

How to assess the impact

A Special Rate Variation is calculated on the Ordinary Rate only. This is listed as a separate line item on your Rates Notice. Use only this amount to calculate the percentage increase applicable each year.

Your rates notice could also contain separate charges for Sewer, Water and Waste. These items are not impacted by any SRV.

At the completion of the implementation period for the SRV, currently proposed as a two year period, annual increases return to rate pegging amount only (between 1.5% - 2.5% set by the State Government).

An example table for the impact of the SRV options is below.

You can also access a Rates Calculator on Council's website www.svc.nsw.gov.au/srv

	Average Rate	\$ SRV increase 2022	\$ SRV increase 2023	\$ SRV increase total
Current	\$1,043			
Option A - 30% (15%+15%)	After two years: \$1,428 (including 2% rate peg)	\$156	\$183	\$339
Option B - 25% (12.5%+12.5%)	After two years: \$1,367 (including 2% rate peg)	\$130	\$149	\$279
Option C - 15% (7.5%+7.5%)	After two years: \$1,251 (including 2% rate peg)	\$78	\$86	\$164

What happens next?

Before proceeding with an application to NSW Independent Pricing and Regulatory Tribunal (IPART) for a SRV, Council must:

- Provide enough information to the community about the options for a SRV and its impacts and consider feedback
- Decide if to continue with an application for a SRV in November 2021
- Complete a SRV application and provide application to the community for further comment and feedback
- Decide to lodge the application in January 2022
- Formally submit application to IPART by 7 February 2022.

Have your say!
Visit www.svc.nsw.gov.au/srv

- Review community presentations and detailed financial analysis
- Use the rates calculator
- Make an online submission
- Complete a short survey

Make a submission by mail:

76 Capper Street, Tumut, NSW 2720

Contact Council on:
1300 ASK SVC
(1300 275 782)



Special Rate Variation

Community Information August/September 2021

Council is investigating a Special Rate Variation (SRV) and the introduction of increased efficiency measures.

This is to meet costs associated with maintenance and renewal of valued community assets and delivery of desired services.

The current sustainability target – the annual amount required to balance the budget with the income without grant funding – is approximately \$3.8M.

To meet the sustainability target, Council's options include:

- saving money by disposing, repurposing or selling assets,
- reducing services and cutting staff, and
- increasing income generated through rates, user fees and charges.

This document outlines why Council is considering applying for a SRV, and three potential options, each with a different balance of savings and income increases.

Each option includes Council making at least \$600,000 in efficiency gains – finding savings internally.

Why is a SRV being considered?

Council's income base is fixed, with any increase constrained to an annual 'rate peg' amount set by the State Government of (typically) between 1.5% and 2.5%.

Much like household bills, the cost to deliver services and maintain assets has increased, and often above the rate peg amount.

For instance, Council's annual Emergency Services Levy payment to the State Government has increased from \$454,542 in 2018-2019 to \$748,000 in the current financial year – an increase of 60% over that time.

This results in increasing pressure on Council's income to continue to deliver the same services for less and an increasing funding gap.

The SRV is a tool used by local government to ask for an official review in order to adjust Council's fixed income base when reducing operating expenditure alone does not balance the budget.

Council is not 'broke' or in debt. As at 30 June 2021, Council had \$38M in cash (including reserves and unrestricted cash) and investments and has minimal borrowings.

Applying for a SRV does not mean Council has 'run out of money'. However, it does indicate that the gap between the cost to deliver services and the fixed income is widening.

When reviewing this information and providing feedback, we're asking you to consider:

- What level of increased rates would be acceptable to ensure continuation of existing services?
- Is making operational changes and reducing services preferable to increasing rates?
- If a Special Rate Variation does not proceed, what service changes could be made to ensure Council can balance expenditure with service delivery?

Meeting the sustainability target

In addition to finding \$600,000 per year in productivity savings within the organisation of Council, the following four actions are also being considered to reduce the amount of any SRV:

Asset rationalisation

Selling, disposing, or repurposing buildings, structures or land that could be suitable for alternative management, are underutilised or no longer needed.

Council spends approximately 4.5% of building values on depreciation and maintenance each year.

Council has identified \$9.7M of building assets that could be considered for selling, suitable for alternative management or re-purposing to achieve a possible annual saving of \$437,000. Some of these include:

- Tumut Boys Club
- Tumut Museum
- Tumut Neighbourhood Centre
- Tumut Community Centre Complex
- Tumarumba Retirement Village
- Pioneer Hall.

Change service levels

Reviewing the frequency, quality and quantity of services provided to community.

An option to change current service levels is to reduce opening hours of Council facilities. It costs approximately \$100 per hour to keep these services open and accessible to the community.

Council's customer centres, community services, libraries and visitor information centre are open a combined 380 hours per week.

- Community services - 155 hours per week across all services
- Visitor information centres - 43 hours per week
- Libraries - 118 hours per week across all libraries
- Customer centres - 64 hours per week across both centres.

Reduce services

Cease providing a service or transition the service to someone else to provide, such as a community group or private operator.

Council currently spends \$2.5M of its general rate income delivering services that are outside Council's legislative obligation, which - with community approval - could be transferred or closed.

Transferring or ceasing 20% of these services would close the gap by approximately \$500,000.

Services that could be considered include:

- Provision of community grants
- Community donations
- Saleyard operations
- Delivering and supporting events
- Tourism development and promotions
- Community development activities – school holiday programs, public health campaigns.

Increase fees and charges

Transfer a larger portion of the cost of a service or facility to the direct users/beneficiaries rather than general ratepayers.

Council currently receives \$640,000 from general fees and charges for services like cemeteries, sporting facilities and community transport etc.

These fees and charges do not recover the full cost of the services so they are subsidised from the general rate income.

A 10% increase in fees and charges would generate an additional \$64,000 in revenue.

Options for consideration and review

Three options are being put forward for consideration, each containing different ratios of productivity savings, service changes and SRV.

The target dollar figure to be saved by making service changes is identified in each Option below. The specific services or assets that may be affected have not yet been decided. They would need to be further considered and determined by the community and Council as part of the annual budget process.

To assist with your consideration and feedback, examples of what the change may look like have been provided to help provide a greater understanding of each impact.

Option A

Special Rate Variation: 30% – implemented over two years (15% + 15%)

Productivity saving: \$600,000

Service changes: Nil

Option B

Special Rate Variation: 25% – implemented over two years (12.5% + 12.5%)

Productivity saving: \$600,000

Service changes: \$700,000 made up of -

Asset rationalisation: Sell, dispose of or repurpose \$4.8M of identified underutilised or redundant assets to reduce annual costs by \$220,000

Change to service levels: Reduce six hours per week across all or select services to reduce costs by approximately \$30,000

Reduce services: Transfer/cease services to reduce net costs by \$400,000 – the equivalent of the operation of Visitor Information Centres and tourism support activities.

Increase fees and charges: 8% additional increase in fees and charges to generate a further \$50,000 in annual revenue.

Option C

Special Rate Variation: 15% – implemented over two years (7.5% + 7.5%)

Productivity saving: \$600,000

Service changes: \$1.7M made up of -

Asset rationalisation: Sell, dispose of or repurpose \$7.3M of underutilised assets to reduce annual costs by \$330,000

Change to service levels: Reduce 12 hours per week across all or select services to reduce costs by approximately \$60,000

Reduce services: Transfer/cease services to reduce net costs by \$1.2M – the equivalent of Community Grants, Community Donations, Community Development, the operation of Visitor Information Centres and tourism support activities, Saleyards operations.

Increase fees and charges: 18% additional increase in fees and charges to generate a further \$110,000 in annual revenue.



Council is preparing an application for approval to implement a Special Rate Variation of 17.5% (including rate peg) in 2022-23 and 2023-24.

From July to September 2021 Council provided opportunities for community consultation and distributed information about financial sustainability and options for a Special Rate Variation (SRV).

The option to introduce a SRV was to meet increased costs associated with maintenance and renewal of valued community assets and the continued delivery of desired services.

Feedback from the community demonstrated both an opposition to a SRV and opposition to service reductions.

Council reviewed the feedback alongside budget and financial forecast advice from financial consultant Morrison Low at the October Council Meeting.

Morrison Low and Council officers recommended pursuing \$600,000 in annual productivity savings and introducing a SRV to avoid a significant reduction to current assets, services and large increases to user fees and charges.

Council determined to lodge a Notice of Intent with the NSW Independent Pricing and Regulatory Tribunal for a Special Rate Variation of 17.5% (including rate peg) in 2022-23 and 17.5% (including rate peg) in 2023-24.

The decision of Council instructs Council staff to:

- proceed with the development of a SRV application for consideration by the new Council in January 2022
- develop and deliver information and opportunities for feedback to the community on the SRV of 17.5%+17.5% (including rate peg) between 25 October and 28 November 2021
- place the updated Long-Term Financial Plan reflecting the proposed SRV on public exhibition
- develop a report on the community consultation outcomes, along with the completed Special Variation Application for consideration and determination of an application for a Special Rate Variation by Councillors at the January 2022 Council meeting.

When will the decision to submit an application be made?

The new Council will consider the feedback at the Ordinary Council Meeting on 20 January 2022 and determine:

- whether to proceed with the SRV application as proposed,
- modify the SRV application to a lesser amount, or
- not proceed with a SRV.

For more information, come along to an online community meeting on **Monday 22 November at 6.00pm** by following the link at www.svc.nsw.gov.au/srv

How to assess the financial impact of a Special Rate Variation

A Special Rate Variation is calculated on the Ordinary Rate only. This is listed as a separate line item on your Rates Notice. Use only this amount to calculate the percentage increase applicable each year.

The separate charges for Sewer, Water and Waste are not impacted by any SRV.

At the completion of the implementation period for the SRV, currently proposed as a two year period, annual increases return to rate pegging amount only (between 1.5% - 2.5% set by the State Government).

The table below provides the impact of the 17.5% (including rate peg) in 2022-23 + 17.5% (including rate peg) in 2023-24 SRV against the average rate in each category.

To assess the impact of a SRV against your Ordinary Rate, you can use the Rates Calculator on Council's website www.svc.nsw.gov.au/srv or contact Council to assist on 1300 275 782.

	2021-22 Average Rate	\$ SRV increase 2022-23 Including 2.5% rate peg	\$ SRV increase 2023-24 Including 2.5% rate peg	Total increase over 2 years including 2.5% annual rate peg	2023-24 Average Rate
Average Annual Ordinary Rate across all Rating Categories	\$1,043	\$183	\$214	\$397	\$1,440
Average Annual Ordinary Residential Rate	\$661	\$116	\$136	\$252	\$913
Average Annual Ordinary Business Rate	\$1,521	\$266	\$313	\$579	\$2,100
Average Annual Ordinary Farmland Rate	\$2,007	\$351	\$413	\$764	\$2,771

What happens next?

To proceed with the application for a Special Rate Variation, Council must:

- Provide detail on the SRV impact to the community for further comment and feedback until 28 November 2021
- Complete the SRV application
- Decide to lodge the application at the Ordinary Council Meeting in January 2022
- If decided to lodge, formally submit the application to IPART by 7 February 2022
- IPART review, invite feedback and provide determination in May 2022.

For more information and to make a submission visit:

www.svc.nsw.gov.au/srv

Make a submission by mail:

76 Capper Street, Tumut
NSW 2720

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(1300 275 782)