

Proposed SRV Community Engagement: Questions and Answers

Proposed Special Rate Variation 2024 | Get Involved Shoalhaven

What is a Special Rate Variation (SRV)?

Each year, the NSW Government determines a rate increase known as the 'rate peg'. This amount is determined by the Independent Pricing and Regulatory Tribunal (IPART).

If the elected Council agree that a council needs additional revenue beyond the maximum rate peg, councils can make application for a Special Rate Variation (SRV) to IPART.

What is a rate peg?

Under NSW legislation the overall amount of money raised by rates by each council can only increase by no more than a set annual percentage determined by the Independent Pricing and Regulatory Tribunal (IPART). This amount determined by IPART is what is known as the annual rate peg.

How much is the rate peg for Shoalhaven City Council?

The rate peg has been determined as 3.8% for Shoalhaven City Council for 2025-26.

Are council requests for SRVs common?

According to IPART, 9 councils in NSW applied for increases in rates income above the rate peg through special variations in 2024 for 2024-25.

How much are the proposed SRV increases?

Two options are proposed for special variation increases to rates for 2025-26. One is an increase of 8% inclusive of the rate peg (3.8%) and the other is an increase of 12% inclusive of rate peg (3.8%) in 2025-26.

This would be applied to all rating categories, and the average cost increases for property categories is shown in the [Rate Options Table](#).

How much would my rates go up if an SRV does go ahead?

The increase in rates will vary for property owners across the city. The reason for this is that Council uses the land value of properties throughout the city to determine the level of rates each property owner pays. You can see the cost increase to rates averages in each category in the [Rate Options Table](#).

Is Council involved in land valuation?

No. The Valuer General issues new land values to councils to use in setting rates at least every three years. Council is currently using the 01/07/2022 land valuations as provided by the Valuer General. The 01/07/2022 land valuations apply for rating for financial years 2023/24, 2024/25 and 2025/26. The land valuation aims to reflect the market value of the land only (as unimproved land), as if sold on 1 July 2022 (the base date). You will need your 01/07/2022 land valuation to use the special variation calculator tool.

If it goes ahead, for how long would the SRV apply?

The application would be for a permanent one-year increase of either the 8% or 12% increases, both inclusive of the 3.8% rate peg. Future annual increases would apply additionally in future years.

Would the rates increase also apply to businesses?

Yes, it would. You can see what this cost impact on average, would be on business rating categories in the [Rate Options Table](#).

Does the rate increase also apply to waste and stormwater charges?

It doesn't. The Special Rate Variation would only apply to your property rates. Your annual Rate Notice shows a mix of both 'rates' and 'charge' lines. Charges include Domestic Waste and Stormwater management, etc. A rate peg or special variation increase does not apply to the charges that show on your Rate Notice.

How does the Independent Pricing and Regulatory Tribunal of NSW (IPART) assess the application for a Special Rates Variation (SRV) for Council?

IPART may consider the following (including but not limited to):

- size and resources of the council
- size (% and \$) of the increase requested
- purpose of the Special Rate Variation, and especially the council's demonstrated financial need
- current rate levels and any previous rate rises
- compliance with the applicable guideline
- any other matter IPART deems relevant including community submissions.

If approved, when would the Special Rates Variation (SRV) start to take effect?

Following the community engagement period, Council will meet again on 17 December 2024 to determine whether or not to proceed with an application to IPART by the 3 February 2025 deadline. If an application is lodged and approved by IPART, the change in rates would commence from the first installment of the 2025-26 financial year.

When will we know if the rate increase is going ahead?

IPART would notify Council of its decision in May to June 2025.

What would happen if an SRV doesn't go ahead?

If an SRV does not proceed, it would reduce the amount of money that could be spent to fix roads and other assets, and also reduce the amount of money in the bank for unforeseen events, such as natural disasters.

What would the additional money be spent on?

It is proposed that the additional income would be spent on repairing roads and enabling some money to go into the bank.

Don't our rates already allow for road repairs?

Yes, they do. However, the recurrent budget is outstripping costs of maintenance and services, restricting the amount of funding available for the volume of work that's required to repair our road network to a quality standard.

The Shoalhaven local government area (LGA) covers a large geographic area, but our population is small in relation to our size. The rate income in the Shoalhaven is \$17,138 / km², compared to Kiama's \$67,600 / km² and Shellharbour's \$327,800 / km². At the same time, we 1,839km of roads to manage – the second largest of our OLG Group 5 categorised councils.

Council received grant funding to repair the roads. Where has that money gone?

Grant funding for road repairs is spent on the works for which the funding was provided. With 1,839 km of roads in our LGA, there's a lot more work to do and increasing the rates will assist us to do this.

Why would Council even consider proposing this now, given the current increase to the cost of living?

The increased costs of construction, inflation, interest rates and cost factors that everyone is dealing with is also impacting the ability of Council to pay for the works and services that need to be done across the city.

When insufficient maintenance is carried out on roads, buildings and assets, this can lead to expensive, major repairs over time. Deterioration, particularly with roads, results in soaring costs and has a major financial impact on Council.

What other options has Council looked at to improve its financial position?

We are on track to realising a \$10 million efficiency target during the next four years. Since February this year, we have saved \$3.2 million in our general account (general fund) by taking a range of measures to increase income and reduce expenses. Of this amount, \$2.5 million is recurring income or cuts to our expenses that will provide ongoing savings.

[You can see the list of actions taken by Council so far.](#)

There are lots of grants available, why can't we just seek more grant funding?

Many grants require funds to be spent on capital expenditure (eg. sporting fields, new community facilities) and are not used to fund day-to-day projects like asset renewal or maintenance.

Council cannot solely rely on this form of income. In most instances grants require a co-contribution from Council. Grants are extremely competitive, and we may not be successful.

Good financial governance means we have a ratio of 60% or more, meaning 60% or more of council income is generated from our operations and not from grants.

What if I'm a pensioner? What rebates are in place?

Ratepayers who hold a pensioner concession card and meet the criteria may be eligible for a reduction on their rates. More details on our website at [Pensioner Concession | Shoalhaven City Council \(nsw.gov.au\)\(External link\)](#).

What if I can't afford the rate increase?

Council recognises that some ratepayers may experience financial difficulties in meeting their rate commitments on time.

A ratepayer at any time may make arrangements to pay off their outstanding accounts by regular payments, subject to the following guidelines:

- All agreements must be in writing and signed
- The amount and frequency of the payments under the agreement are to be acceptable to Council
- Agreements should, where possible, seek to have the outstanding rates and annual charges cleared by the end of the current financial year
- Current rates and charges are to be paid when they fall due in addition to the arrangement plan where possible
- All arrangements are in accordance with Council policy and will be reviewed on regular basis

To apply for [An agreement to pay rates and charges\(External link\)](#), simply complete the application and [return it to Council\(External link\)](#).

How do our rates compare with other councils in NSW?

Council has a lower average rate for residential and business rating categories comparable to neighbouring councils. The Office of Local Government (OLG) have been releasing comparative data for all NSW councils since 1995. They classify councils into one of 11 groups. These groupings are based on broad demographic variables. Shoalhaven is classified as Group 5 along with 10 other councils (including Shellharbour and Wollongong).

A review of rating information highlights that for 23 years (1995 to 2018), our Council continuously had the lowest average rates of all Group 5 councils. It wasn't until a Special Rate Variation was approved in 2018, that we moved from 12th place to 10th place. In addition, from 1995 to 2023, our average rates were \$134 per property less than the average of all Group 5 councils.

Why are we talking about this so close to Christmas?

Applications for a special rate variation with IPART close 3 February 2025. For Council to consider feedback from the community as well as meet the criteria under IPART's assessment, consultation, feedback and engagement needs to occur now.

What will you do with our responses to the survey?

Survey responses and submissions will be provided to Council and this will be shared with Councillors who will be voting on the proposed Special Rate Variation options.

How did Council allow this position to eventuate?

Many factors have contributed to making Council's current financial position unsustainable:

- The impacts of consecutive natural disasters and the COVID pandemic during the last five years has significantly depleted revenue and increased operational costs. The net cost of the disasters, including subsidies and

waivers on fees and charges, reduced the unrestricted cash position by \$14.6 million.

- Sustained lower than average residential and business rates. (Council rates have been consistently lower than its neighbouring Illawarra-Shoalhaven councils (Wollongong, Shellharbour and Kiama), as well as the average of its comparable councils (classified as OLG group 5).
- Rising cost of materials, labour and contractors in an environment of significant civil works, among others.
- Increased expense of interest rates to loan borrowings.
- 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.
- Millions of dollars in grant funded improvements post fires and floods means we need to put more away each year to save for maintenance, renewal and 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.
- Council is now required to assume responsibility for some infrastructure, services and regulatory functions that were not previously its responsibility. This is occurring in an environment without the addition of sufficient supporting funding.

Council is committed to identifying further efficiency savings, further income must be generated to provide Council sufficient resources to deliver required services.

Why do Residential rates decrease at the end of this year before any increase (rate peg or special variation) is added for 2025-26?

The expiration of a temporary special variation (that had been in place for 10-years from 2015- 25) reduces Council's overall rate base on 30 June 2025; notionally reducing 2024-25 rates for Residential ratepayers, prior to the 1 July 2025 rates levy for 2025-26. The notional impact of this expiration is a \$19.52 reduction of the average Residential rate for 2024-25 (from \$1,519.12 to \$1,499.60) on 30 June 2025 prior to any increase (rate peg or special variation) is applied for the 2025-26 rating year.

Why can't Council just reduce staff numbers to save money, instead of increasing rates?

Local governments have to strike a balance between the number of staff needed to deliver the range of services required, perform the administrative tasks and complete the capital works and ongoing maintenance across the city. A reduction in numbers of staff will impact the level of service people can expect. With this in mind, this year, Council has reduced its recruitment by 43% compared to the year previous and is working through an organisation restructure that will dissolve a number of positions. [More information here.](#)

When will the condition of our stormwater infrastructure be assessed for repairs?

Management of Council's stormwater infrastructure is another significant challenge we face, with pockets of ageing pits and pipes spread across the LGA. While our current focus is on addressing the poor condition of the much more visible road assets, our engineers are also seeking out opportunities to improve our understanding of the condition of the stormwater network and manage those risks as best as possible as they present. This is a serious concern for us, as we have recent first-hand experience of the difficulties in repairing failed stormwater pipelines.

Council is currently preparing an inspection camera program for parts of its stormwater network, commencing this financial year, which will initiate the proactive collection of stormwater infrastructure information targeting high risk areas based on age, soil type, pipe joint type and proximity to known failures. The addition of funds via an SRV can only help to increase our capacity to undertake this inspection work and the repairs and renewals that are expected to follow in the years to come.