

28 November 2023

Dear XXXX

RE: Proposed rates increase for financial sustainability

Council recently commissioned an independent, expert review of our finances to determine the overall income and expenditure needed to restore and continue to provide services across the city in the immediate and long term.

The impacts of consecutive natural disasters and the COVID pandemic during the last five years has significantly depleted Council's cash reserves and increased operational costs. In addition, increased costs due to rapidly rising inflation has increased the gap between income and expenses, impacting the ability of Council to fix roads, footpaths and buildings to a suitable standard.

The independent financial report estimates that there is a \$25 million to \$35 million annual shortfall in the General Fund that needs to be addressed. The impact of inflation will only continue to increase this deficit if it is not corrected.

As a result, there are a number of strategies being considered by Council that are outlined in our draft Resourcing Strategy and Long-Term Financial Plan 2024 – 2034 to improve our financial position.

Recommendations include

- Review fees and charges and consider potential asset sales.
- Ongoing productivity and efficiency measures in our operations.
- Consider two options for a proposed Special Rate Variation (SRV):
 - (1) 32% increase in 2024-25 (inclusive of rate peg); or
 - (2) 18% increase in 2024-25, 13% increase in 2025-26 and 8% increase in 2026-27 (inclusive of rate peg).

The financial impact of these SRV options on the average residential rates would be an increase in 2024-25 of \$467 for Option 1 and \$263 for Option 2.

Under Option 1, the increase in residential rates from 2025-26 would be limited to the IPART approved rate peg, while under Option 2 the average residential rate would increase by \$224 in 2025-26 and \$156 in 2026-27, and return to the approved IPART rate peg from 2027-28.

Why we need to take action now

With the increases in the cost of living, Council understands that any rates increase would be an additional concern to households. However, the impact inflation is having

on households and businesses is also contributing to the rising operating expenses for Council.

Financial modelling shows that without an increase in rates, Council will be unable to meet community expectations on service delivery and maintain or improve assets like roads, bridges and community facilities, or replenish our cash reserves to be drawn on to respond to unforeseen events. Council's reduced cash position leaves the city vulnerable should the need arise unexpectedly for Council to respond to another natural disaster.

What Council will be doing to reduce costs

Council as an organisation is implementing a number of initiatives to meet a minimum target of \$3 million in efficiency savings during the next four years. These include:

- Implementing asset management improvements identified in the Financial Sustainability Review including the establishment of a project management office and contemporary project management framework.
- Strategically reviewing and updating asset management plans and asset condition data, commencing with road assets in early 2024.
- Detailed service review program which will assess service levels and investigate and implement improvements to the way we deliver for our community.

Provide your feedback

Council resolved at its Ordinary meeting on Monday 20 November 2023 to take action to address our current financial position with the first step being place the draft Resourcing Strategy 2022-26, including the Long-Term Financial Plan, Workforce Management Planning Strategy, Asset Management Strategy, and Information Communication Technology Strategy on public exhibition.

You can provide feedback on these documents and the proposed Special Rate Variation options until 10 January 2024.

We have also created a survey to help guide conversations about reviewing service levels alongside finding other potential efficiencies. Council provides over 80 direct services to residents, ratepayers, visitors and the wider community. These include libraries, swimming pools, construction and maintenance works, as well as legislated activities like food safety inspections and assessing development applications.

This information is all available on the www.getinvolved.shoalhaven.nsw.gov.au website.

Next steps

- Have your say via survey or written submission until Wednesday 10 January 2024.

- Council will meet on 29 January 2024 to decide whether to adopt recommendations.

If Councillors vote for the rates increase, an application will be lodged with IPART in February 2024, and we expect IPART will notify Council of its decision by June 2024.

I strongly encourage you to head to our Get Involved page for detailed information and to provide your feedback.



Regards,

A handwritten signature in black ink, appearing to read "Stephen Dunshea", is written over a thin horizontal line.

Stephen Dunshea

Chief Executive Officer