



LONG TERM FINANCIAL PLAN – 2015-2025

Amended February
2016

www.lismore.nsw.gov.au

43 Oliver Avenue, Goonellabah NSW 2480 • PO Box 23A, Lismore NSW 2480 • T: 1300 87 83 87 • E: council@lismore.nsw.gov.au • ABN: 60080932837

Lismore City Council acknowledges the people of the Bundjalung Nation, traditional custodians of the land on which we work.

Special Rate Variation to fund the implementation of the Biodiversity Management Strategy

Background

On 14 April 2015, Council adopted the Biodiversity Management Strategy for the Lismore Local Government Area 2015–2035 (BMS). This strategy was developed in response to the community's vision for Council to provide 'environmental leadership', as identified in the *Imagine Lismore* 10 Year Plan.

Successful implementation of the BMS requires reliable, long-term funding. Council investigated a range of long-term funding sources and came to the conclusion that the only sustainable way was through a Special Rate Variation (SRV) to increase rates. Consequently, on 14 April 2015, Council resolved to apply to the NSW Independent Pricing and Regulatory Tribunal (IPART) for an SRV to fund implementation of the BMS.

Council provided all affected ratepayers with information and an opportunity to provide feedback on the proposed rate increase from November 2014 to February 2015, and again in November 2015.

What alternatives to a rate increase were investigated?

Council's initial *Imagine Lismore* 4 Year Plan proposed that the BMS would be implemented via grant funding from the former Commonwealth Government's Biodiversity Fund. However, Council was unsuccessful in its application and this funding program no longer exists. Council investigated several alternate funding mechanisms based on their ability to deliver reliable, long-term funding. The following funding options were investigated and were subsequently rejected:

- General Purpose Revenue – Funding implementation of the BMS through an annual budget of \$500,000 would substantially impact upon the delivery of the other services delivered by Council. Had this not been the case, Council would have allocated General Purpose Revenue to implement the BMS.
- Rate rebates – Rate rebates could be used as an incentive by Council for landholders willing to manage their land for biodiversity. However, any rebate program that provided sufficient incentive would need to be supported by a Council budget, at the expense of other services delivered by Council.
- S94 contributions – Developer contributions can be used as a method of funding public infrastructure (e.g. by funding preservation of a vegetated watercourse within a Council reserve), however this type of investment generally requires a large co-investment by Council.
- Grant funding – Grants are not a reliable source of funding as all government and most philanthropic funding bodies distribute grants through competitive application. There are no current grant programs that could deliver funding for substantial components of the BMS implementation program.

What are the impacts of the proposed rate increase?

The proposed SRV is for a single year rate increase in 2016/17 to be retained permanently in the rates base. The percentage increase is 3.6% of Council's Total Rating Income, which includes an annual rate-peg increase of 1.8% and 1.8% to fund the BMS. In the first year (2016/17), the BMS component of the proposed SRV would raise \$500,000 and in subsequent years this amount would increase by the annual rate-peg.

Ratepayers in the Farmland, Residential Rural and Residential Urban/Villages rating categories would incur both the rate-peg and BMS components of the SRV to be applied to rates from 2016/17. For ratepayers in the Business rating categories, only the annual rate-peg component of the SRV is to be applied to rates from 2016/17. Council considers business rates are already too high and business ratepayers would not receive sufficient benefits from implementation of the BMS to warrant paying the increase.

Only the annual rate-peg component of the SRV would be applied to ratepayers in the Business rating categories. Meaning Farmland, Residential Rural and Residential Urban/Village rating categories will pay slightly more to make up the 4.3% of the total SRV. This means the impact on these three rating categories is a 4.7% overall increase in 2016/17.

The impact of the proposed SRV on each ratepayer depends on their rating category and the NSW Valuer General's land value for their rated land. Table 1 indicates how the average ratepayer in the Farmland, Residential Rural and Residential Urban/Village rating categories would be impacted by the proposed SRV.

Table 1: Impact of the Special Rate Variation applied to Farmland, Residential Rural and Residential Urban/Village rating categories:

FARMLAND	Average Land Valuation	2015/16	2016/17	2017/18	2018/19	2019/20
Average Farmland rate under rate pegging	\$375,000	\$2,216	\$2,256	\$2,312	\$2,370	\$2,429
Annual % Increase		2.4%	1.8%	2.5%	2.5%	2.5%
Average Farmland rate under the SRV	\$375,000	\$2,216	\$2,304	\$2,361	\$2,420	\$2,481
Annual % Increase		2.4%	3.95%	2.5%	2.5%	2.5%
Impact of SRV above 2015/16 levels			\$88			
BMS amount only			\$48			
RESIDENTIAL RURAL	Average Land Valuation	2015/16	2016/17	2017/18	2018/19	2019/20
Average Residential Rural rate under rate pegging	\$192,000	\$1,383	\$1,408	\$1,443	\$1,479	\$1,516
Annual % Increase		2.4%	1.8%	2.5%	2.5%	2.5%
Average Residential Rural rate under the SRV	\$192,000	\$1,383	\$1,438	\$1,473	\$1,510	\$1,548
Annual % Increase		2.4%	3.95%	2.5%	2.5%	2.5%
Impact of SRV above 2015/16 levels			\$55			
BMS amount only			\$30			
RESIDENTIAL URBAN/VILLAGE	Average Land Valuation	2015/16	2016/17	2017/18	2018/19	2019/20
Average Residential Urban/Village rate under rate pegging	\$113,000	\$1,109	\$1,129	\$1,157	\$1,186	\$1,216
Annual % Increase		2.4%	1.8%	2.5%	2.5%	2.5%
Average Residential Urban/Village rate under the SRV	\$113,000	\$1,109	\$1,153	\$1,182	\$1,211	\$1,241
Annual % Increase		2.4%	3.95%	2.5%	2.5%	2.5%
Impact of SRV above 2015/16 levels			\$44			
BMS amount only			\$24			

What will the community get for its money?

Besides benefiting biodiversity, the community will get: cleaner roadsides; confidence that Council is undertaking best environmental management practice in its activities; recognition for your work and community achievements; assistance to landholders and community groups to manage pests and weeds; opportunities to gain knowledge; assistance to manage bushland and riversides on rural land; more opportunities to get involved through community events, workshops and field days; well-managed urban bushland reserves; and more recreational opportunities in the urban setting, such as walking tracks.

Table 2 below provides a summary of activities and initiatives planned for 2016/17 to 2019/20. Activities and initiatives are planned to be ongoing.

Table 2: Biodiversity Management Strategy Budget Summary – Year 1 to Year 4

	BMS Action #	2016/17	2017/18	2018/19	2019/20
Cleaning up our own backyard					
Planning and Processes					
Review Operational Plan for Roadside Vegetation Management 2005	1	20,000			
Staged weed management in road reserve High Conservation Value areas	2	20,000	30,800	31,500	37,700
Complete vegetation mapping for the Lismore LGA	3	80,000			

	BMS Action #	2016/17	2017/18	2018/19	2019/20
Supporting the community					
Recognition of community achievements	25	5,000	5,100	5,300	5,400
Strategic conservation projects (e.g. wild dogs)	28	10,000	30,800	31,500	32,300
Education actions	57; 58	10,000	10,300	10,500	10,800
<i>Subtotal</i>		<i>\$145,000</i>	<i>\$77,000</i>	<i>\$78,800</i>	<i>\$86,200</i>
Working with rural landholders					
Implementation					
Rural landholder capacity building - project implementation	44	33,400	107,200	105,200	116,500
Rural landholder capacity building - extension officer	45	86,000	88,200	90,400	92,600
Rural and rural residential collaborative information pack	46	5,000	5,100	5,300	5,400
Coastal Zone Management Plan implementation - riparian restoration in rural areas	48	38,600	48,400	44,700	48,100
Community and industry group partnerships	47	20,000	30,800	36,800	32,300
Rate rebate program	38		10,300	10,500	10,800
<i>Subtotal</i>		<i>\$183,000</i>	<i>\$290,000</i>	<i>\$292,900</i>	<i>\$305,700</i>
Working in the urban environment					
Implement components of the Sport and Recreation Plan	54	20,000	21,500	26,300	26,900
Wellbeing and tourism initiatives	54	5,000	5,100	5,300	5,400
Weed management in urban bushland	52	25,000	30,800	31,500	32,300
Weed management in priority urban riparian areas	53	25,000	25,600	26,300	21,500
Road and traffic management for wildlife	13	26,000	25,600	26,300	10,800
Koala Plan of Management Implementation					
Advisory Group	14	1,000	1,000	1,100	1,100
Training program for development assessment	36	10,000			
Koala habitat restoration program	14	30,000	35,900	36,800	32,300
Study: koala density and population in koala planning area	14	30,000			16,200
<i>Subtotal</i>		<i>\$172,000</i>	<i>\$145,500</i>	<i>\$153,600</i>	<i>\$146,500</i>
Total per year		\$500,000	\$512,500	\$525,300	\$538,400

When would the proposed rate increase start?

Council will submit an application for an SRV to IPART in February 2016. It is expected that IPART will make its decision by May 2016. Should the application be approved by IPART, the proposed increase will commence from 1 July 2016.

Risk Assessment and Models

Three (1-3) financial models have been developed to demonstrate the impact of changes in assumptions on Council's Consolidated (General, Water and Wastewater Funds and Richmond Tweed Regional Library) financial reporting.

A further two (4-5) financial models have been developed to demonstrate the impact of the special variation for the Biodiversity Management Strategy on Council's General Fund (+ Richmond Tweed Regional Library) financial position.

The five models are:-

- Model 1 – Consolidated (includes Special Rate Variation for Biodiversity Management Strategy)
- Model 2 – Consolidated (excludes Special Rate Variation for Biodiversity Management Strategy)
- Model 3 – Consolidated (excludes Special Rate Variation for Biodiversity Management Strategy & reduced rate pegging increase)
- Model 4 – General Fund (+ Richmond Tweed Regional Library) – Includes Special Rate Variation for Biodiversity Management Strategy
- Model 5 – General Fund (+ Richmond Tweed Regional Library) – Excludes Special Rate Variation for Biodiversity Management Strategy

A specific sensitivity analysis has been undertaken for Model 3. It excludes the Special Rate Variation for Biodiversity Management Strategy as well as the following assumption changes:

- Rate Pegging – 2017/18 onwards has been revised down from 2.5% to 2.0%
- Materials, contracts and other operating costs – 2017/18 onwards have been revised down from 2.5% to 2.0%.
- Operating costs – 2017/18 onwards have been revised down from 2.5% to 2.0%.

For each of these models the following reporting has been prepared and attached:-

1. Income Statement
2. Balance Sheet
3. Cash Flow Statement
4. Dashboard (Key Performance Indicators)

For Models 4 and 5, other ratios have also been provided.

