

2012 Special Rate Variation



How Our Rates Work

Council rates are determined in accordance with the provisions of the Local Government Act 1993. This legislation provides the mechanisms to calculate rates and limits the income councils can derive from rates.

Cobar has four rating categories which are then divided up into subcategories:

- Farmland
- Residential (Rural Residential, Residential Village, Residential Ordinary)
- Mining (Mining Ordinary, Mining Gold)
- Business (Business Cobar CBD, Business Village, Business Ordinary)

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.

What is Rate Pegging?

Rate pegging is the percentage limit by which all NSW Councils are legally allowed to increase the total income they receive from general rates. The rate peg is set annually by the Independent Pricing and Regulatory Tribunal (IPART). The rate peg for 2011/2012 was 2.8% and in 2012/2013 it is 3.6% (to allow for electricity price rises due to the carbon tax).

In the past Cobar has not always increased the rates by the rate peg amount, which is one of the reasons Council's rates are so low compared to similar councils. Council determines how to distribute the rate pegging amount between the different categories.

What is a Special Rate Variation and Why Have One?

In order to increase rates above the rate peg 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.

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.

Council is considering two options:

- 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.

Find out more, come to the public meeting Wednesday 14 November, 6.30pm, Council Chambers. Pick up the Fact Sheets. Have your say prior to Council's final decision in December.

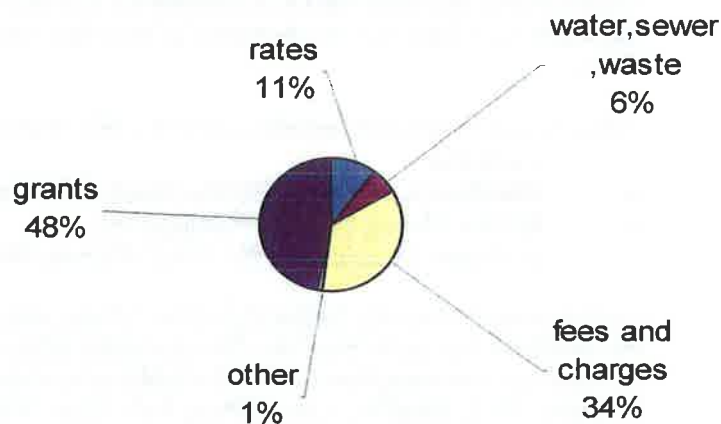
Services Council Provides and What They Cost



Where do our Funds Come From?

Council receives about \$2.7m in rates income and around \$2.5m from the Australian Government in untied grants. There is very little discretionary income above this. Other grants and income sources are for set purposes, such as roads maintenance, weed control or for the Rural Fire Service.

Council's Income Source



Cost of Service Provision

Cobar Shire Council provides a wide range of services. Most do not receive enough income to cover the cost of providing them, therefore it is a net cost to Council to provide the services. Where income such as user fees does not cover the cost of service provision, Council uses rates and grant income to cover the additional costs. Below is a list of some services that Council provides, and what they cost the community. The net cost to Council (income minus expenditure) includes the annual depreciation cost. This cost must be met while ever Council owns the asset, whether or not it is operational.

Service	Net Cost To Council
LBV	\$80,000
Aerodromes	\$86,468
Cobar Youth and Fitness Centre	\$189,720
Television Services	\$4,000
Public Cemeteries	\$42,400
Emergency Services	\$173,171
Noxious Weeds	\$56,040
Libraries	\$275,904
Tourism	\$161,172
Museum	\$194,636
Swimming Pool	\$374,954
Roads and Footpaths	\$2,972,551
Parks and Gardens	\$568,826