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Upper Lachlan Shire Council

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20 October 2023

Dear Resident,

Upper Lachlan Shire Council's Proposed Special Rate Variation (SRV)

Council has given in principle support for the intention to apply for a Special Rate Variation (SRV) to ensure Upper Lachlan Shire Council's ongoing long-term financial sustainability. As part of the process to clarify the need for an SRV, Council engaged AEC Group Ltd to undertake an independent financial sustainability review and prepare SRV options. The central premise of the consideration is that Council must achieve at least a break-even result in its general fund in order to be sustainable.

Consideration of a SRV is an unprecedented measure for Upper Lachlan Shire Council and Council are now seeking the community view on proposed SRV options. The decision to apply for a SRV has not been taken before by Upper Lachlan, however 67% of NSW Councils have already taken this step and a number of councils are seriously considering a special variation for the 2024/2025 financial year.

An SRV allows a council to increase its general income above the rate peg under the provisions of the Local Government Act 1993. SRVs can be for one year or several years and may be permanently retained in the rates base.

Council feels it is necessary to consider a special rate variation, as without this variation, Council will not be able to continue to maintain and renew essential infrastructure like roads, bridges, sporting fields, playgrounds, libraries and community facilities. If an SRV is not pursued the Council will need to reduce the range and level of services provided. This will impact on the liveability of community and is therefore not an option the Councillors want to pursue.

Each year, councils intending to apply for an SRV, must notify the Independent Pricing and Regulatory Tribunal (IPART) of their intention by 24 November 2023. The deadline to make application for a SRV, to IPART, is 5 February 2024. The applications are assessed against criteria listed in the Office of Local Government's Guidelines. These include undertaking long term financial planning, ensuring community awareness of the need and extent of the proposed increase in rates and consideration of the impact on ratepayers and the community's capacity and willingness to pay. In addition, councils must meet criteria related to productivity improvements, efficiencies and cost containment.

Why consider a Special Rate Variation?

Council has a small rate base of 6,524 Rates Assessments, a low population of 8,514, a large geographical area of 7,127 square kilometres and an immense road network of over 2,000 kilometres to service. Improving the Council's financial sustainability to continue to deliver the existing services and infrastructure is critical. Council has forecast operational budget deficit results for the next ten years in the Long Term Financial Plan.

NSW councils are experiencing large annual cost of living price escalations in operational activities costs which are outside of our control. These exceed projected income and go beyond the annual rate peg. Examples include; Emergency Services Levy (ESL), audit fees, insurance and energy costs, materials/construction expenses, employee wages and superannuation cost increases. In addition, capital works project material costs escalations experienced in the past three years are well above the CPI increases.

Council is presenting two special rate variation options to the community, plus the base case which relies on the rate peg set by IPART each year. The proposed increase would be permanently retained in the rates base.

Scenarios	2024/2025	2025/2026	2026/2027	Cumulative
Base Case – Assumed Rate Peg	3.50%	2.50%	2.50%	8.74% (over three years)
Option 1 – One year SRV (including rate peg)	55%	2.50%	2.50%	62.85% (over three years)
Option 2 – Three year SRV (including rate peg)	35%	15%	5%	63.01% (over three years)

In November 2023, Council is undertaking a series of community meetings / drop-in sessions where residents can speak to Council to better understand what this will mean to them. Council strongly encourages residents to attend one of the following sessions.

Town/Village	Meeting Date	Time	Meeting Venue
Bigga	Wednesday, 1 November 2023	9-11am	Bigga Memorial Hall
Tuena	Wednesday, 1 November 2023	1-3pm	Tuena Hall
Taralga	Thursday, 2 November 2023	9-11am	Taralga War Memorial Hall
Crookwell	Thursday, 2 November 2023	12-2pm	Emily Chalker Building
Gunning	Thursday, 2 November 2023	3-5pm	Gunning Shire Hall
Collector	Friday, 3 November 2023	10am-12pm	Collector Oval Pavilion


If you are unable to attend one of the above meetings or would like more information on the Special Rate Variation it can be found on Council's website on the homepage:

<https://upperlachlan.nsw.gov.au/council/special-rate-variation>

Council welcomes community feedback and you may make a submission at Council's website or by email addressed to Council Chief Executive Officer council@upperlachlan.nsw.gov.au or by post to PO Box 42, GUNNING NSW 2581.

As one of the 33% of Councils that have never applied for a SRV, Upper Lachlan Shire Council is reluctant to impose an increase on ratepayers, however our current circumstances dictate that Council has to investigate and seriously consider the proposed SRV options.

Regards



Clr Pam Kensit

Mayor - Upper Lachlan Shire Council