| Bridges (incl. Culverts >6m) | 19 assets | Open space and Recreations                              | 230 assets |
| Footpaths                    | 36 km     | Plant and Equipment (as related to general fund assets) | 565 assets |
| Kerb & gutter                | 145 km    |   |            |

### Why a balanced operating result is important

Council is proposing that the SRV funding be used to improve Council's financial sustainability by addressing the current General Fund operating deficit, as well as creating capacity to commence addressing the backlog of works required to bring Council's assets back closer to the targeted service levels.

Council is also required under the *NSW Local Government Act 1993* to achieve a fully funded operating position.

Whilst this may occur when viewing Council's consolidated position (i.e. General Fund, Water Fund and Sewer Fund), Council must ensure it can operate appropriately across all funds. The General Fund, excluding Domestic Waste Management, is forecasting an ongoing approximate \$3.1 million deficit. The means that the rates received are not adequately covering the expenditure required to provide services and renew assets as and when required.

The General Fund is critically important because it contains provision for all Council services apart from water and sewerage and the funding available supports the operational capacity of the organisation as well as maintenance of critical assets including sealed and unsealed roads, bridges, footpaths, kerb & guttering, stormwater, buildings and large recreational assets.

The below table shows how the SRV will impact the General Fund performance ratios as set by the Office of Local Government.

| GENERAL FUND PERFORMANCE RATIOS | Description   | Target | 2024/25 Actual forecast | 2025/26 forecast (No SRV) | 2025/26 forecast (yr1 of 37.67% SRV) | 2026/27 forecast (No SRV) | 2026/27 forecast (yr2 of 37.67% SRV) |
|---------------------------------|---|--------|-------------------------|---------------------------|--------------------------------------|---------------------------|--------------------------------------|
| Operating Performance           | Measures a council's achievement of containing operating expenditure within operating revenue.                          | >0%    | -7.13%                  | -8.45%                    | -5.32%                               | -7.75%                    | 0.87%                                |
| Own Source Operating Revenue    | Measures fiscal flexibility. It is the degree of reliance on external funding sources such as grants and contributions. | >60%   | 42.29%                  | 54.82%                    | 56.55%                               | 61.80%                    | 65.17%                               |



| GENERAL FUND PERFORMANCE RATIOS           | Description  | Target | 2024/25 Actual forecast | 2025/26 forecast (No SRV) | 2025/26 forecast (yr1 of 37.67% SRV) | 2026/27 forecast (No SRV) | 2026/27 forecast (yr2 of 37.67% SRV) |
|---|--|--------|-------------------------|---------------------------|--------------------------------------|---------------------------|--------------------------------------|
| Building and Infrastructure Asset Renewal | Measures the rate at which infrastructure assets are being renewed relative to the rate at which they are depreciating.                    | >100%  | 111%                    | 59.06%                    | 59.06%                               | 53.13%                    | 97.78%                               |
| Debt Service Ratio                        | Measures the cost of debt servicing (principal and interest) against total operating revenue (excluding capital grants and contributions). | >2.00x | 6.47                    | 6.05                      | 6.74                                 | 6.27                      | 8.45                                 |

The above results demonstrate that Council's financial position moves towards meeting the target performance criteria only with the SRV.

### Unrestricted Cash Position

It is also critical that Council closely monitors and manage its unrestricted cash position.

If Council was continue operating in a business-as-usual manner, the General Fund would move into a negative unrestricted cash position by 2027/28. This is the equivalent of running insolvent for a council and cannot be allowed to occur.

The proposed SRV will provide Council the funds to better maintain the infrastructure networks and assets funded from the General Fund in a manner that is closer to community expectations and maintain a positive unrestricted cash position.

## Ratepayer Impacts

The following tables outline how the base case (rate peg only) and the proposed SRV would impact on each rating category. The tables also show the impact on the minimum rates where applicable. All rating impacts shown are based on the average rate for each rating category.

Council has resolved to apply for a permanent SRV of 37.67% cumulative to be phased in over two years from 2025-26 to 2026-27.

|                                      | 2025/26      | 2026/27                | Total         |
|--------------------------------------|--------------|------------------------|---------------|
| <b>Rate Peg</b>                      | <b>4.7%</b>  | <b>3.5% (forecast)</b> | <b>8.2%</b>   |
| <b>SRV above rate peg</b>            | <b>13.3%</b> | <b>13.17%</b>          | <b>26.47%</b> |
| <b>TOTAL</b>                         | <b>18%</b>   | <b>16.67%</b>          | <b>34.67%</b> |
| <b>Cumulative SRV over two years</b> |              |                        | <b>37.67%</b> |

To address concerns raised during the community engagement period, Council also resolved that the proposed increase caps the increase on Residential, Business and Farmland rating categories at 15% per year and the balance of the revised SRV of 37.67% cumulative is to be sourced from the Mining rating category.

This equates to the SRV application being:

- a 32.25% cumulative increase (21.80% above rate peg) applied to the Residential, Business, Farmland rating categories, and
- an 85.13% cumulative increase (64.33% above rate peg) applied to the Mining rating category.

The yearly increases would be applied as follows:

| Category           | Year 1<br>2025/26 | Year 2<br>2026/27 | Compounded increase %<br>Change |
|--------------------|-------------------|-------------------|---------------------------------|
| <b>Residential</b> | 15.00%            | 15.00%            | 32.25%                          |
| <b>Business</b>    | 15.00%            | 15.00%            | 32.25%                          |
| <b>Farmland</b>    | 15.00%            | 15.00%            | 32.25%                          |
| <b>Mining</b>      | 43.36%            | 28.87%            | 85.13%                          |

These values include a rate peg of 4.7% in Year 1 and 3.5% in Year 2. The SRV is 26.47% above the rate peg limit.

The impact on individual ratepayers varies according to the rate category their property is in. Indicative information on the impact on the average ratepayer in each main category can be seen in the table below.

| Category           | 2024/25<br>Average per<br>annum | 2025/26<br>Year 1<br>Increase /<br>per annum | 2025/26<br>Year 1<br>Increase /<br>per week | 2026/27<br>Year 2<br>Increase /<br>per annum | 2026/27<br>Year 2<br>Increase /<br>per week | 2026/27<br>Average per<br>annum |
|--------------------|---------------------------------|--|---|--|---|---------------------------------|
| <b>Residential</b> | \$1,106.16                      | \$165.93                                     | \$3.19                                      | \$190.81                                     | \$3.67                                      | \$1,462.90                      |
| <b>Business</b>    | \$5,899.02                      | \$884.85                                     | \$17.02                                     | \$1,017.58                                   | \$19.57                                     | \$7,801.45                      |
| <b>Farmland</b>    | \$5,336.54                      | \$800.49                                     | \$15.39                                     | \$920.55                                     | \$17.70                                     | \$7,057.58                      |
| <b>Mining</b>      | \$316,615.92                    | \$138,232.82                                 | \$2,658.32                                  | \$131,297.32                                 | \$2,524.95                                  | \$586,146.06                    |

The following tables show the more detailed breakdown of the impacts of the SRV and maximum Minimum Rate (MR) values by category, noting that the Mining category uses a base amount and not a minimum rate.

### Residential

| Category   | Base Year<br>2024/25 | Year 1<br>2025/26 | Year 2<br>2026/27 | Cumulative<br>Increase |
|--|----------------------|-------------------|-------------------|------------------------|
| Average Residential rate under assumed rate peg                                  | \$1,106              | \$1,157           | \$1,197           | \$91                   |
| Annual increase rate peg (%)   |                      | 4.7%              | 3.5%              | 11.62%                 |
| Annual increase with proposed SRV  | \$1,106              | \$1,272           | \$1,463           | \$357                  |
| Annual increase SRV (%)  |                      | 15%               | 15%               | 32.25%                 |
| Cumulative impact of SRV above base year   |                      | \$166             | \$357             |                        |
| Difference between SRV and rate peg only   |                      | \$115             | \$266             |                        |
| Residential Minimum Rate under assumed rate peg                                  | \$555                | \$580             | \$600             |                        |
| Annual increase rate peg (%)   |                      | 4.7%              | 3.5%              |                        |
| Annual proposed MR increase (\$)   | \$555                | \$638             | \$733             |                        |
| Annual proposed MR increase (%)  |                      | 15%               | 15%               | 32.25%                 |
| Cumulative impact of MR increase above base year                                 |                      | \$83              | \$178             |                        |
| Difference between the MR under rate peg only and proposed MR increase scenarios |                      | \$58              | \$133             |                        |

## Business

| Category   | Base Year<br>2024/25 | Year 1<br>2025/26 | Year 2<br>2026/27 | Cumulative<br>Increase |
|--|----------------------|-------------------|-------------------|------------------------|
| Average Business rate under assumed rate peg                                     | \$5,899              | \$6,167           | \$6,383           | \$484                  |
| Annual increase rate peg (%)   |                      | 4.70%             | 3.50%             | 11.62%                 |
| Annual increase with proposed SRV  | \$5,899              | \$6,784           | \$7,801           | \$1,902                |
| Annual increase SRV (%)  |                      | 15%               | 15%               | 32.25%                 |
| Cumulative impact of SRV above base year   |                      | \$885             | \$1,902           |                        |
| Difference between SRV and rate peg only   |                      | \$617             | \$1,418           |                        |
| Business Minimum Rate under assumed rate peg                                     | \$544                | \$568             | \$587             |                        |
| Annual increase rate peg (%)   |                      | 4.7%              | 3.5%              |                        |
| Annual proposed MR increase (\$)   | \$544                | \$625             | \$718             |                        |
| Annual proposed MR increase (%)  |                      | 15%               | 15%               | 32.25%                 |
| Cumulative impact of MR increase above base year                                 |                      | \$81              | \$174             |                        |
| Difference between the MR under rate peg only and proposed MR increase scenarios |                      | \$57              | \$131             |                        |

## Farmland

| Category   | Base Year<br>2024/25 | Year 1<br>2025/26 | Year 2<br>2026/27 | Cumulative<br>Increase |
|--|----------------------|-------------------|-------------------|------------------------|
| Average Farmland rate under assumed rate peg                                     | \$5,337              | \$5,579           | \$5,775           | \$438                  |
| Annual increase rate peg (%)   |                      | 4.70%             | 3.50%             | 11.62%                 |
| Annual increase with proposed SRV  | \$5,337              | \$6,137           | \$7,058           | \$1,721                |
| Annual increase SRV (%)  |                      | 15%               | 15%               | 32.25%                 |
| Cumulative impact of SRV above base year   |                      | \$800             | \$1,721           |                        |
| Difference between SRV and rate peg only   |                      | \$558             | \$1,283           |                        |
| Farmland Minimum Rate under assumed rate peg                                     | \$555                | \$580             | \$600             |                        |
| Annual increase rate peg (%)   |                      | 4.7%              | 3.5%              |                        |
| Annual proposed MR increase (\$)   | \$555                | \$638             | \$733             |                        |
| Annual proposed MR increase (%)  |                      | 15%               | 15%               | 32.25%                 |
| Cumulative impact of MR increase above base year                                 |                      | \$83              | \$178             |                        |
| Difference between the MR under rate peg only and proposed MR increase scenarios |                      | \$58              | \$133             |                        |

## Mining

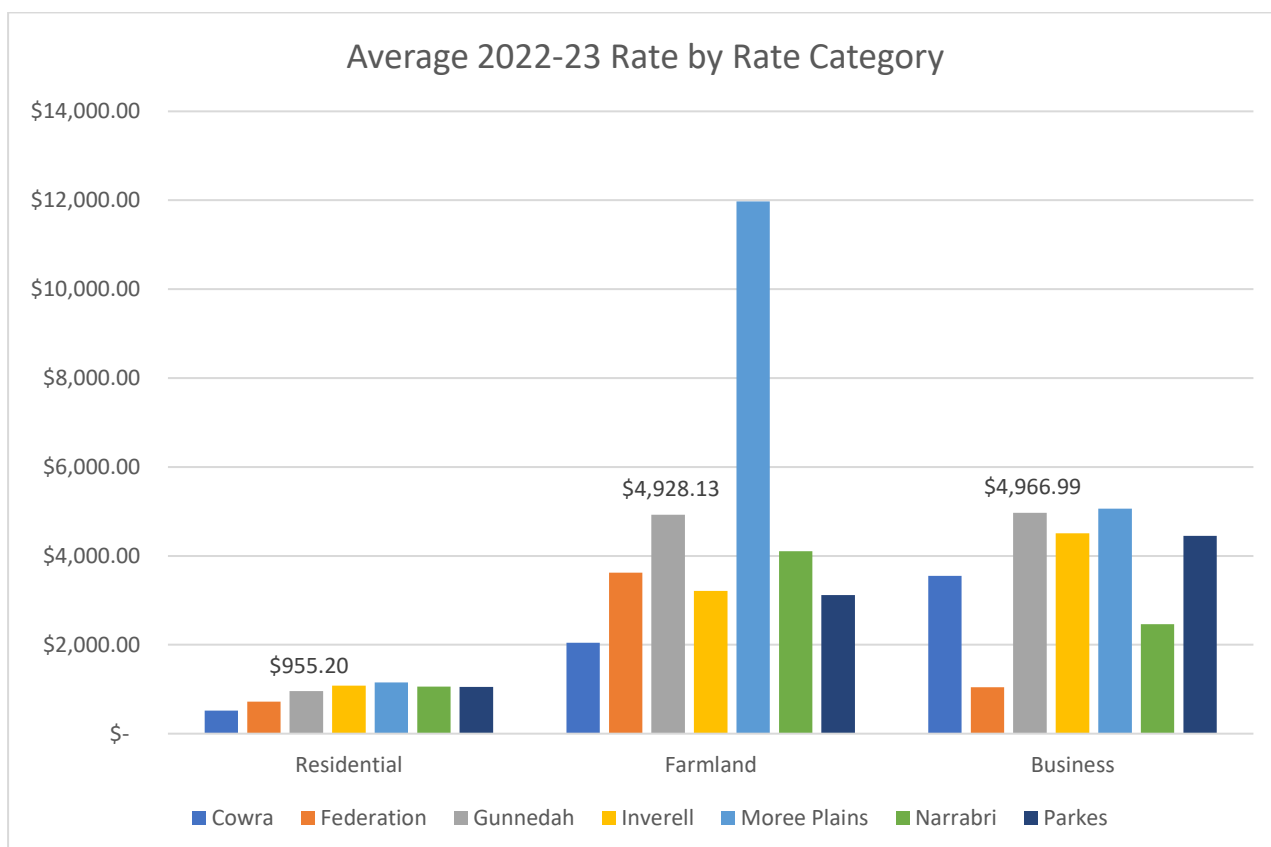
| Category                                   | Base Year<br>2024/25 | Year 1<br>2025/26 | Year 2<br>2026/27 | Cumulative<br>Increase |
|--|----------------------|-------------------|-------------------|------------------------|
| Average Mining rate under assumed rate peg | \$316,616            | \$331,025         | \$342,611         | \$25,995               |
| Annual increase rate peg (%)               |                      | 4.70%             | 3.50%             | 11.62%                 |
| Annual increase with proposed SRV          | \$316,616            | \$454,848         | \$586,146         | \$269,530              |
| Annual increase SRV (%)                    |                      | 43.66%            | 28.87%            | 85.13%                 |
| Cumulative impact of SRV above base year   |                      | \$138,232         | \$269,530         |                        |
| Difference between SRV and rate peg only   |                      | \$123,823         | \$243,535         |                        |

Council is also reviewing the option to not apply or minimise increases to other charges levied on the rate notice during the SRV implementation period but has not made any determination on this at this time.

## Rating Comparisons

Comparisons are difficult to make to other councils because of a range of factors, including the area of land in the Local Government Area, population density and the associated number of rateable assessments, the number and types of services provided and types of industry. Comparisons with financially stressed councils are also problematic because it might seem they are more efficient but, in fact, they have many challenges ahead of them.

Council has compared its average rates with six Group 11 councils with relatively similar population size and/or assets. The data is based on 2022-23 comparisons because this is the latest data available from the Office of Local Government's Comparative Council Information.



Without confirmation whether other councils listed in the above table are applying for a SRV, and for what amount, it is difficult to forecast the future comparisons between Gunnedah Shire Council (with the SRV added) and other councils.

However, we can show that the proposed SRV would result in average rates in 2026-27 of \$1,463 for residential, \$7,801 for business and \$7,058 for farmland.

In relation to the information above and including known rate variations or estimates for the other councils referenced, Gunnedah Shire Council would be placed the highest for Residential and Business Rates, and second highest for Farmland Rates within the group.

## Capacity to Pay

Council is preparing a Capacity to Pay report to assess the level of advantage and disadvantage within the Gunnedah Shire Council Local Government Area. This report provides an analysis and evaluation of relative wealth and financial capacity whilst also looking at the financial vulnerability and exposure of different community groups within the local government area.

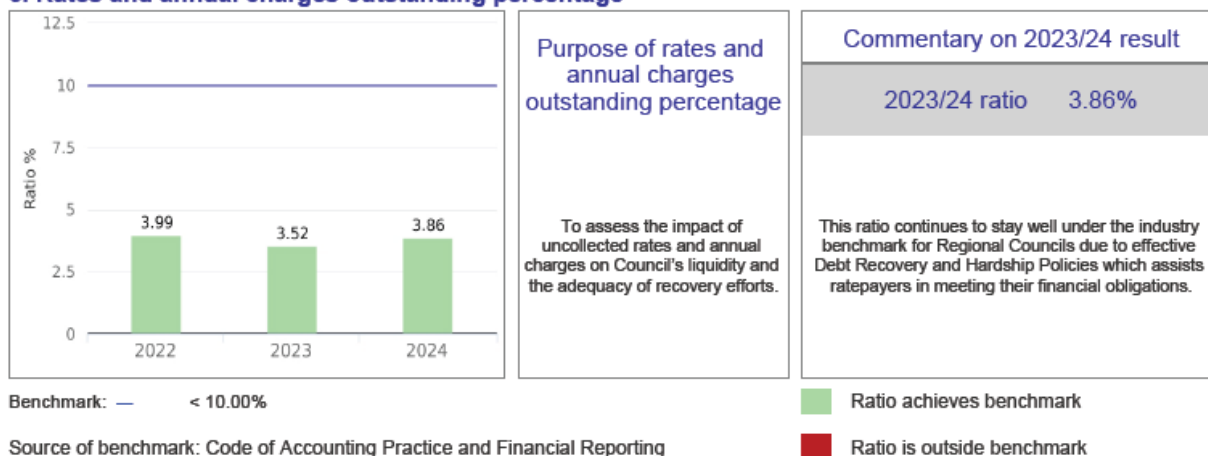
Some of the key findings from the report are noted below.

- Although there are pockets of significant wealth and advantage, there is also significant disadvantage.
- Additionally, we also noted that Gunnedah Shire Council has a relatively low proportion of outstanding rates at 3.86% (2024), a strong indicator of both capacity and willingness to pay rates especially given that the benchmark for outstanding rates is less than 10% for regional and rural areas.

Council recognises that circumstances of financial hardship can arise requiring respect and compassion. In cases of genuine hardship, Council will work with people to put affordable payment plans as set out in Council’s adopted Hardship Policy. For further information please refer to the Rates Frequently Asked Questions page on our website.

From the 2023/24 financial statements the rates and annual charges outstanding percentage has remained relatively stable over the past three years and remains well below benchmark.

### 5. Rates and annual charges outstanding percentage



## Productivity Improvements

Through the community consultation, the community was very vocal that if Council is seeking to increase rates, they want to see Council ensure it is operating as efficiently possible and only seeking to increase rates by the smallest amount possible. Council is constantly seeking ways to drive improvements through innovation and efficiency gains, as well as working hard to keep operating costs under control.

Council's decision at the meeting on 6 November 2024 supported this feedback from the community with the inclusion of the following: *Council will 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.*

Council has actively sought additional revenue opportunities through State and Federal Government grants, reviewing service pricing and maximising the investment portfolio and will continue to do so. Should the SRV application be successful, Council will also seek to use the capacity to match future grant opportunities with a view of reducing any additional future financial burden on the community as far as possible. Council will also continue to advocate for increased funding from other levels of government in areas such as financial assistance grants as it has done so for many years.

Council has made significant efforts to improve operations and deliver services to the community without increasing rates over several years.

Council's strategic approach to achieve a financially sustainable future is as follows:

- Long-term financial sustainability based on service levels that provide a good quality of life for the residents, ratepayers and visitors of the Gunnedah Shire,
- A continuous improvement approach to achieving operational efficiencies and maximising the use and flexibility of the organisation's resources,
- An engaged community that understands the service levels Council can provide with the available resources,
- A planned and resourced service review program,
- A detailed approach to asset management, and
- A collaborative approach to solutions working with other Councils and private sector organisations to maximise the efficiency of Councils operations.

Council last undertook an SRV in 2013/14 and in the years since, has continued to make efficiency gains and absorb newly added costs without seeking to raise rates. There have been:

- multiple restructures,
- changes to functions,
- where appropriate, reduce service levels driven by resource constraints,
- the implementation of reviews driven by the audit, risk and improvement committee,
- the development of formal service review program,
- review of procurement processes,
- undertaking organisational structural changes to align skills and qualifications of employees to better align with service delivery and organisational requirements,
- opportunities to redeploy and internally transfer employees in consultation with employees,
- review of IT opportunities to realise efficiency gains,
- review assets that can be sold or disposed of to reduce operational costs,



- review avenues for increased revenue via operations; an example of this includes the increased scale of the GoCo operations,
- review strategies and business plans of Council’s commercial business units,
- undertake a major review of all fees and charges,
- investigate further opportunities for economies of scope (shared services); an example of this is the shared agreement with Liverpool Plains Shire Council regarding economic development, and
- develop budget management, project management and business planning systems and skills.

### Asset Management Transformation

Council is currently rebuilding and addressing key gaps in its asset management plans and framework. Council is working with an external partner to bring its asset management plans up to date and ensure appropriately skilled staff can successfully perform strategic asset management functions as well as creating an environment to improve asset management processes and software improvements based on quality data.

A significant improvement is being made through the integration of infrastructure and finance functions which will:

- Reduce double handling of asset data, reduce errors and allow for better prioritisation of works,
- Conduct and implement asset condition assessments and data improvement for more efficient financial management and improved understanding of asset performance and to provide forward works plans for inclusion in future budgets,
- Road reclassifications to transfer management to state government,
- Activation and maximise the utilisation of assets e.g. quarries, and
- Building relationships with new business partners such as Koala Sanctuary partner to utilise our assets.

Recent productivity gains resulting in actual cash savings have included:

| Product Improvement – Cost Savings   | One-off          | Ongoing          |
|--|------------------|------------------|
| Savings in the internal audit program  |                  | \$26,000         |
| Insurance savings (excluding workers compensation)   |                  | \$130,000        |
| LED Street Lighting electricity savings  |                  | \$64,613         |
| Obtained external grant to upgrade IT system in lieu of IT funds   | \$80,000         |                  |
| Obtained external grant to undertake review of Development Control and S7.12 Plans in lieu of utilising Planning funds | \$202,500        |                  |
| Sewerage Treatment Plant solar system electricity savings  |                  | \$23,261         |
| <b>Total</b>   | <b>\$282,500</b> | <b>\$243,874</b> |

The above list is not exhaustive and Council is continuing to identify improvements that have resulted in savings through the quarterly budget review process and service review program.

The planned improvements for the future include:

- Review of vacant positions,
- Review of new revenue opportunities, and
- Continuation of the Council service review program.

Specific Projects planned for future improvements include:

- Improved asset management systems and processes
  - Conduct and implement asset condition assessments and data improvement for more efficient financial management and improved understanding of asset performance and to provide forward works plans for inclusion in future budgets,
  - Road reclassifications to transfer management to state government,
  - Activation and maximising the utilisation of assets e.g. quarries, and
  - Building relationships with new business partners such as the Koala Park operator.
- Improved customer service systems and processes
  - Improved response timeliness to customer requests,
  - Review the community engagement website for usability, cost efficiency and integration, and
  - Implementation of new customer service system.
- Upgraded website
  - Improved external communications.
- Review cost saving opportunities

As part of the SRV application Council is preparing a cost containment and productivity report that will contain further information on what Council has already achieved along with future plans and this will be available prior to the submission of the application.

## Community Engagement

Community consultation has been mentioned throughout the document. As mentioned, due to the timing of the NSW Council elections, the consultation was undertaken prior to the elections and the report of the outcomes presented to the new Council at its ordinary meeting on 30 October 2024.

The formal SRV engagement process ran from 2 August 2024 to 6 September 2024. Council used a variety of methods and tools to engage with the community including:

- Face to face sessions in villages throughout the shire, a Town Hall style meeting and information stands in the main street
- Social media including Facebook, LinkedIn and Instagram
- A phone survey independently run by a research house
- Council's website
- Radio
- Newspaper
- Media releases
- Councils' operational plans
- A survey accessible from Councils website
- Internal staff briefings

Throughout the engagement process, we achieved the following reach:

| Type of Engagement              | Reach   |
|---------------------------------|---|
| Internal Staff briefings        | 140   |
| Face to face community sessions | 420   |
| Council SRV webpage             | 1,144 views by 678 visitors   |
| Webpage Rates calculator        | 821 views by 632 visitors   |
| Social Media                    | <ul style="list-style-type: none"> <li>• 37,500 post reach</li> <li>• 75 Direct shares</li> </ul> <p>A reel discussing the SRV and showcasing the Rates Calculator available on Council's website was played 2,400 times with a reach of 1,400.</p> |
| News articles                   | >20 articles across radio, TV and print   |
| Media releases and media calls  | Significant community reach   |
| Written submissions             | 26 submissions were received and presented to Council at its 30 October 2024 meeting  |

The key feedback regarding the potential SRV of 38.88% implemented over two years was;

- the community does not want to pay more rates (noting current difficult times and costs)
- 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)
- if an SRV is required, then it should be phased in over a longer period to reduce the single year impact on residents and ratepayers (especially those on fixed incomes)
- the split of how an SRV is applied should be reviewed so the balance is right between farmland and residential rates to be more of a user pays model
- Council needs to ensure it is transparent in its decision making, engaging with the community and operating as efficiently as possible, with the right balance of indoor and outdoor staff along with ensuring that current funds and resources are being maximised for the shire
- Only 26% of the 38.88% is above the rate peg that will occur regardless of the SRV
- Council needs to look at non-rate revenue that can help address the asset renewal gap without large rate rises being required and find a solution so large SRVs are not needed in the future

The highest support for the SRV came through the phone survey, which is also the most independent and community wide aspect of the engagement, with 39% of phone survey respondents “somewhat supportive” of the proposed SRV option.

While the feedback provided by the community indicated a clear view of not wanting to pay more rates, there was also a clear view that the community does not want to see any service level reduction. Without additional funding, maintaining current service levels will not be possible.

The revised SRV endorsed for the SRV application was restructured and is an overall lower value based on the community feedback from the consultation process. The SRV is now lower for Residential, Business, Farmland rating categories than what was originally proposed. In the original SRV proposal, these rating categories would have experienced an increase of 38.88% over two years. Under the revised SRV proposal the increase is capped to 32.25% over two years.

A full summary of Council’s community engagement in relation to the SRV was presented to the Ordinary Council Meeting, held on 30 October 2024.

## Next Steps

Following the public exhibition of the revised Integrated Planning & Reporting documents updated to provide greater detail regarding the endorsed SRV application values, Council will prepare Special Rate Variation and Minimum Rate applications to be presented to Council in January 2025 and, if endorsed, will lodge these with IPART by 3 February 2025.

## Find Out More

Council’s website contains further information on the SRV, including an easy to use rates calculator where you only need to enter your rates assessment number or address to see the impact the SRV would have.

<https://www.gunnedah.nsw.gov.au/index.php/council/the-future-of-gunnedah/proposed-special-rate-variation>

Enquiries on the SRV can also be directed to Council’s customer service team on (02) 6740 2100 or [council@gunnedah.nsw.gov.au](mailto:council@gunnedah.nsw.gov.au)



**Gunnedah**

Shire

Council