

Special Rate Variation Fact Sheet

Upper Lachlan Shire Council is considering submitting an interest and the proceeding with an application to the Independent Pricing and Regulatory Tribunal (IPART) to raise the annual general rate income by an amount above the rate peg that is set by IPART. The amount that the general rate is proposed to be increased is sufficient to address the financial sustainability concerns raised in the Financial Sustainability Review Key Findings completed by an independent consultant – AEC Group. Information about the Review completed by AEC Group is available on Council's website. Council is considering the following options for the 2024/25 Budget and future year's Budgets:

Options Being Considered	2024/25	2025/26	2026/27	Cumulative Impact
Base Case – Assumed Rate Peg Only	3.5%	2.5%	2.5%	8.74% (over three years)
Option 1 – One Year SRV (including rate peg)	55%	2.5%	2.5%	62.85% (over three years)
Option 2 – Three Year SRV (including rate peg)	35%	15%	5%	63.01% (over three years)

What is a Special Rate Variation (SRV) and Rate-Pegging?

Rates increase every year in line with an amount set by the NSW State Government. This amount is calculated every year and is called the 'rate peg'. It is decided by the Independent Pricing and Regulatory Tribunal (IPART).

If a Council's general rate revenue is not enough to maintain service levels, it can apply to IPART to increase overall general rate revenue by more than the rate peg. This is known as a Special Rate Variation (SRV). In order to apply for an SRV councils must demonstrate to the community and IPART that they need the money and have implemented improvements to be more efficient and productive.

More information about Rate Pegging and SRV can be found on the IPART website www.ipart.nsw.gov.au

What is the need for a Special Rate Variation?

Council has produced a consolidated net operating deficit (excluding capital grants) for the 2020/21 and 2021/22 financial years, with budgeted deficits to be produced for 2022/23 and 2023/24. The operating deficit is not due to sewer or waste services, but rather other services and infrastructure within the General Fund. The revenue sources of the General Fund is predominantly funded by the general rate revenue, fees for services and operating grants.

The operating deficits in the General Fund are not expected to be rectified without action to correct the net operating position. While Council has achieved recent efficiencies (outlined in the AEC report Service Profile – Improvement Plan), and intends to continue to reduce costs wherever possible, an increase in the general rates income is essential to correct the deterioration in Upper Lachlan Shire Council's cash position and deterioration of infrastructure.

What will happen if the Special Rate Variation is not implemented?

Based on the current financial settings, Council will not be financially sustainable in the long term. Without intervention, Council's infrastructure backlog will continue to grow, and assets will deteriorate and not meet the desired service levels. Council will need to balance the allocation of funding, including significant service level reductions to ensure that an appropriate amount of funding remains available to maintain an acceptable level of risk, and compliance with legislative requirements.

Base Case – Rate-Peg Increases only

Where Council's rating revenue will increase only by the rate-peg set by IPART – expected to be 3.5% in 2024/25 and then assumed rate-pegging of 2.5% each year thereafter. The cumulative increase over three years is 8.74%.

Assets and service levels will deteriorate, as revenue generated is not sufficient to generate the cash required for investment in infrastructure. The current infrastructure backlog will not be addressed and will continue to grow as additional assets deteriorate below satisfactory condition.

Service level reductions will be inevitable over the next 10 years across various Council operations. The proposed indoor heated pool may not be constructed. Council will be required to reduce the range of services and close unsafe facilities when the deterioration of the asset is considered an unsafe risk. Council will rationalise asset wherever possible, selling assets where possible, reducing the range and levels of service that Council provides.

This scenario is not sustainable over the long term and will reduce the liveability in our community that the Council supports and enables with the current services provided.

Option 1 – One Year SRV as a permanent 55% in 2024/25 (including rate peg)

Where Council's rating revenue is increased permanently by 55% in 2024/25 and then by the rate-peg each year thereafter. This will generate an additional \$4.48 million compared to Option 2 Base Case in 2024/25 and then increasing each year by the rate peg.

This increase in revenue will enable an additional investment in asset renewals each year to stabilise the current infrastructure backlog as well as to fund the projected increase in operating costs due to the new proposed indoor heated pool.

Council will continue to improve efficiency in the service delivery that will be required in addition to the additional rate revenue. The efficiencies historically achieved and proposed to be achieved are outlined in the Financial Sustainability Report AEC report Service Profile – Improvement Plan.

This option is considered to be financially sustainable for the Council in the long term.

Option 2 – Three Year SRV as a permanent 55.25% (including rate-pegging) over 3 years commencing in 2024/25

Where Council's rating revenue is increased permanently by 35% in 2024/25 year, a further permanent 15% in 2025/26 and a permanent 5% increase in 2026/27 – and then by the rate-peg each year thereafter. This will generate an additional \$2.74 million compared to Option 1 in 2024/25, a cumulative increase of \$4.3M in 2025/26 and a cumulative increase of 4.7million in 2026/27 – increasing each year after that by the rate peg.

Compared to Option 1, the increase in revenue will be gradual enabling a staged additional investment in asset renewals each year to stabilise the current infrastructure backlog as well as to fund the projected increase in operating costs due to the new proposed indoor heated pool with construction not finalised until 2026/27 in this scenario.

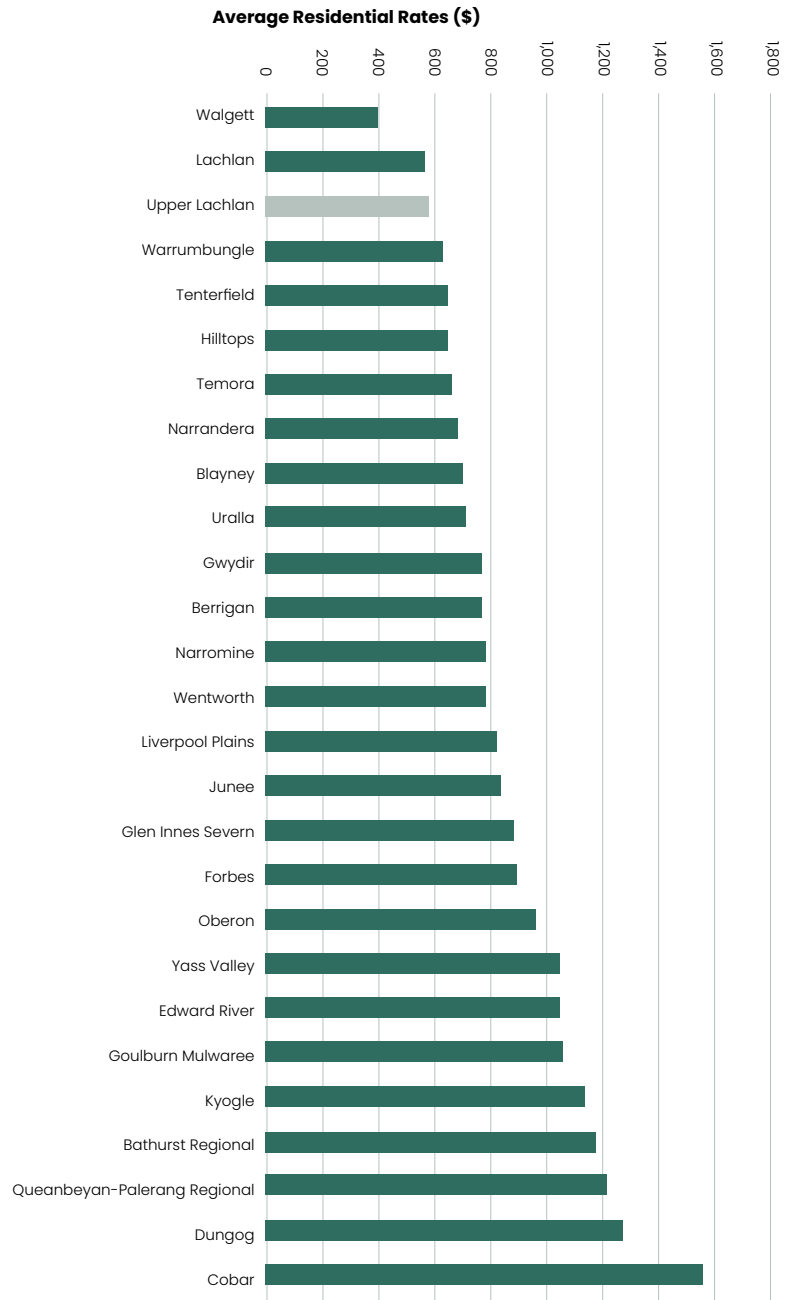
Council will continue to improve efficiency in the service delivery that will be required in addition to the additional rate revenue. The efficiencies historically achieved and proposed to be achieved are outlined in the Financial Sustainability Report.

This option is considered to be financially sustainable for the Council in the long term.

How do Upper Lachlan Shire Council's general rates compare to other similar sized Councils?

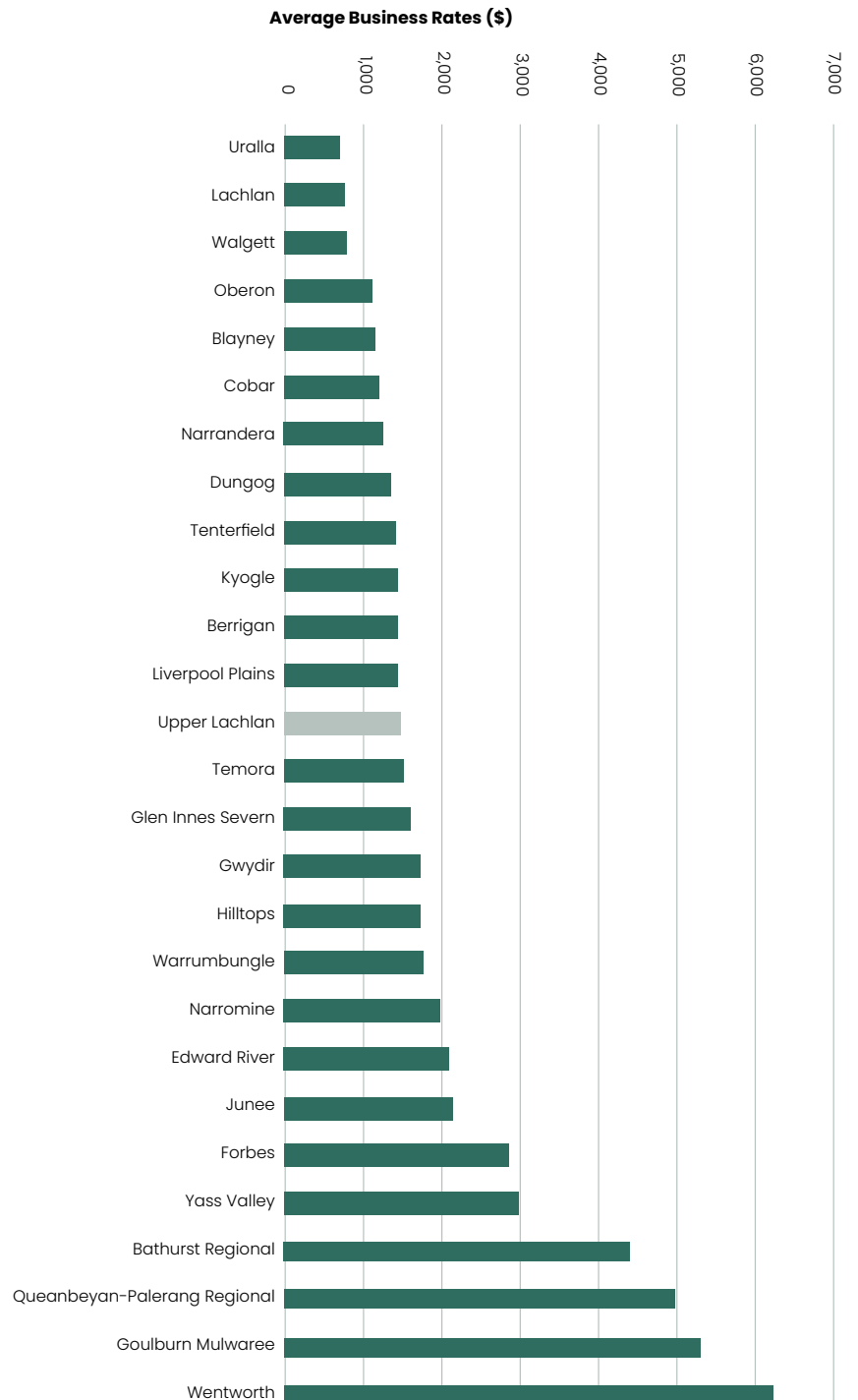
Residential Rates

Residential Rate Category	2021/22 Average General Rate (\$)
Group 10 Councils	
Walgett	398
Lachlan	570
Upper Lachlan	575
Warrumbungle	625
Tenterfield	637
Temora	660
Narrandera	688
Blayney	702
Uralla	715
Gwydir	769
Berrigan	771
Narromine	778
Wentworth	793
Liverpool Plains	819
Junee	829
Glen Innes Severn	881
Forbes	890
Oberon	959
Edward River	1,051
Kyogle	1,134
Dungog	1,272
Cobar	1,552
AVERAGE GROUP 10 COUNCILS	821
Other Councils	
Goulburn Mulwaree	1,057
Yass Valley	1,050
Hilltops	649
Bathurst	1,173
Queanbeyan-Palerang	1,212



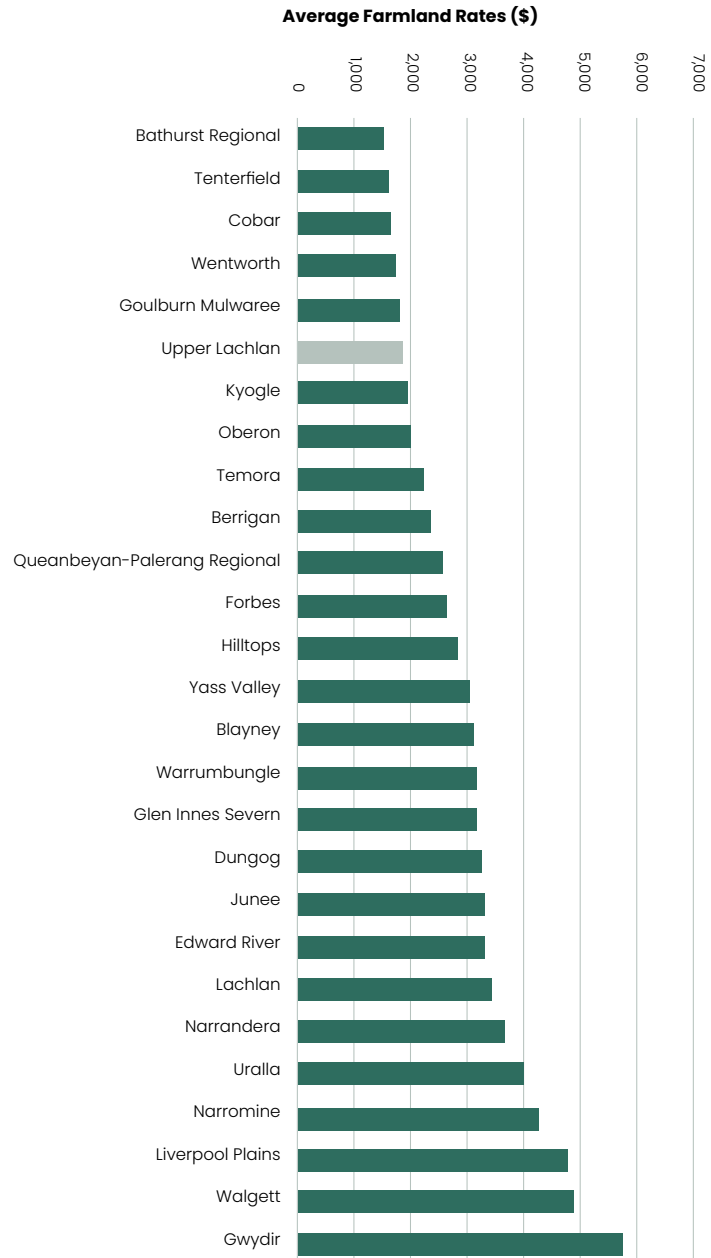
Business Rates

Business Rate Category	2021/22 Average General Rate (\$)
Group 10 Councils	
Uralla	680
Lachlan	735
Walgett	766
Oberon	1,094
Blayney	1,134
Cobar	1,165
Narrandera	1,233
Dungog	1,319
Tenterfield	1,388
Kyogle	1,422
Berrigan	1,427
Liverpool Plains	1,433
Upper Lachlan	1,450
Temora	1,481
Glen Innes Severn	1,596
Gwydir	1,702
Warrumbungle	1,717
Narromine	1,948
Edward River	2,089
Junee	2,106
Forbes	2,823
Wentworth	6,237
AVERAGE GROUP 10 COUNCILS	1,679
Other Councils	
Goulburn Mulwaree	5,294
Yass Valley	2,965
Hilltops	1,715
Bathurst	4,396
Queanbeyan Palerang	4,981



Farmland Rates

Farmland Rate Category	2021/22 Average General Rate (\$)
Group 10 Councils	
Tenterfield	1,629
Cobar	1,683
Wentworth	1,777
Upper Lachlan	1,910
Kyogle	1,974
Oberon	2,019
Temora	2,228
Berrigan	2,351
Forbes	2,628
Blayney	3,110
Warrumbungle	3,186
Glen Innes Severn	3,189
Dungog	3,254
Junee	3,303
Edward River	3,319
Lachlan	3,449
Narrandera	3,669
Uralla	4,027
Narromine	4,235
Liverpool Plains	4,774
Walgett	4,840
Gwydir	5,771
AVERAGE GROUP 10 COUNCILS	3,106
Other Councils	
Goulburn Mulwaree	1,831
Yass Valley	3,080
Hilltops	2,848
Bathurst	1,537
Queanbeyan Palerang	2,566



What is the impact of the SRV on my rates?

The following tables show the impact of implementing the SRV on the average rates by rate category.

Base Case	Average Land Value 2023/24	Average Rate 2023/24	2024/25 Average Rate	2025/26 Average Rate	2026/27 Average Rate	Cumulative increase % from 2023/24
Farmland	\$1,439,898	\$2,023.78	\$2,094.61	\$2,146.97	\$2,200.65	8.74%
Residential	\$202,152	\$644.99	\$667.57	\$684.26	\$701.36	
Res Non Urban	\$344,607	\$782.78	\$810.17	\$830.43	\$851.19	
Business Crookwell	\$116,827	\$1,024.82	\$1,060.69	\$1,087.21	\$1,114.39	
Business Gunning	\$135,706	\$766.28	\$793.10	\$812.92	\$833.25	
Business Taralga	\$178,270	\$792.33	\$820.06	\$840.57	\$861.58	
Business General	\$394,936	\$6,710.22	\$6,945.08	\$7,118.70	\$7,296.67	
Mining	\$323,000	\$2,160.52	\$2,236.14	\$2,292.04	\$2,349.34	

Option 1 – One Year SRV	Average Land Value 2023/24	Average Rate 2023/24	2024/25 Average Rate	2025/26 Average Rate	2026/27 Average Rate	Cumulative increase % from 2023/24
Farmland	\$1,439,898	\$2,023.78	\$3,136.85	\$3,215.27	\$3,295.65	62.85%
Residential	\$202,152	\$644.99	\$999.74	\$1,024.73	\$1,050.35	
Res Non Urban	\$344,607	\$782.78	\$1,213.30	\$1,243.63	\$1,274.73	
Business Crookwell	\$116,827	\$1,024.82	\$1,588.47	\$1,628.18	\$1,668.89	
Business Gunning	\$135,706	\$766.28	\$1,187.73	\$1,217.42	\$1,247.86	
Business Taralga	\$178,270	\$792.33	\$1,228.11	\$1,258.82	\$1,290.29	
Business General	\$394,936	\$6,710.22	\$10,400.84	\$10,660.86	\$10,927.38	
Mining	\$323,000	\$2,160.52	\$3,348.80	\$3,432.52	\$3,518.34	

Option 2 – Three Year SRV	Average Land Value 2023/24	Average Rate 2023/24	2024/25 Average Rate	2025/26 Average Rate	2026/27 Average Rate	Cumulative increase % from 2023/24
Farmland	\$1,439,898	\$2,023.78	\$2,732.10	\$3,141.91	\$3,299.01	63.01%
Residential	\$202,152	\$644.99	\$870.74	\$1,001.35	\$1,051.42	
Res Non Urban	\$344,607	\$782.78	\$1,056.75	\$1,215.26	\$1,276.02	
Business Crookwell	\$116,827	\$1,024.82	\$1,383.51	\$1,591.03	\$1,670.58	
Business Gunning	\$135,706	\$766.28	\$1,034.47	\$1,189.64	\$1,249.13	
Business Taralga	\$178,270	\$792.33	\$1,069.65	\$1,230.10	\$1,291.60	
Business General	\$394,936	\$6,710.22	\$9,058.80	\$10,417.62	\$10,938.50	
Mining	\$323,000	\$2,160.52	\$2,916.70	\$3,354.21	\$3,521.92	