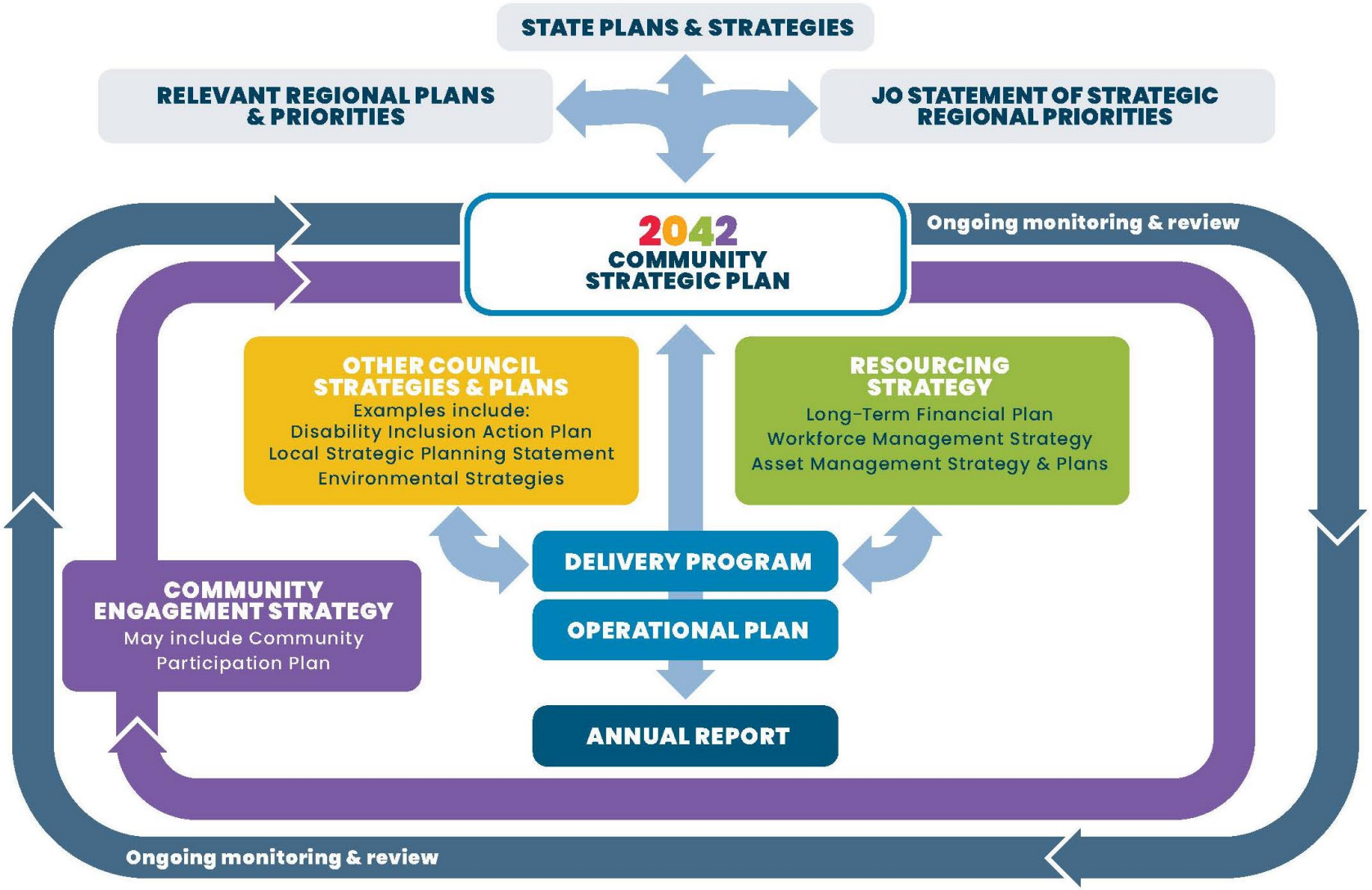


Community Briefings
September – October 2023

Planning context





Councils in NSW must follow regulations of Integrated Planning and Reporting Framework.

The objectives are:

- Long Term view
- Transparent
- Community engagement
- Financial plan is 10-year forecast
- Legislated reporting and monitoring

Context: Decision Timeline



Timeline 2023

June	Long Term Financial Plan adopted with rate rise scenario
August – Mid October	Community education and engagement. Information pack mailed out and online / Pop up stalls / Surveys and submissions / Community Briefings
November	Council decides on applying for an SRV
December – February	Council complete detailed costings and application if proceeding. Community kept informed.

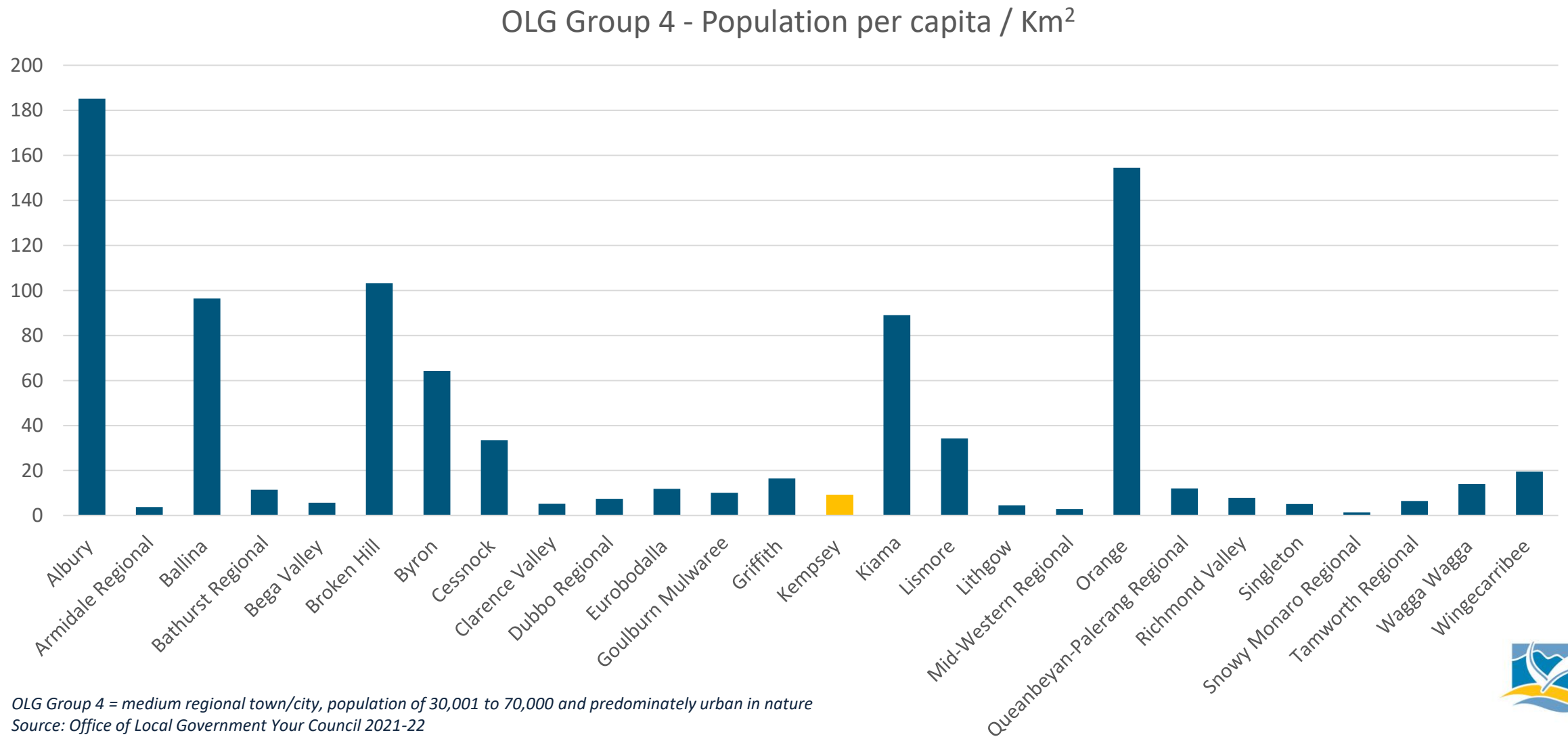
Timeline 2024

February	Deadline for application to IPART *(If proceeding with application)*
March – May	IPART community submissions open
May	IPART determination
June	Council adopts 2024-25 Operating Plan, budget, and rates
July	First year of new rate charges apply *(If an SRV application is approved and adopted by Council)*

Kempsey has a low population per capita / Km²



OUR FINANCIAL FUTURE

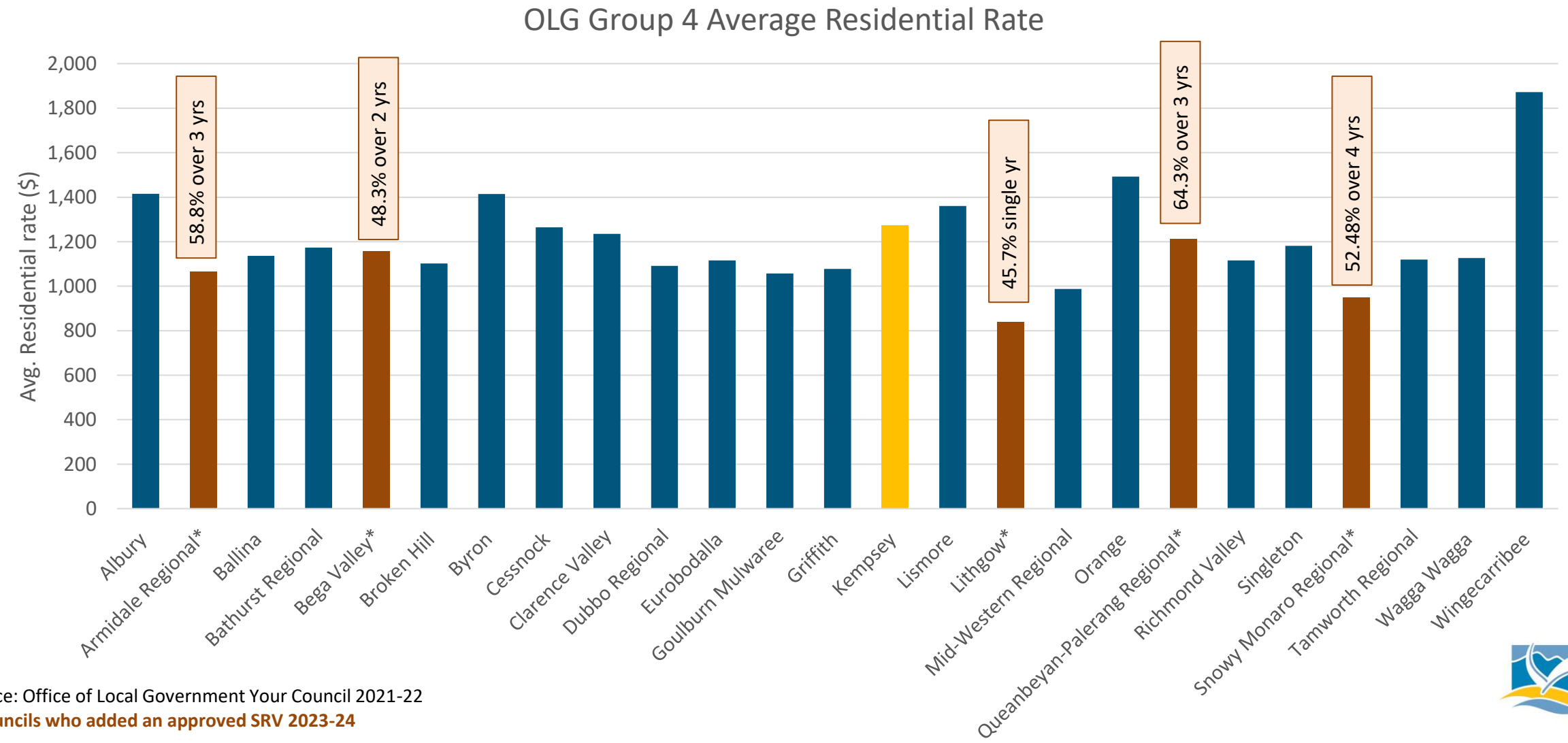


OLG Group 4 = medium regional town/city, population of 30,001 to 70,000 and predominately urban in nature
Source: Office of Local Government Your Council 2021-22

Kempsey average residential rate is comparable with other OLG Group 4 Councils



OUR FINANCIAL FUTURE



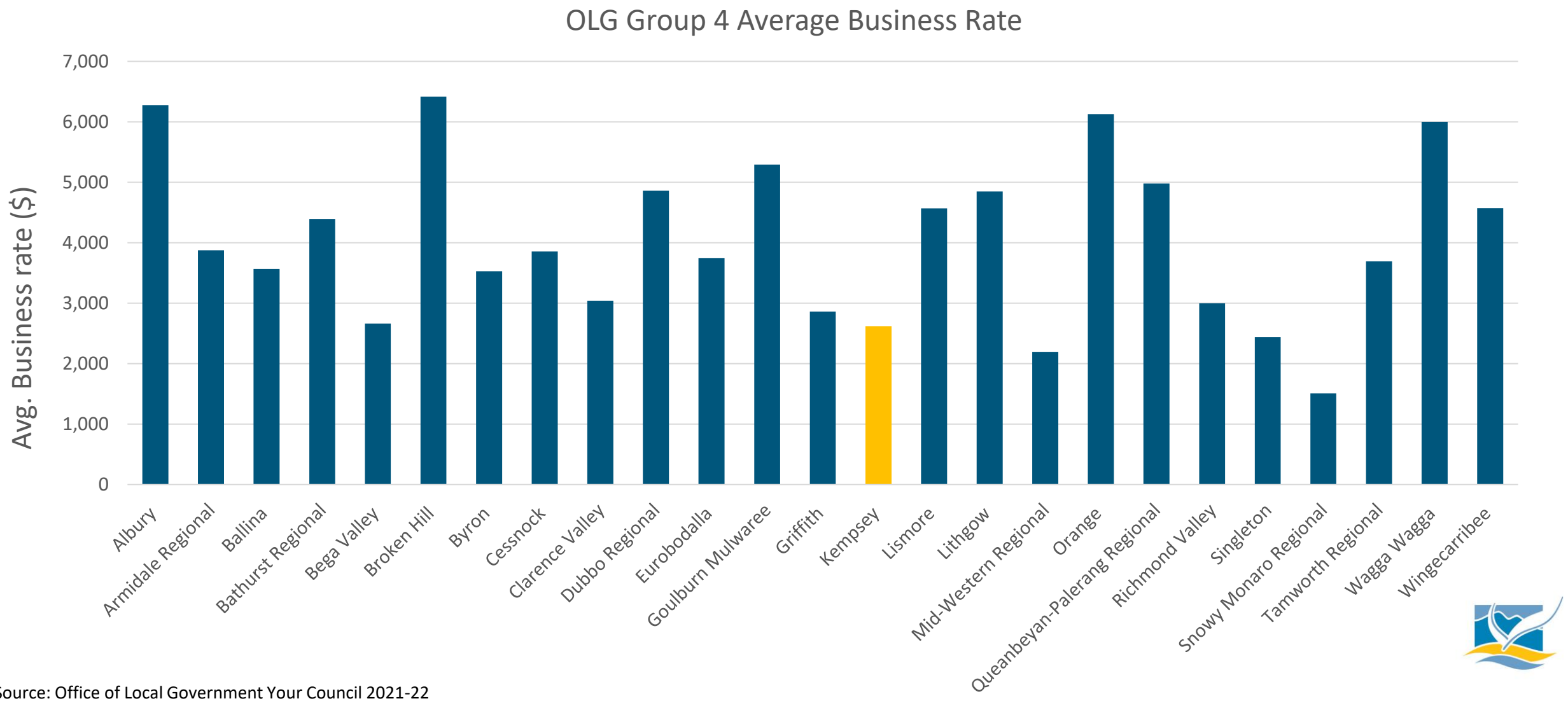
Source: Office of Local Government Your Council 2021-22

*** Councils who added an approved SRV 2023-24**

Kempsey average business rate is lower than most OLG Group 4 Councils



OUR FINANCIAL FUTURE



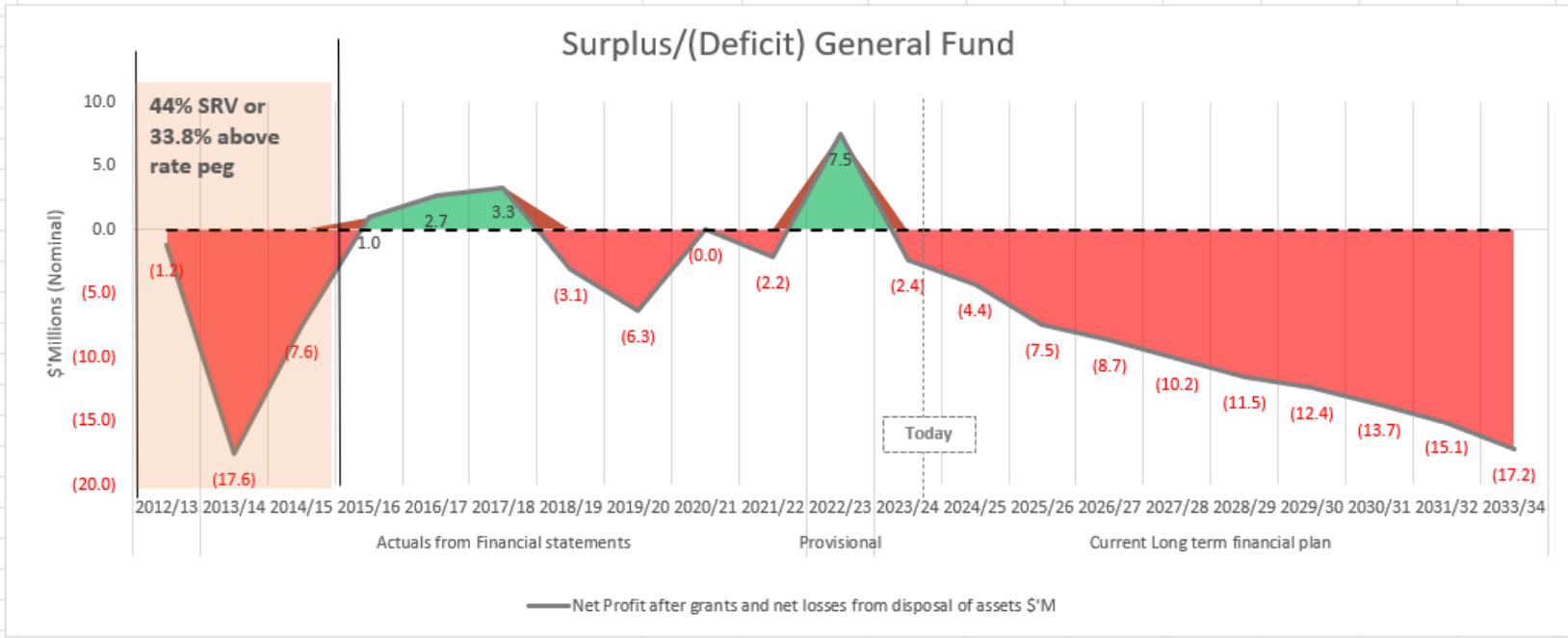
Source: Office of Local Government Your Council 2021-22

Forecast Financial Situation



- General Fund = property rates
- Doesn't include water, sewer or waste charges. Long Term Financial Plan forecasts a cumulative deficit of $103 million over the next 10 years.

- Contributing factors:
  - Rate pegging
  - CPI increases > Rate peg
  - COVID and supply chain increased materials costs
  - Limited own source revenue
  - Cost shifting from Govt.
  - Rising interest rates increases cost of borrowing
  - Poor asset condition + backlog



Why are we in this position?



General Fund deficit ongoing – previous SRV didn't solve the issue

State Govt Rate Pegging – Council can't set rates to meet costs

COVID and supply chain exacerbated existing issues

Rising interest rate will increase the cost of borrowings required to fund deficit

Cost escalation (CPI increases) > Rate Peg

Increasing community expectations (i.e., service expectations)

Limited own source revenue opportunities

State Government cost shifting adding to local government expenses

Can't count on ongoing grant funding to fund asset renewal

Poor asset condition – cost of borrowing for backlog of replacement repairs & maintenance

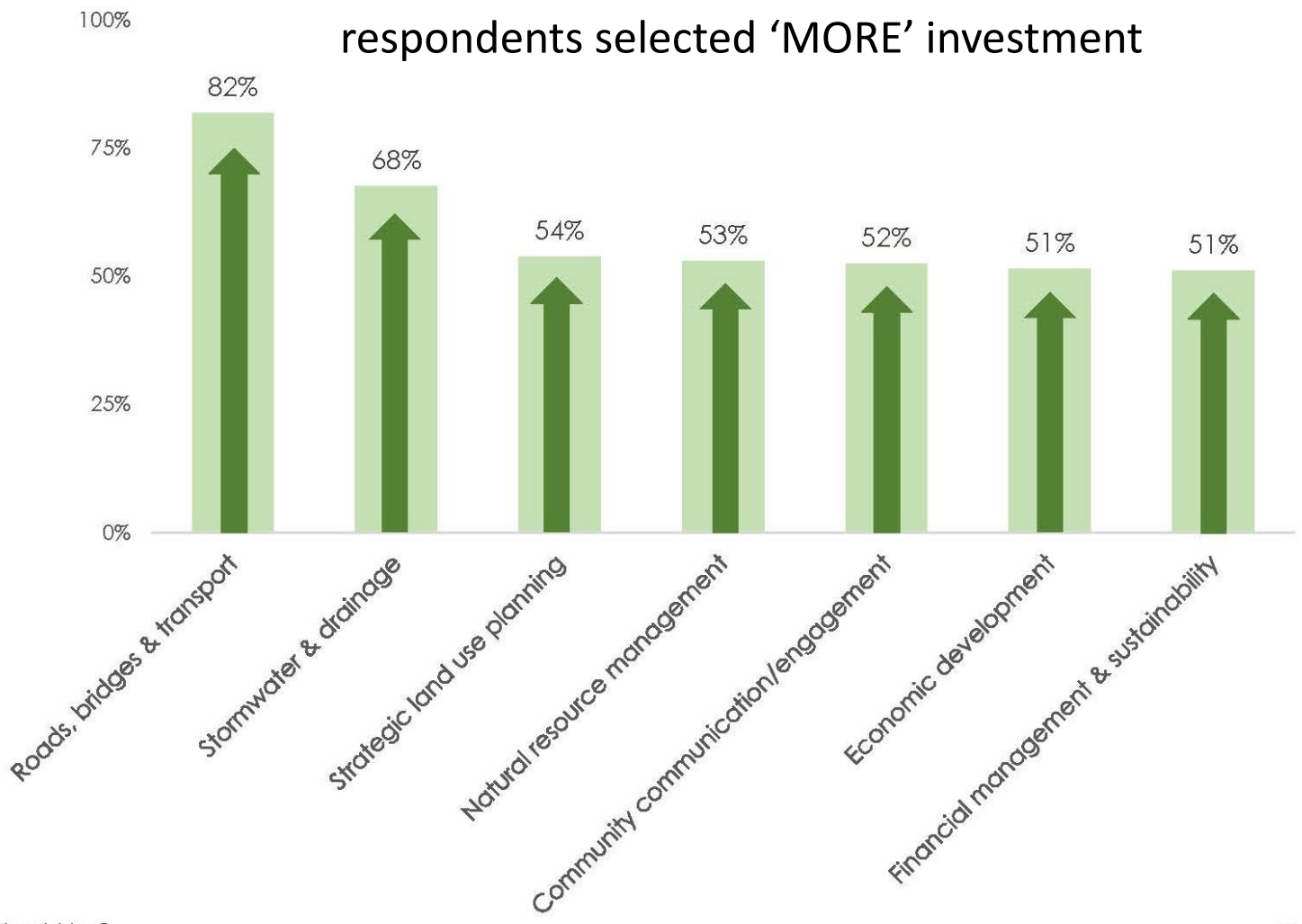
Organisational maturity – numerous business processes still require investment

Community Expectations 2023 Satisfaction Survey



OUR FINANCIAL FUTURE

Services where more than 50% of respondents selected 'MORE' investment



- **97%** Roads, bridges and transport
- **91%** Financial management & sustainability
- **90%** Waste management
- **85%** Stormwater and drainage
- **85%** Community communication/ engagement

Top 5 areas voted a priority service

What action has Council taken for financial stability?



OUR FINANCIAL FUTURE

Reduce Expenses

- Electricity power purchasing agreement to lock in lower costs
- Installed solar panels and LED lights Council buildings
- Centralised purchasing of all software for maximum supplier rebates
- Rates and water bills onto one account, saving printing, postage and equivalent of one FTE

Process and efficiency Improvements

- Faster, more accurate financial management and reporting systems
- 1 less Director and 3 less Senior Managers than 2017
- Outsourced management of facilities such as saleyards
- Introduced a Project Management Office - efficient local staff with high level of skill, reduced need for external, expensive contractors
- Prioritisation process for new projects and grants
- More accurate asset management data, systems and processes
- Electronic time sheeting and invoicing
- Online development and compliance portal with full integration

Increase General Fund Income

- Sale of vacant land.
- Maximised government rebates for staffing by introducing traineeship program

What are the rate rise scenarios being considered?



OUR FINANCIAL FUTURE

The gap has not substantially closed.
Increasing rates has been identified in Long Term Financial Plan for four years as one of the strategies to consider.

Three Special Rate Variation scenarios have been developed:

Option 1	**51%**	Address financial sustainability. Manage asset maintenance and backlog at current level of service
Option 2	**85%**	Achieve financial stability. Replace assets in line with recommended replacement times
Option 3	**94%**	Achieve financial stability. Replace roads & bridges to a better standard, increase longevity.

Understanding the Impact



KEMPSEY SHIRE COUNCIL

ABN 70 705 618 663
22 Tozer Street, West Kempsey
PO Box 3078, West Kempsey NSW 2440

2022-2023 Annual Rates and Charges Notice

CUSTOMER SERVICE ENQUIRIES
P: (02) 6566 3200 F: (02) 6566 3205
E: ksc@kempsey.nsw.gov.au
www.kempsey.nsw.gov.au

KEMPSE
Shire Counci

Mr John Citizen
42 Wallaby Way
Frederickton NSW 2440

To have your notices emailed
Register at **kempsey.enotices.com.au**
Reference No: B8CB5FE55T

Assessment Number	**A23043**
Issue Date	**04 Jul 2022**
Due Date	**31 Aug 2022**
Valuation Base Date	**01 Jul 2019**
Interest Rate	01 Jul 2022 to 30 Jun 2023 **6%**

Property Description

42 Wallaby Way FREDERICKTON NSW 2440

Particulars of Rates and Charges	Rateable Value	Unit Rate	Base Amount	Amount Due
Arrears				$3,622.30
07 Residential	76700	0.004121	613.00	$929.06
A01 Environmental Levy				$34.02
S19 Water Access Residential 20mm	1			$368.00
S38 Sewer Access Connect Residential	1			$1,359.00
S80 Waste Standard Service	1			$424.00
S89 Stormwater Charge	1			$25.00
S99 Water Usage				$49.64
TOTAL CHARGES				**$6,811.04**

Any proposed increase only applies to the General Fund (property) line of your rates notice, not the total amount.

Average impact on residential rate



Residential rates impact

Based on average property rate of $1,274 in 2023-24

	Annual Rate Peg + SRV increase each year	Cumulative Increase after 3 years	Average $ increase 2024/25	Average $ increase 2025/26	Average $ increase 2026/27	Average total $ impact on residential rates
OPTION 1 Address financial sustainability. Manage asset maintenance and backlog at current level of service.	14.77%	51%	$188	$216	$248	$652
OPTION 2 Achieve financial stability. Replace assets in line with recommended replacement times.	22.79%	85%	$290	$357	$438	$1,085
OPTION 3 Achieve financial stability. Replace roads & bridges to a better standard, increase longevity.	24.76%	94%	$315	$394	$491	$1,200

What would change with an SRV?



OUR FINANCIAL FUTURE

An SRV won't mean we can afford new facilities or mass upgrades to roads. It means:

Ongoing operations of Council are secured, and service levels remain as close to current levels as possible.

Lessen the reliance on external grant funding.

Afford to meet cost of future asset renewal, spreading the burden across generations.

Depending on the level of the rate rise, the frequency of replacing and maintaining existing roads, bridges and community buildings may increase.

Potential to use higher standard of materials so that assets like roads and bridges last longer, which is better for long term financial management.

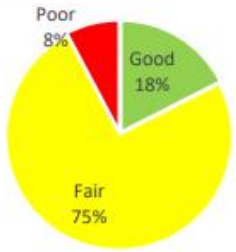
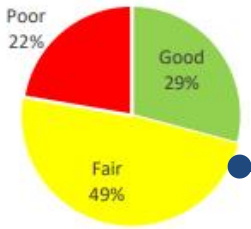
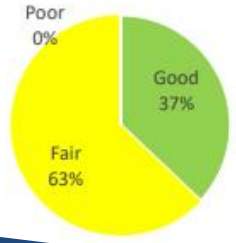
The asset backlog



OUR FINANCIAL FUTURE

Sealed Roads Asset Condition Modelling – replacement cost of sealed road network is estimated at $254 million

Good Fair Poor

Current Condition (pre-floods)	Condition in 10 years No Income Change	Condition in 10 years with Option 1	Condition in 10 years with Option 2	Condition in 10 years with Option 3
Data recorded prior to 2021 floods, so it likely there are more poor roads due to flood damage.	A greater proportion of roads will be in poor condition.	Significantly reduce roads in poor condition from "no income change. "	Roads mostly in fair condition	Roads replaced with more durable materials which last longer and cost less long term. Graph doesn't change.
				

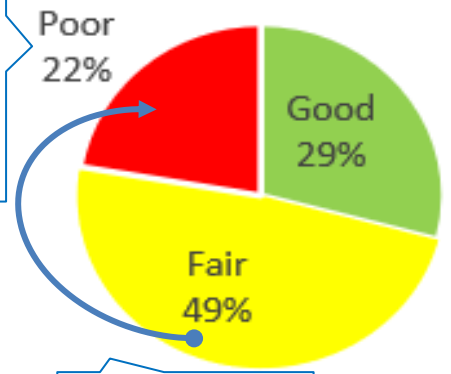




Condition in 10 years Do nothing

A greater proportion of roads will be in poor condition.

Poor roads can cost 10x more than good roads to fix long term



Fair roads can cost 3x more than good roads to fix long term

Context: IPART Criteria



Criteria Council would be required to meet if applying for an SRV		
1	Need for a special variation	Demonstrate need for, and purpose of, a different revenue path clearly in IP&R documents particularly LTFP and Delivery Program.
2	Community Awareness and Engagement	Evidence that the community is aware of the need for and extent of a rate rise.
3	Impact on rate payers	The impact on affected ratepayers must be reasonable and have regard to the community's capacity to pay.
4	Exhibition of IP&R documents	The relevant documents must be exhibited, approved and adopted by the Council.
5	Productivity improvements and cost containment strategies	Council must explain and quantify improvements and cost containment realised in the last five years and plans for future.
6	Other matters that IPART consider relevant	

Managing Disadvantage



OUR FINANCIAL FUTURE

Recognise that the cost-of-living crisis is real and impacting many in our community.

- There is no desire to force people from their homes or increase challenges.
- How we manage hardship and disadvantage is a big part of the work we are undertaking.
- Our Hardship Policy is being reviewed as part of this investigation
- We are advocating for the pension rebate to increase.
- Investigating other options that might be available within the constraints of the Local Government Act.

More Information and Having a Say



ksc.pub/financialfuture

Background, Fact Sheets,
Common questions
Ratepayer mailout

Request a community group briefing

Complete the survey
Make a submission

Use the rates calculator to understand the impact

Submit a question

Markets and pop-ups September and October