



Special Rate Variation Community Meetings

Junee Shire Council

September 2022



Introduction

- Welcome
- Who are Morrison Low?
 - We are a local government focused management consultancy with expertise in helping councils address sustainability challenges.
 - Morrison Low have independently reviewed Junee Shire Council's financial position and modelled options to close the financial gap to become more sustainable.
- Purpose for today:
 - to inform you of the Special Rate Variation (SRV) and the reasons for it
 - to provide you with an opportunity to ask question to understand the challenges facing council and the reasons for the SRV.
 - By the end of this meeting you should be more informed to form and express your views on the SRV.

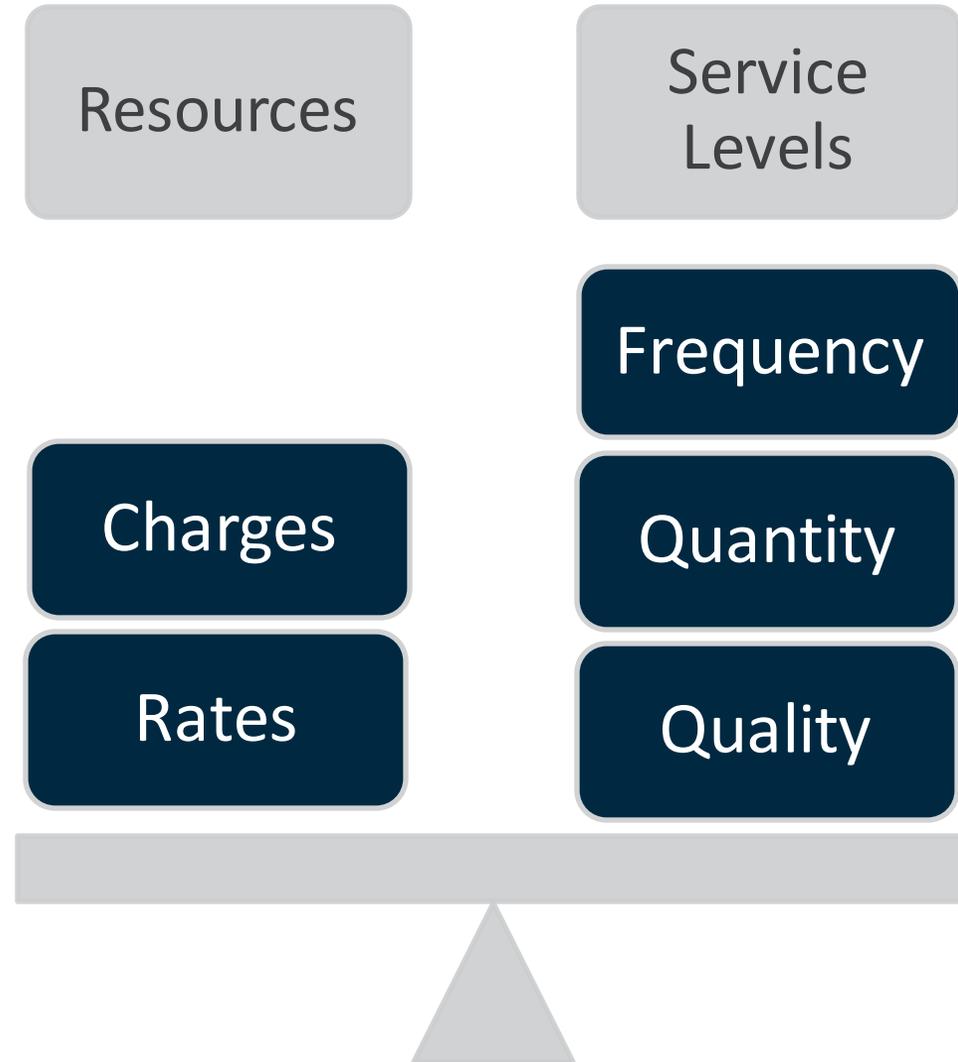
Today's process

- Presentation on the Council's current financial position, the proposed SRV and the impact on average rates.
- Opportunity to ask questions at the end of the presentation.
- This forum will cover:
 - Council's current financial position
 - The proposed SRV and what it will be used to fund
 - Impact on average rates
 - The SRV process and next steps.
- This forum is not intended to:
 - Review Council's Delivery Program or Community Strategic Plan
 - Make a decision on whether to apply for the SRV

Council must be financially sustainable

- The Local Government Act requires councils to apply sound financial management principles
- S8(b) of the Act - Council spending should be responsible and sustainable, aligning general revenue and expenses.
- This includes:
 - achieving a **fully funded operating position**
 - **maintaining sufficient cash reserves**
 - having an appropriately **funded capital program**
 - **maintaining its asset base** ‘fit for purpose’
 - having adequate resources to meet ongoing **compliance obligations**.
- **Not negotiable** - failure to meet these obligations can lead to NSW Office of Local Government intervention.

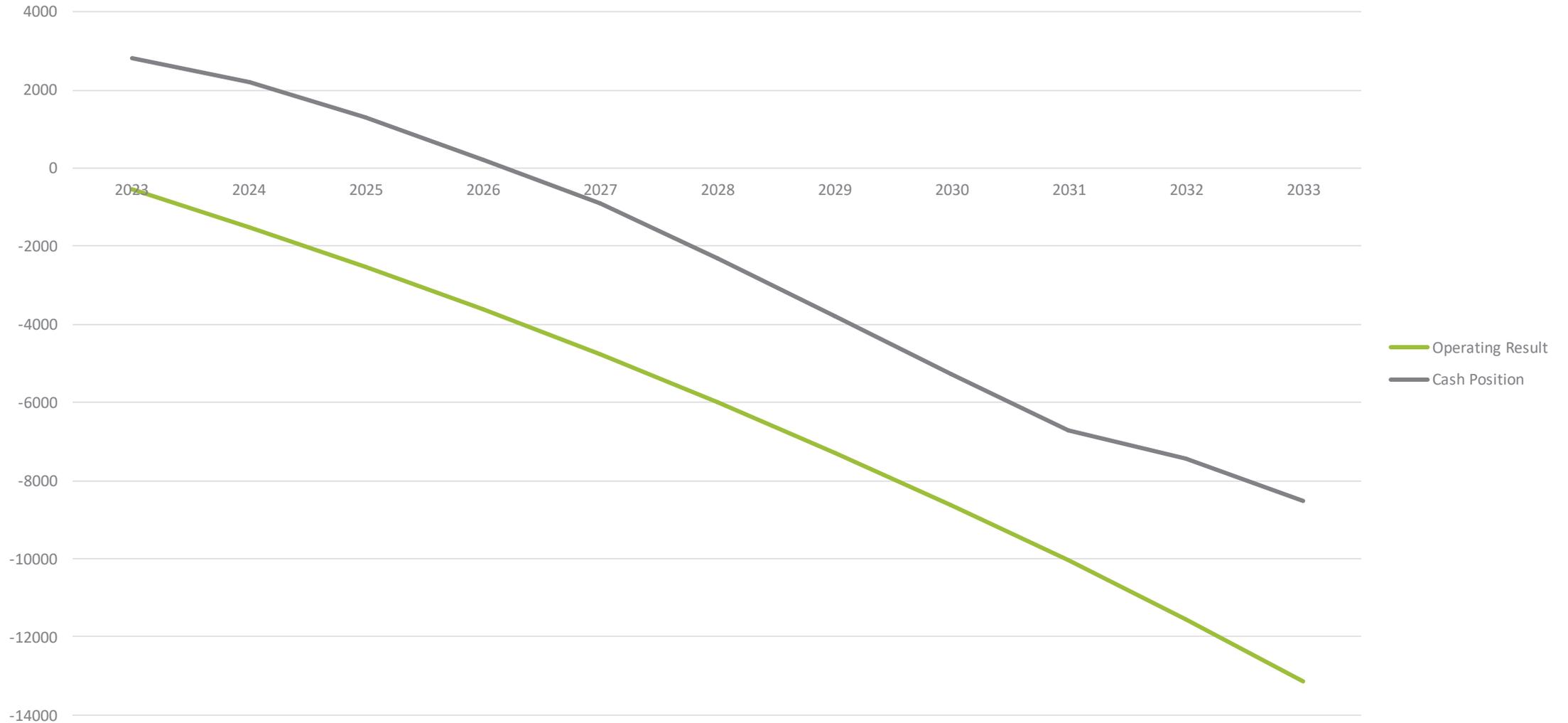
Balancing services and resources



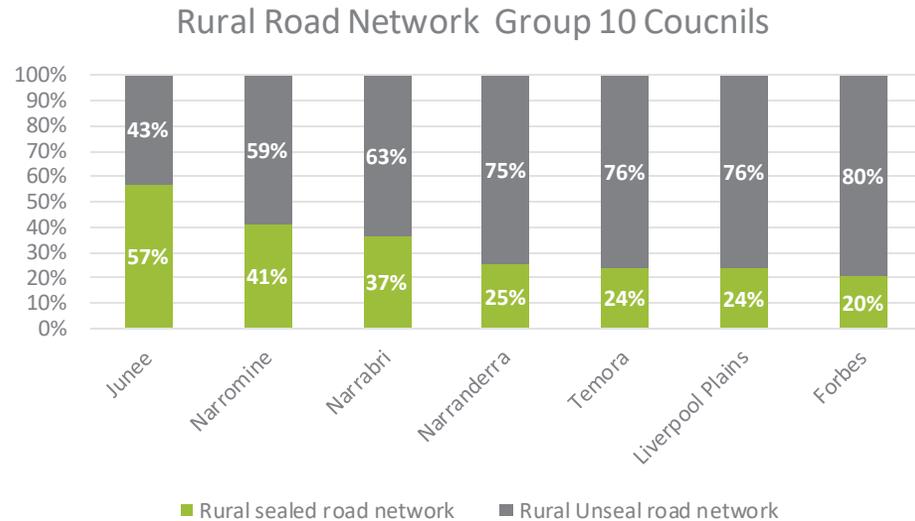
Council's current financial position

- This process is only concerned with the General Fund rates.
- Over the last three years the net operating result for the General Fund has declined from a surplus of \$630k for 2019/20 to an *estimated* deficit of **\$538k** for 2023/24.
- Under spending on asset renewal expenditure ~ at \$590k per year
- Morrison Low's analysis indicates a 10-year funding gap for general fund in the order of \$13.1 million (average \$1.2million p.a.) as shown below.
- Inadequate cash for General Fund

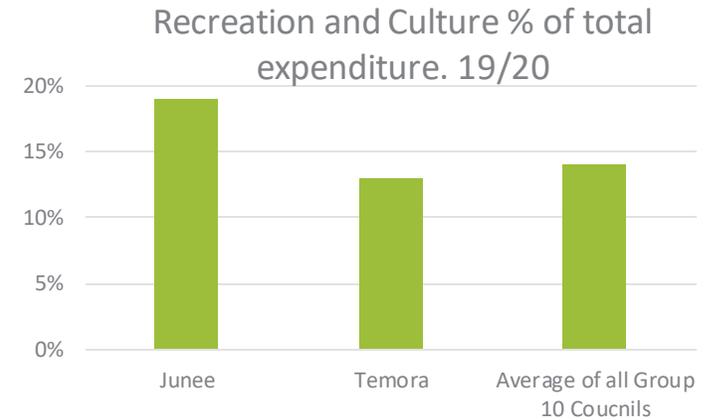
General Fund – funding and cash gaps



Impacts on Council sustainability



Junee Shire Council’s rural road network has a high percentage of sealed roads 57% compared to other group 10 council average of 28%



Council Recreation and Culture spending as a percentage of overall expenditure is higher when compared to other group 10 councils.

Council provides excellent recreation and cultural amenities particularly in the areas of sporting fields, heated swimming pool and parks and gardens.

Impacts on Council sustainability

- Following are cost implications of increased compliance burdens that have been included into Council's base case operating cost structure:
 - ARIC - internal audit program using external/internal resources – between \$100k and \$150k pa
 - RFS contributions (Emergency Service Levy) increase over 2021 - \$110k pa
 - Election costs - over 100% increase ~ \$35k
 - Cyber security/modernise systems/fraud prevention ~ \$150K pa
- Grant funding for new assets > increases asset maintenance and depreciation costs

Journey so far

- Identified and implemented savings
- Continuing with improvement program to drive efficiencies – no significant savings
- Absorbed additional compliance costs
- Considered further service reductions and fee increases
- Developed three potential sustainability options
- Determine the preferred option for community consultation

Sustainability improvements implemented

Improvements implemented and savings included

- LED lighting (street lighting) ~ savings \$30k pa
- LED lighting (buildings) commence implementation
- Automated irrigation system – efficiency gains
- Green power energy – smart metering implemented
- FBT savings ~ \$40K pa
- Reduction in passenger vehicles -5 vehicles ~ \$100k pa
- Change in vehicle specifications – reduced capital cost
- Extending the life of heavy plant
- Increase in fuel tax credit rebates saving \$50k pa
- Review vacant positions to gain efficiencies – short term
- Reduce debt by \$2m over two years ~ saving \$80k pa
- Condition based asset maintenance – based on need not program (efficiency)
- Internal borrowings – saving \$25k
- Reduced leave liability

Sustainability improvements considered

Sustainability improvements	Suggestions	Potential impacts
Reduce services/levels	<ul style="list-style-type: none"> • P&G service reduce maintenance \$200K • Reduce roads operating and asset maintenance expenses \$170K • Library, recreation centre - future service review • Develop service plans 	<p>Cost of reduce service level</p> <p>Change in service levels</p>
Increased fees and charges	<ul style="list-style-type: none"> • Recreation centre improve recovery costs from 47% to 55% ~ +\$85k pa • Review commercial lease +\$30k 	Total fees and charges less RMCC is \$700K 1% ~ \$7K pa
Cease/transfer services	<ul style="list-style-type: none"> • Family day service ~ net saving \$113k pa 	Service net cost
Sell assets	No significant assets surplus to community needs	For every \$1m asset value sold ~ \$25K (2.5% for maintenance and depreciation costs)
SRV		1% increase in general rates ~ \$43k per

So the **ISSUES** for Junee's Sustainability

- To a ***fully funded operating position***:
 - Stagnant revenue and increased costs
 - Costs to fund and operate new assets
 - Increased compliance costs
- To ***sufficient cash reserves***:
 - Insufficient cash to generate appropriate internal and external cash reserves.
 - Limited cash build for operation needs
 - No cash build up to fund asset renewals.

So the **ISSUES** for Junee's Sustainability

- To a ***funded capital program***:
 - Currently Council assets are under funded to sustain assets to required service levels.
 - Partly funded 10 year capital works program.
- To an asset base that is ***'fit for purpose'***:
 - Additional asset renewal expenditure required

Sustainability options considered

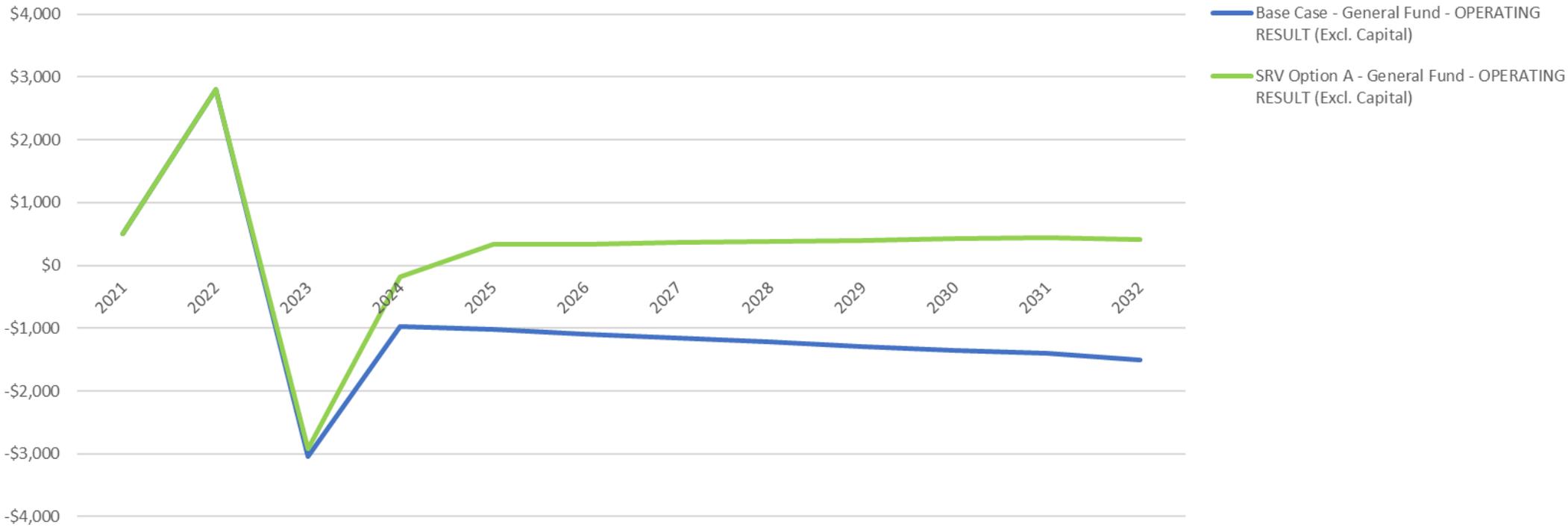
	Option A	Option B	Option C
Closing the gap through <ul style="list-style-type: none"> asset rationalisation change in service levels stop services increased fees and charges 	\$113,000 PREFERRED savings over two years from a combination of sustainability improvements	\$313,000 proposed savings over two years from a combination of sustainability improvements	\$483,000 proposed savings over two years from a combination of sustainability improvements
Increase asset spend <ul style="list-style-type: none"> asset renewal requirements 	+ \$250k pa	+ \$250k pa	+ \$250k pa
Special rate variation (excludes the rate peg of 2.5% which will be in addition)	Plus an SRV of 26.5% compounded spread over 2 years (15% +10%). - 32.19% with RP	Plus an SRV of 22.08% compounded spread over 2 years (12% +9%). - 27.67% with RP	Plus an SRV of 17.6% compounded spread over 2 years (12%+5%). - 23.09% with RP

Why Option A

- Community has indicated they don't want services decreased
- No real capacity to reduce costs
- Financial sustainability is an industry wide challenge
 - COVID
 - Low rate peg increases 22/23 – 0.7% initial then another 1.8%
 - High inflation environment
 - Material costs and logistics
 - Availability of human resources
- Critical to improve cash position

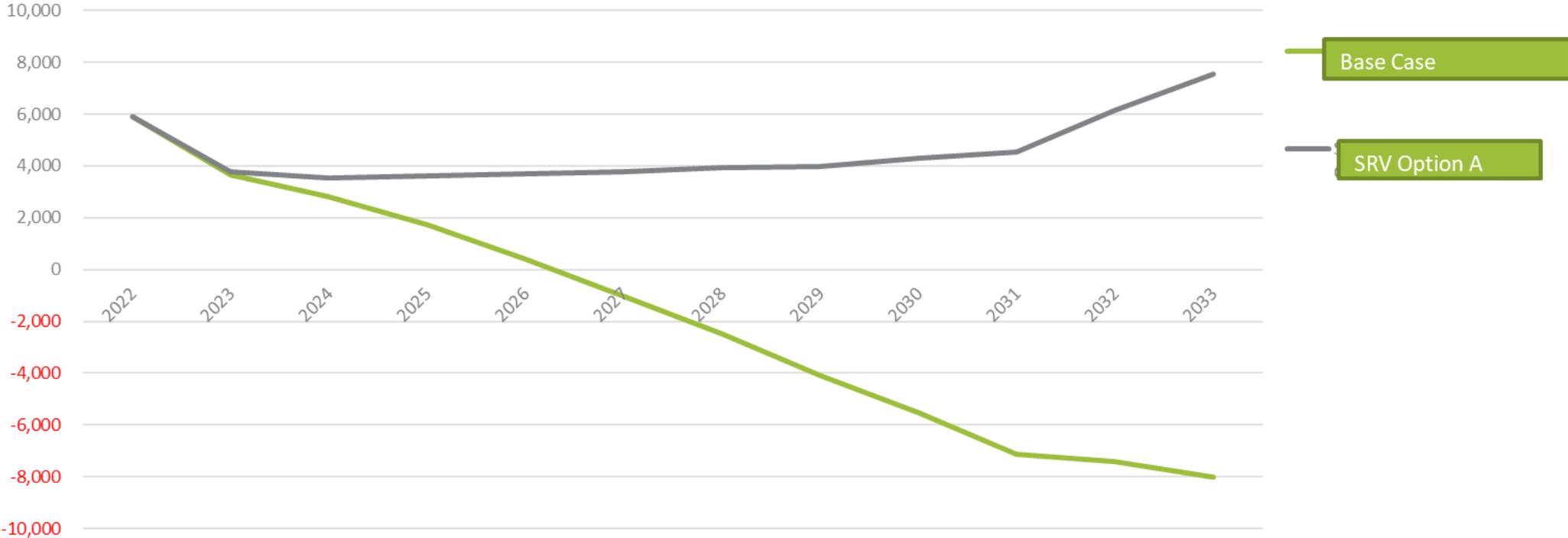
Impact Financial Position

Operating Result



Cash Position – base case and SRV option A

Cash Position



Impact of rate increase including rate peg Preferred Option

	Average Annual Rate 2023/24	2023/24 weekly increase	Average Annual Rate 2023/24	2024/25 weekly increase
Farmland on land value of \$1,179,000	\$3,972.00	\$11.38	\$4,468.50	\$9.55
Residential - Town on land value of \$62,300	\$1,082.87	\$3.10	\$1,218.22	\$2.60
Residential - Rural and Village on land value of \$95,200	\$ 871.57	\$2.50	\$ 980.52	\$2.10
Business - Town on land value of \$89,800	\$3,143.91	\$9.00	\$3,536.90	\$7.56
Business on land value of \$52,300	\$1,286.37	\$3.68	\$1,447.17	\$3.09

Note: a general revaluation will be effective from 1 July 2023 and will also impact the rates that individuals will pay.

Comparison with other councils

Residential

Rank	Council	Avg rate (2024-25)
1	Bland-Grp 10	\$ 1,376
2	Wagga	\$ 1,252
3	Junee	\$ 1,126
4	Cootamundra/ Gundagai	\$ 1,103
5	Liverpool Plains-Grp 10	\$ 962
6	Narrandera- Grp 10	\$ 738
7	Narromine- Grp 10	\$ 711
8	Temora	\$ 697
9	Coolamon	\$427

Farmland

Rank	Council	Avg rate (2024-25)
1	Liverpool Plains- Grp 10	\$ 5,613
2	Junee	\$ 4,468
3	Cootamundra/ Gundagai	\$ 4,448
4	Narromine- G 10	\$ 4,433
5	Narrandera- Grp 10	\$ 4,025
6	Bland	\$ 3,303
7	Wagga	\$ 3,156
8	Temora	\$ 2,440
9	Coolamon	\$ 2,207

Business

Rank	Council	Avg rate (2024-25)
1	Wagga	\$ 6,756
2	Narromine- Grp 10	\$ 3,144
3	Junee	\$ 2,843
4	Cootamundra/ Gundagai	\$ 2,608
5	Temora	\$ 1,609
6	Narrandera- Grp 10	\$ 1,336
7	Bland	\$ 1,285
8	Liverpool Plains- Grp 10	\$ 1,229
9	Coolamon	\$ 458

Summary

- Council needs to improve its financial position to be sustainable into the future
- Council can only improve its cash position if surpluses are achieved.
- Council will now comply with the principles of financial sustainability.
- Council will be able to:
 - maintain and delivery current service levels
 - maintain and renew the community's assets to the required standard
 - create sufficient funds over the longer term to be financially sustainable
 - better respond to changes in the community or national economy.

Next steps

Phase 1: SRV preparation

- project kick-off
- integrated LTFP model
- AMS and AMPs
- improvement plan
- capacity to pay
- SRV content and scenarios
- Council and staff reviews

Phase 2: community engagement

- engagement plan program and activities
- community engagement
- community engagement report

Phase 3: SRV application

- final LTFP scenarios and aligned AMPs
- prepare SRV application
- review and submit SRV application

Next steps cont.

- **Where can you find more information?**
 - www.junee.nsw.gov.au/srv
- **Where can you express your views?**
 - Address submissions as 'Submission SRV'
 - By email: jsc@junee.nsw.gov.au
 - By post: Junee Shire Council, PO Box 93, Junee 2663
 - Drop-off: Junee Administration Building, 29 Belmore Street, Junee
- **Key date**
 - Submissions close midnight on Thursday 27 October 2022.

Questions?

