



Approved for release by Chief Executive Officer, Alex Waldron

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MEDIA RELEASE

Consideration of Special Rates Variation

The Extraordinary Meeting of Council on 31 July 2023, upon considering “*Proposed allocation of funding to commence the Special Rates Variation to General Income Process*”.

RESOLVED That -

1. Council allocates funding of \$115,000 (GST Exclusive) in the 2023/2024 Operational Plan to engage the services of a consultant to prepare a Financial Sustainability Review, Long Term Financial Plan gap analysis and Asset Management Strategy gap analysis on Council business operations. In addition, prepare a capacity to pay report, Resourcing Strategy updates, community engagement and prepare the application for a Special Rate Variation to General Income addressing the IPART special variation assessment criteria.
2. Council's Director of Finance and Administration enter into direct commercial negotiations for the purpose to engage the services of AEC Group Ltd to undertake the Financial Sustainability Review and other associated analysis reports to support a Special Rate Variation application.
3. Council provides in principle support for the intention to apply to the Independent Pricing and Regulatory Tribunal (IPART) for a special variation to general ordinary rates income in accordance with Section 508A, of the Local Government Act 1993. The special variation is proposed to take effect in the 2024/2025 financial year.

Why consider a Special Rate Variation?

Council has a very small rate base, low population with a large geographical area to service. Improving the Council's long-term financial sustainability to continue to deliver the existing services and infrastructure is critical. Council has had operational budget deficit results in the past two years and is this is projected to continue in the Long Term Financial Plan.

Councils across the state are experiencing large annual cost pressure escalations in operational activities costs, many of which are outside of our control and exceed projected income increases. Examples include Emergency Services Levy (ESL), audit fees, insurance costs, energy costs, asset depreciation expense, materials/construction expenses, wages and superannuation costs and capital works project costs escalation are well above CPI.

Upper Lachlan Shire Council has not previously applied for a special variation. A snapshot of special rate variation determinations shows that only 42 councils of 128 total councils in NSW have not applied for a special variation since 2011. Eighty-six Councils (or 67% of all Councils) across the state have implemented a special rates increase in their LGAs.



Prior to submitting a special variation application, Council needs to demonstrate if there is a need for additional rates income. That is why an independent Financial Sustainability Review will be undertaken by a reputable independent specialist industry consultant engaged by the Council.

Council will be required to provide evidence that the community is aware of the need for and extent of a rate rise. In addition, Council and IPART will consider if the community is supportive of a need to warrant a special variation rates increase and if the community has the capacity to absorb the increased rates expense. Extensive community consultation and engagement is a key component of the process.

It is prudent for Council to start the financial sustainability and asset strategy analysis now and plan for a special variation. Council wants to be open and transparent and partner with the community on this journey to ensure the Council financial position is sound for years to come.

A Special Rate Variation is only one of many steps in the analysis required of Council business unit operations. Council will be looking at productivity improvements, reducing expenses, reviewing asset utilisation and asset maintenance backlog.

As one of the 33% of Councils that have never applied for a special rates variation, Upper Lachlan Shire Council is reluctant to impose this increase on rate payers however our current circumstances dictate that we investigate this option.

ENDS

For media enquiries please contact Upper Lachlan Shire Council Communications Officer, Chris Gordon on 4830 1000.