

# 2012 Special Rate Variation




Council has an income of around \$24m, of which \$2.7m is from general rates. Whilst our income has not increased by more than the CPI, our costs continue to rise and the gap between what is needed to be spent on providing services and managing our assets and what is available to be spent continues to increase. Rate pegging, cost shifting from other levels of government and increasing costs have all restricted our ability to meet existing and emerging community priorities for current income.

Most of Council's infrastructure is used for the delivery of services for the community, including roads, parks and buildings. Council has inadequate funds to cover the maintenance and replacement of these assets, with an additional \$8.14m required annually.

## What is a Special Rate Variation?

In order to increase rates above the rate peg (around 3% annually), Council must apply to the Independent Pricing and Regulatory Tribunal (IPART), setting out the business case on why we should be granted a variation. IPART then makes a determination based on this application around May or June next year.

**The Special Rate Variation will only apply to the General Rate.** It does not apply to the garbage rate or water or sewer rates. Your general rate can be found on your rates notice as below:



**COBAR SHIRE COUNCIL**  
ABN 71 579 717 155  
**RATE NOTICE**

**Council Offices:**  
36 Linsley Street  
Cobar NSW 2835  
PO Box 223  
Ph: (02) 6836 5888  
Fax: (02) 6836 5889  
Email: mail@cobar.nsw.gov.au

**Payment of Rates:**  
Payments may be paid at Council Offices, 9 am to 4 pm, Monday to Friday.

MR JOHN CITIZEN  
MRS JANE CITIZEN  
35 SAMPLE STREET  
COBAR NSW 2835

YEAR  
2012/2013

DATE OF ISSUE  
11 Oct 2012

ASSESSMENT No.  
68365888

**PROPERTY DESCRIPTION**

35 SAMPLE STREET Lot Z DP 68365888 in COBAR

**PARTICULARS OF RATES AND CHARGES**

Type of Rate	Value	Rate/Charge	Levy/Charge	Base	Pension	Total
General Rates	16300	0.016	402.00			402.00
Water Access	1	220	220.00			220.00
Sewer Charge	1	300	300.00			300.00
Garbage Charge	1	195	195.00			195.00
Balance B/Fwd						-117.04

**Interest Charges on Late Payment**  
Interest will be charged on each instalment or any part that remains outstanding after the due date.

Land Value Base  
Date: Jul 2011

Please Deduct any payment since:  
11 Oct 2012

If you wish to pay in full the due date is:  
30 Nov 2012

**TOTAL AMOUNT DUE**  
999.96

1st. Instalment		2nd. Instalment		3rd. Instalment		4th. Instalment	
31 Aug	162.96	30 Nov	279.00	28 Feb	279.00	31 May	279.00

**IF PAYING BY MAIL PLEASE FORWARD BOTTOM PORTION OF NOTICE ONLY**

Name of Owner	Due Date	Assessment No.	1st. Instalment	162.96
MR JOHN CITIZEN	30 Nov 2012	68365888	999.96	
			<b>Total Amount</b>	

If address shown is incorrect please complete the following:  
Name: .....  
Address: .....

Bank Transfer Details:  
B&B - 932000 Account - 36233

General Manager

☐ Receipt Required

A sample Cobar Shire Council Rates Notice with the General Rates highlighted in yellow.

# 2012 Special Rate Variation

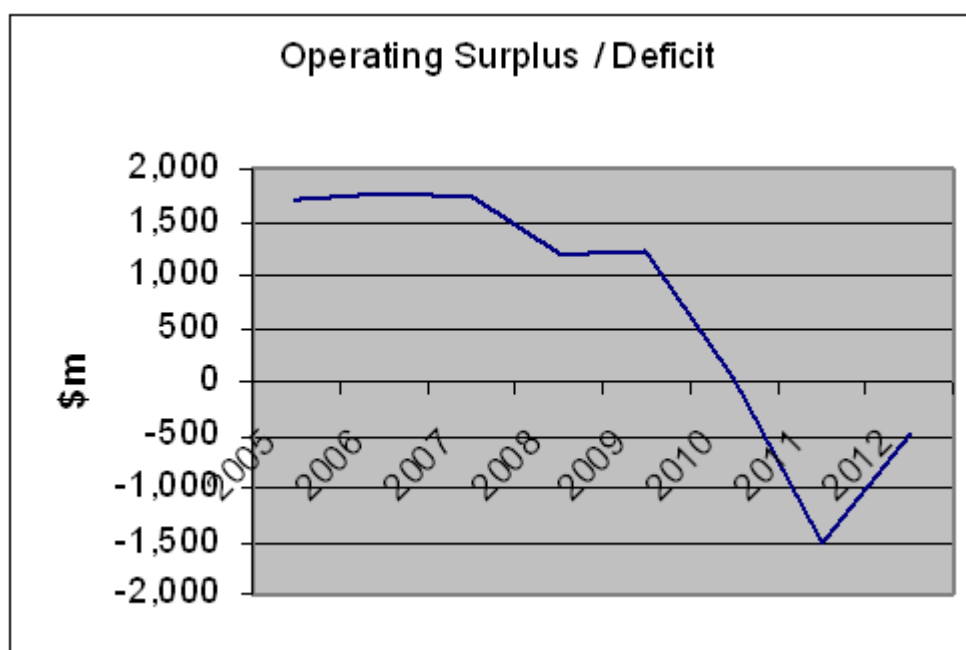


Council can apply for a one year Special Rate Variation, or an annual increase over a period of up to seven years.

## ***Why Do We Need a Special Rate Variation?***

Council's cash reserves have been depleted as a result of capital works projects. Until the last two years, Council had been operating a budget surplus. The deficits in 2011 and 2012 are not cash deficits, but are due to depreciation – Council is not investing adequate funds into maintaining infrastructure. This situation cannot continue. Council has undertaken a number of measures to reduce this operating deficit, and will continue to implement more initiatives in the future. A Special Rate Variation is only one element of a strategy to once again make Cobar Shire Council sustainable.

If rates are not increased, Council will have to severely reduce the services we currently provide to the community. The community will need to decide what services are removed or reduced. More information on services provided and their cost is found in another fact sheet.



## ***What Has Council Done to Reduce the Deficit and Improve Sustainability?***

Council has implemented a number of initiatives that have been successful to date, including:

- All budgets have been tightened;
- A 12 month period where vacant positions were not filled;
- Limiting community donations in 2012/13;
- Proactively selling vacant Council land that has been on the market for many years;
- Improvements to budgeting processes and systems are being implemented;
- No longer undertaking functions for other levels of government that are not properly funded, such as the closure of the Centrelink Office;
- Undertaking representations to other levels of government to have services properly funded;
- Increased plant hire rates for full cost recovery;
- Developing plans that allow development contributions to be collected from major developments;
- Bad debts have been written off;
- Employee Leave Entitlements liability has been significantly reduced.

# 2012 Special Rate Variation



## *The Options*

The two options for a rate rise are as follows:

- Option 1 - Service Maintenance Model - Increase rates by 25% in 2013/14 with rates to rise only by the rate peg in future years.
- Option 2 - Service Improvement Model - Increase rates by 13% (which includes the rate peg of 3%) each year for seven years.

## *What Each Option Means for Council and For You*

### **Option 1 – A 25% Increase in Year One Followed by CPI Increases**

This results in a 66% increase in rates income for Council from \$2.66m in 2012/13 to \$4.03m in 2019/20.

Under the Service Maintenance option, residents will receive a one-off increase in rates. The rate rise includes 3% inflation. It will see Council services remain as they currently are, with some improvements in road maintenance. The increase will not be enough to maintain the condition of all our assets and infrastructure. Of the rate rise, \$300,000 will be used to fund the operations of the swimming pool with the remainder being used on road and asset maintenance. No new capital projects will be undertaken.

**25% Increase in rates in 2013/2014, CPI increase thereafter**

	2014	2015	2016	2017	2018	2019	2020
Farmland	\$1,515	\$1,560	\$1,607	\$1,656	\$1,705	\$1,756	\$1,809
Residential- Cobar	\$571	\$589	\$606	\$624	\$643	\$662	\$682
Residential- Rural	\$754	\$776	\$800	\$824	\$848	\$874	\$900
Residential- Vil	\$261	\$269	\$277	\$285	\$294	\$302	\$311
Av. Residential	\$529	\$545	\$561	\$578	\$595	\$613	\$631
Business	\$847	\$873	\$899	\$926	\$953	\$982	\$1,011
Business- CBD	\$1,653	\$1,703	\$1,754	\$1,806	\$1,860	\$1,916	\$1,974
Business - Vil	\$382	\$394	\$406	\$418	\$430	\$443	\$457
Av. Business	\$961	\$990	\$1,019	\$1,050	\$1,081	\$1,114	\$1,147
Mining - Gold	\$233,061	\$240,053	\$247,254	\$254,672	\$262,312	\$270,182	\$278,287
Mining - Other	\$288,220	\$296,867	\$305,773	\$314,946	\$324,394	\$334,126	\$344,150
Av. Mining	\$260,641	\$268,460	\$276,514	\$284,809	\$293,353	\$302,154	\$311,218
<b>Total Yield</b>	<b>\$3,375,466</b>	<b>\$3,476,730</b>	<b>\$3,581,032</b>	<b>\$3,688,463</b>	<b>\$3,799,117</b>	<b>\$3,913,090</b>	<b>\$4,030,483</b>

**Average rates payable each year under Option 1**

### **Option 2 – 13% increase (including CPI) each Year for Seven Years**

Option 2 results in a 238% increase in general rate revenue from \$2.66m in 2012/2013 to \$6.35m in 2019/2020.

This option will allow current service levels to be retained and for improved asset management. Of the funds raised, \$300,000 will be spent on funding the operating costs of the swimming pool with the remainder to be spent on asset maintenance, including road repairs and maintenance.

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13% annual increase for 7 Years

	2014	2015	2016	2017	2018	2019	2020
Farmland	\$1,367.16	\$1,544.89	\$1,745.73	\$1,972.67	\$2,229.12	\$2,518.90	\$2,846.36
Residential- Cobar	\$510.59	\$576.97	\$651.97	\$736.73	\$832.50	\$940.73	\$1,063.02
Residential- Rural	\$663.57	\$749.83	\$847.31	\$957.46	\$1,081.93	\$1,222.58	\$1,381.52
Residential- Vil	\$238.63	\$269.65	\$304.71	\$344.32	\$389.08	\$439.66	\$496.82
Av Res	\$470.93	\$532.15	\$601.33	\$679.50	\$767.84	\$867.66	\$980.45
Business	\$761.43	\$860.42	\$972.27	\$1,098.67	\$1,241.49	\$1,402.89	\$1,585.26
Business- CBD	\$1,536.26	\$1,735.97	\$1,961.65	\$2,216.66	\$2,504.83	\$2,830.46	\$3,198.42
Business - Vil	\$346.06	\$391.05	\$441.88	\$499.33	\$564.24	\$637.59	\$720.48
Bus Av	881.25	995.81	1,125.27	1,271.55	\$1,436.85	\$1,623.65	\$1,834.72
Mining - Gold	\$216,918.00	\$245,117.34	\$276,982.59	\$312,990.33	\$353,679.07	\$399,657.35	\$451,612.81
Mining - Other	\$259,465.00	\$293,195.45	\$331,310.86	\$374,381.27	\$423,050.84	\$478,047.44	\$540,193.61
Mining Av	238,191.50	269,156.40	304,146.73	343,685.80	388,364.95	438,852.40	495,903.21
Total Yield	\$3,051,466.00	\$3,448,156.58	\$3,896,416.94	\$4,402,951.14	\$4,975,334.78	\$5,622,128.31	\$6,353,004.99

Average rates payable under Option 2

## If There is No Special Rate Variation

This results in a 23% increase in rates over seven years, from \$2.7m in 2012/2013 to \$3.3m in 2019/2020. Council will need to make some big changes to meet rising costs and achieve a balanced budget. Council can no longer afford a deficit budget. Maintenance of assets and infrastructure will decrease. This will include less frequent mowing, weed removal and spraying, reduced road maintenance works and reduced maintenance on Council owned buildings. Provision of community facilities will fall, with opening hours or operation of facilities such as the pool, library, museum and youth and fitness centre to be significantly reduced or closed. Staff losses are likely with a resulting fall in customer service to residents.

## Spreading the Burden

The rates in Cobar Shire are significantly lower than rates in the other local government areas for similar Councils (Group 10 Councils).

- Residential rates – Group average is 20% higher than Cobar
- Farmland rates – Group average is 66% higher than Cobar
- Business rates – Group average is 46% higher than Cobar

It is proposed to evenly spread the burden of any special rate variation between the categories and sub-categories as all rates are well below the group average. It is not proposed to change the basic rating model at this time.

## How to Have Your Say

- Attend one of the community forums
- Cobar Council Chambers – 17 October 2012
- Village meetings during October and November
- Community Forum Cobar – November
- Online survey.

For more information see the Community Engagement Strategy.