

15 FINANCIAL REPORTS**15.1 SPECIAL RATE VARIATION**

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EXECUTIVE SUMMARY

Council is in the last year of our current special rate variation to increase rates above the NSW Government's legislated rate peg. It is both timely and prudent that we go back to the community to discuss what has been delivered from the current special rate variation, including increased levels of service. The discussion also needs to include the increased ongoing costs of the new infrastructure, increased depreciation funding required and what funding sources we have for these costs to ensure that Council remains financially sustainable.

Three scenarios have been prepared for discussion with the community; scenario one is no special rate variation (the rate peg of 2.7% would apply in 2019/20), scenario two is a continuation of 5.5% each year over the next four years, and scenario three is an increase of 7% each year for the next four years. (Scenario two and three are inclusive of the rate peg)

Council is required to lodge a letter of intention to apply for the variation with the Independent Regulatory and Pricing Tribunal (IPART) no later than 30 November this year. Following notification to IPART a comprehensive community engagement program will be required to test the community's appetite for a new special rate variation.

RECOMMENDATION

Recommended that:

1. Council notify the Independent Pricing and Regulatory Tribunal of the intention to apply for a Special Rate Variation for four years from 2019/20 to 2022/23.
2. Council start the consultation process with our community with the three scenarios outlined in the report to test the community's acceptance of a Special Rate Variation.

DELIVERY PROGRAM LINKS

Making Council Great

CS 2 Great Support

CS2.14 Provide efficient, effective and highly valued financial services to the organisation

BUDGET IMPLICATIONS

Nil at this time but will be significant for the future financial sustainability of Council.

REPORT

Council is currently in its last year of a five year Special Rate Variation. Within the last five years Council has delivered many significant capital projects, increased service levels, added additional services, increased the renewals of our aging assets and increased our capacity to deliver for the community.

The current variation was applied for under s508A on a permanent basis. This has allowed Council to invest an extra \$5,535,000 in our road network, approximately \$3,700,000 in capital upgrades including; Casino, Woodburn and Coraki riverfronts, and Casino, Evans Head and Woodburn skate parks, as well as various other projects. The current variation also allowed Council to increase the renewals of public toilets and other facilities in our parks with an extra \$700,000. There was also an extra \$400,000 of improved maintenance, namely playgrounds, road drainage and public toilet maintenance.

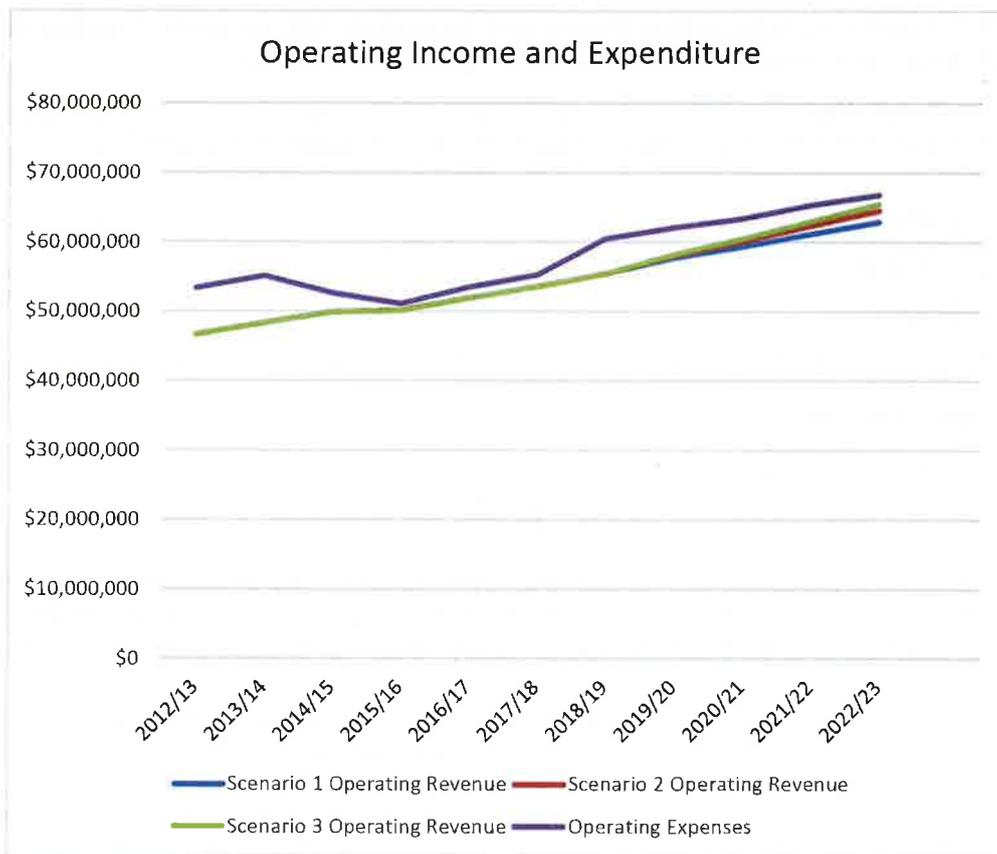
Along with all the projects Council has delivered from the current special rate variation, we have also been very successful in gaining additional grant funding from both the Federal and NSW Governments. Out of these grants we are delivering a \$14,000,000 upgrade to the Northern Rivers Livestock Exchange, constructed a \$1m cycleway from Broadwater to Broadwater Beach, youth space at the Broadwater Rileys Hill Hall, received extra funding for the Woodburn Riverfront Upgrade and the Casino Drill Hall and Amphitheatre projects.

With the addition of new assets there is an ongoing maintenance and renewal expense, as well as increased depreciation to fund. Being this is the last year of the current special rate variation, it is both prudent and timely that Council goes back to the community to discuss what has been delivered from the past rate variation, what the cost is to continue to deliver our current service levels as well as keeping our assets in good shape, and test the community's appetite for a further special rate variation.

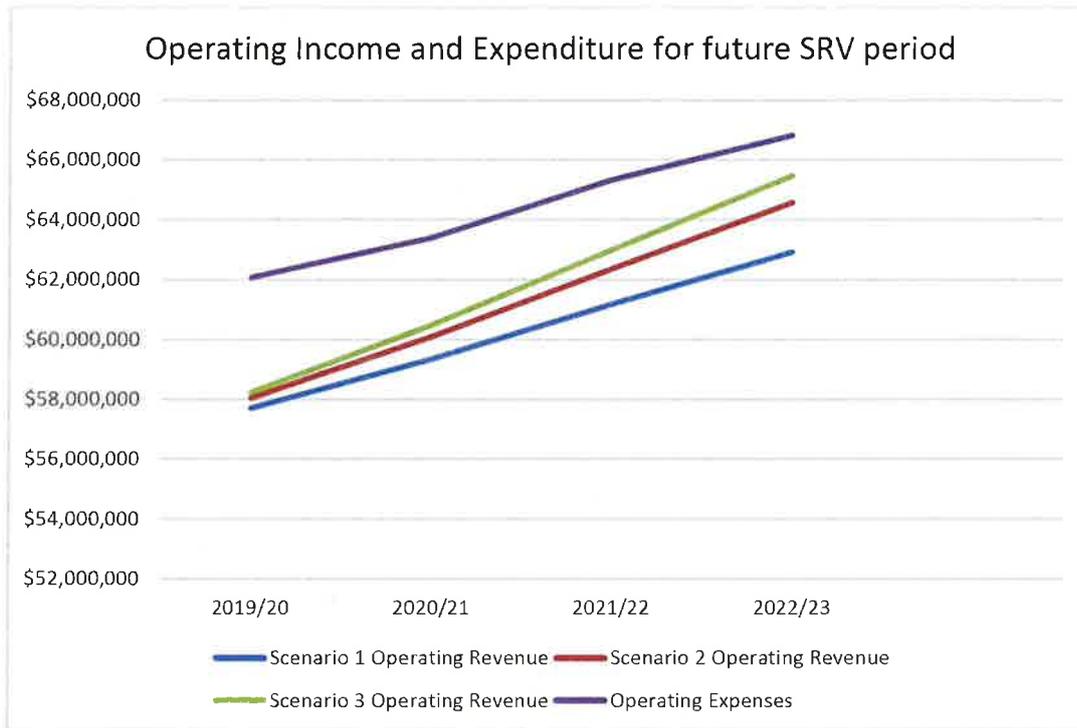
To start the discussion with the community we have modelled three different scenarios, scenario one is what the future looks like without a further special variation, this includes a 2.7% increase next year as Council has been advised by the Independent Pricing and Regulatory Tribunal (IPART) of next year's rate peg with the following years projected at 2.5%. Scenario two is continuing with a 5.5% variation including rate peg for the next four years, and scenario three in increasing the variation to 7% including the rate peg for the next four years.

The following graph shows the general rate trends under each scenario.

The following graph shows total operating income for each scenario against projected operating expenditure. As can be seen scenario three is the only scenario where operating income exceeds operating expenditure in the years graphed.



The following graph shows the operating income and expenses for the four year period of a further special rate variation under each scenario.



As can be seen from the operating income and expenditure graphs, if Council does not apply for a special variation over and above rate peg we have no option but to decrease service levels on what we currently deliver.

If Council resolves to apply for a further special rate variation we will need to notify IPART of our intention to do so by 30 November this year. We would then go to the community with extensive consultation. This consultation could include the following:

- A personalised letter to every ratepayer regarding the need for a special variation
- A special community newsletter dedicated to the Special Variation
- Community Telephone and Online surveys
- Weekly radio interviews on 88.9FM and COW FM
- Community Meetings
- Website, Social Media and E-News bulletins on the Special Rate Variation
- Advertised days where the community can come to Council Offices and have their rates calculated so they can see how the increase impacts them.

CONSULTATION

An extensive consultation program will follow the notification to IPART of Councils intention to apply for a Special Rate Variation.

CONCLUSION

As Council is coming to the end of its current Special Rate Variation, it is timely to go to the community and have a discussion regarding the current costs of service levels and asset maintenance, and test the appetite for a further special rate variation. This report recommends that Council notify IPART of its intention to apply for a further Special Rate Variation, and start the consultation process with our community with the three scenarios mentioned in the report to gain the community's acceptance of a further Special Rate Variation.

