



# Special Rate Variation

Public Meetings

## **SPECIAL RATE VARIATION APPLICATION**

### **WHY?**

- To have the Shire ready for “Fit for the Future” the NSW State Government’s initiative to modernise Local Government
- To maintain existing services level following the Federal Government’s decision to freeze indexation of the Local Government Financial Assistance Grants for three (3) years commencing from July 2014.
- To accelerate the renewal of Community Infrastructure in particular replacement of Timber Bridges over the next 10 years.

## Fit for the Future

The NSW Government holds a policy position of reform in local government.

Their position is:

**“To have a strong future, we need strong councils providing the services and infrastructure communities need”.**

The NSW Government has been working since 2011, on a program titled “Fit for the Future”, which aims to achieve that vision of strengthening local communities.

Now it is time to take the next step on the reform journey.

## Fit for the Future

### Definition



SUSTAINABILITY

Generate sufficient funds over the long term to provide the agreed level and scope of services and infrastructure for communities as identified through the Integrated Planning & Reporting process.

Operating Performance Ratio (> or equal to break-even over 3 years)

Own Source Revenue Ratio (>60% over 3 years)

Building and Infrastructure Asset Renewal Ratio (>1 over 3 years)



EFFECTIVE  
INFRASTRUCTURE  
AND SERVICE  
MANAGEMENT

Maximise return on resources and minimise unnecessary burden on the community and business, while working strategically to leverage economies of scale and meet the needs of communities as identified in the Integrated Planning & Reporting Process.

Infrastructure Backlog Ratio (<2%)

Asset Maintenance Ratio (>1)

Debt Service Ratio (>0 and less than 0.2)



EFFICIENCY

Efficient service and infrastructure delivery, achieving value for money for current and future ratepayers

Real Operating Expenditure per capita over time



SCALE AND  
CAPACITY

Demonstrate strong organisational and regional capacity to mobilise resources to engage effectively across community, industry and government

Has the scale and capacity consistent with the recommendations of the Independent Panel

### Strategic capacity

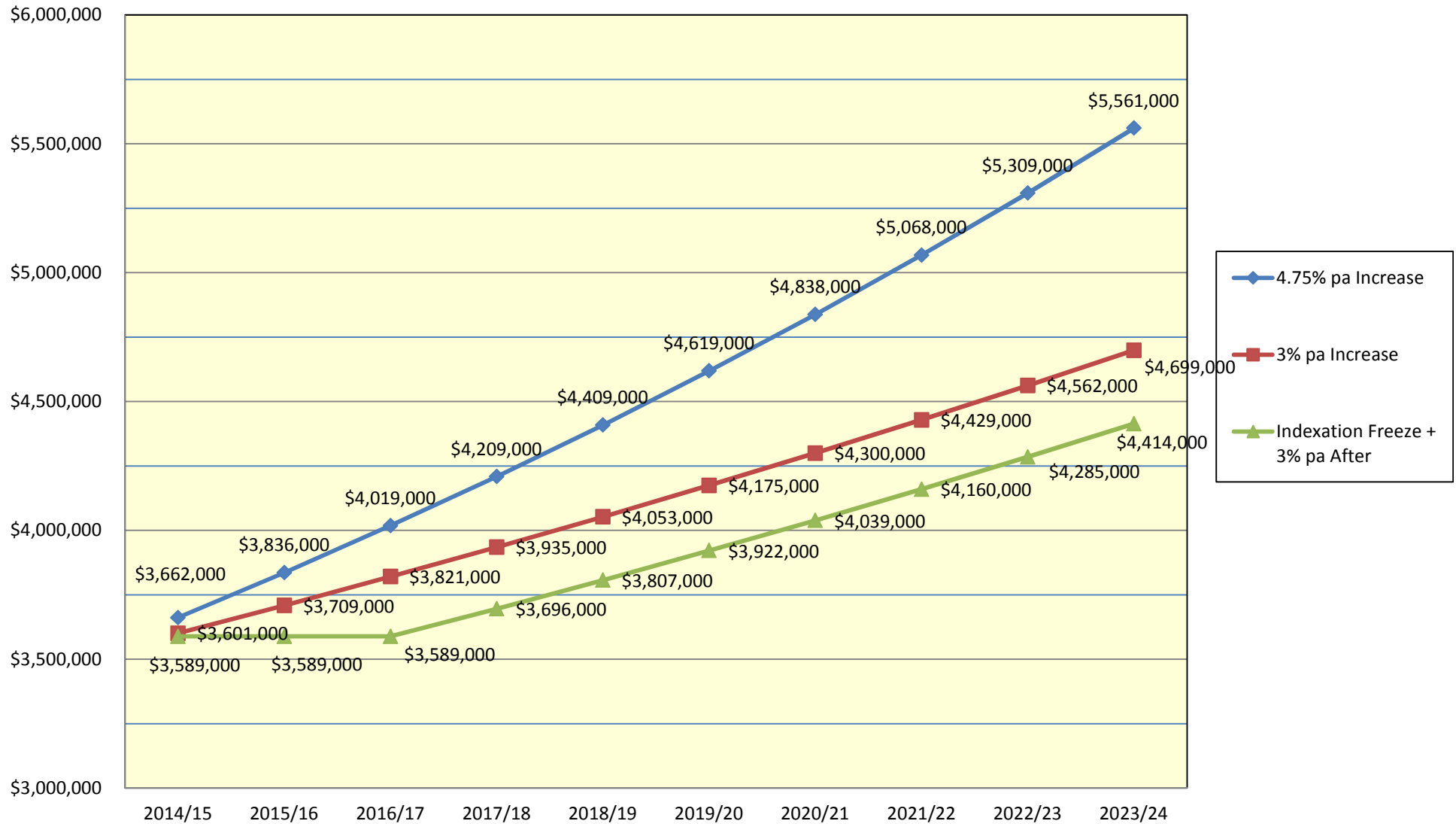
Sustained improvement against each of the criteria to underpin the strategic capacity of Councils over the long term.

This capacity, along with willingness and commitment to collaborate in good faith with government, communities and industry stakeholders will underpin fit for the future councils

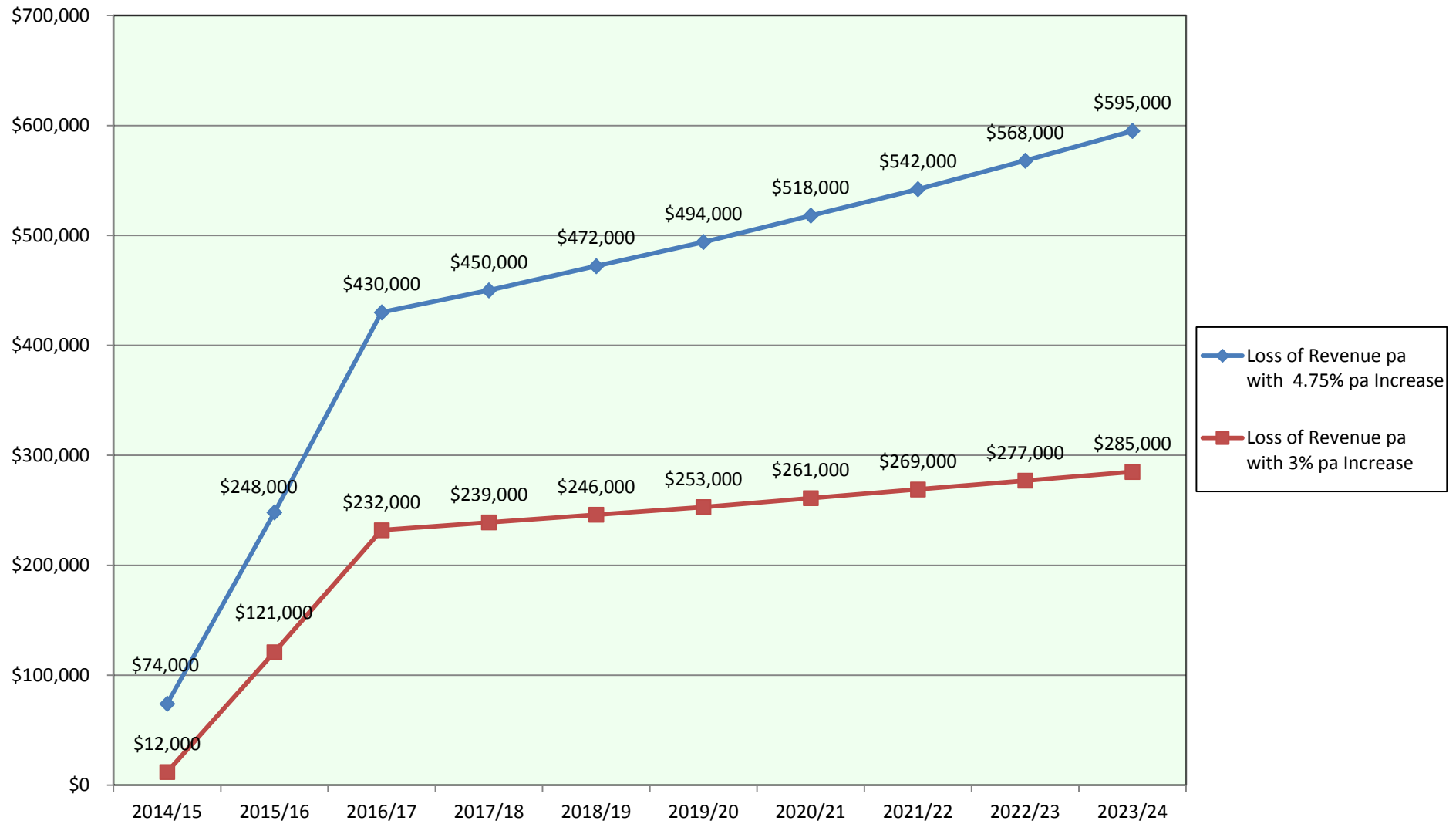
## **The consequences on revenue from the indexation freeze of Local Government Financial Assistance Grants.**

- Wakool Shire's average yearly indexation increase in Financial Assistance Grants (FAGs) over the past ten (10) years has been 4.75%.
- In Council's Draft Budget a modest 3% per annum increase in the FAGs was allowed in the Long Term Financial Plan (LTFP).
- The May 2014 Federal Budget decision effectively removed \$105,000 of revenue in 2014/15 budget, \$642,000 from Council's delivery program and \$3.201M from the LTFP.
- Council received notification of its FAGs entitlement in mid-August 2014 and surprisingly received a 2.64% (\$92,000) increase on its 2013/2014 grant.
- This modest increase in the FAGs does minimise the impact of the funding shortfall in the short-term but there will still be a long-term funding shortfall due to the freeze for the remaining two years as illustrated in graphs to follow.

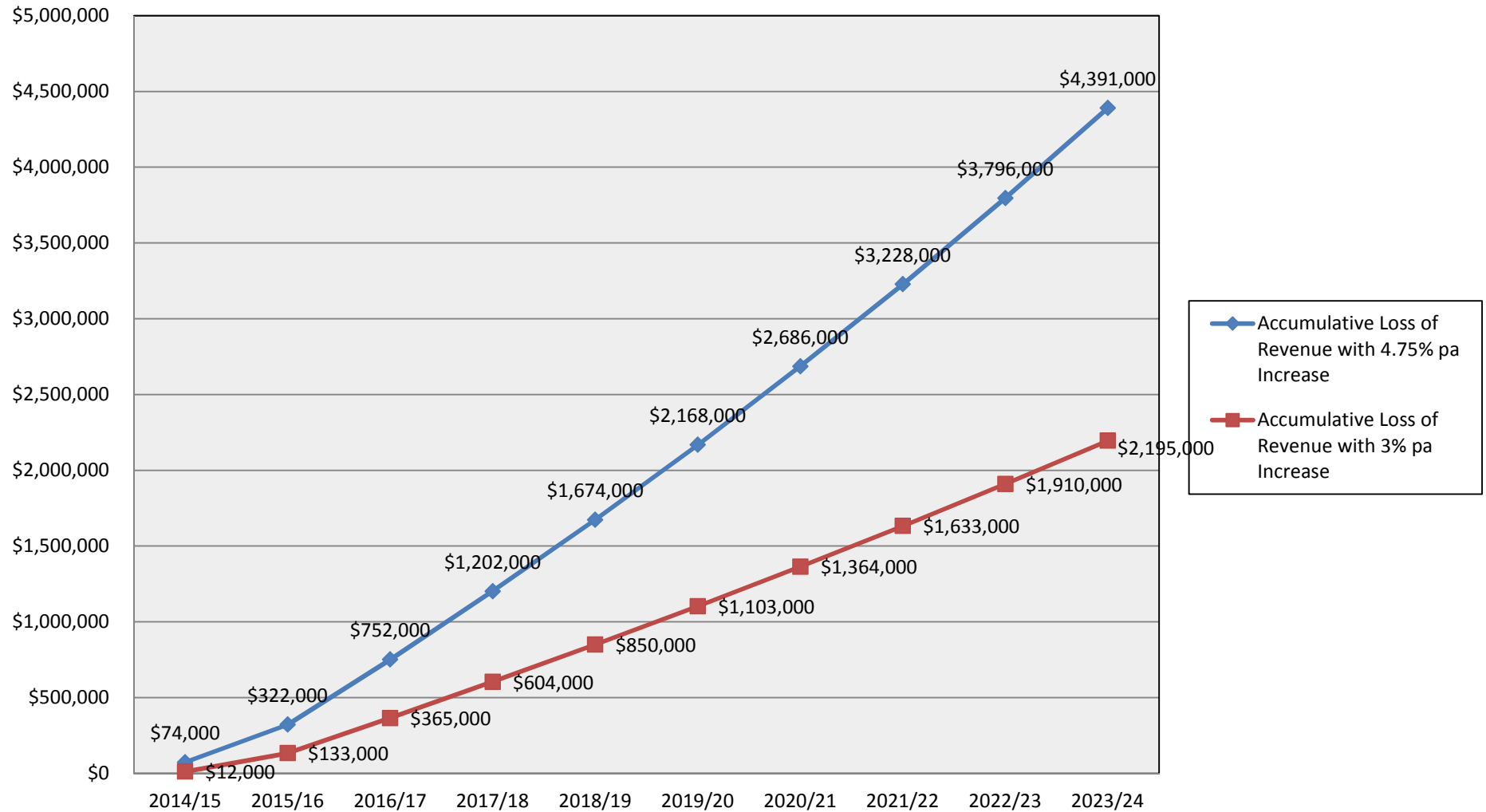
## Estimated FAGs Revenue Per Annum



### Annual Loss of FAGs Revenue due to Indexation Freeze



## Accumulative Loss of FAGs Revenue





## Principles of Rating

Local Government rates are a form of taxation. Unlike a charge, there is no direct requirement for a council to return a specific level of service to an individual ratepayer commensurate with the level of rates paid. Rather they are a means for raising general income.

***While the Act does not specify that council rates must be levied in a way this is “fair” and “equitable” one of the accepted principles of taxation is that taxpayers should contribute according to capacity to pay. The use of land values as a basis for determining rates reflects the view that land values provide a reasonable proxy for “capacity to pay”.***

## How does Council decide how much you have to pay & which category your property is in?

For each category or sub-category, rates can be calculated in one of three ways. They can be based:

- Entirely on the land value of the property
- On a combination of the land value of the property and a fixed amount per property
- **Entirely on the land value, but subject to a minimum amount.**

Each parcel of land must be included in one of the four categories for rating purposes:

- Farmland
- Residential
- Business
- Mining

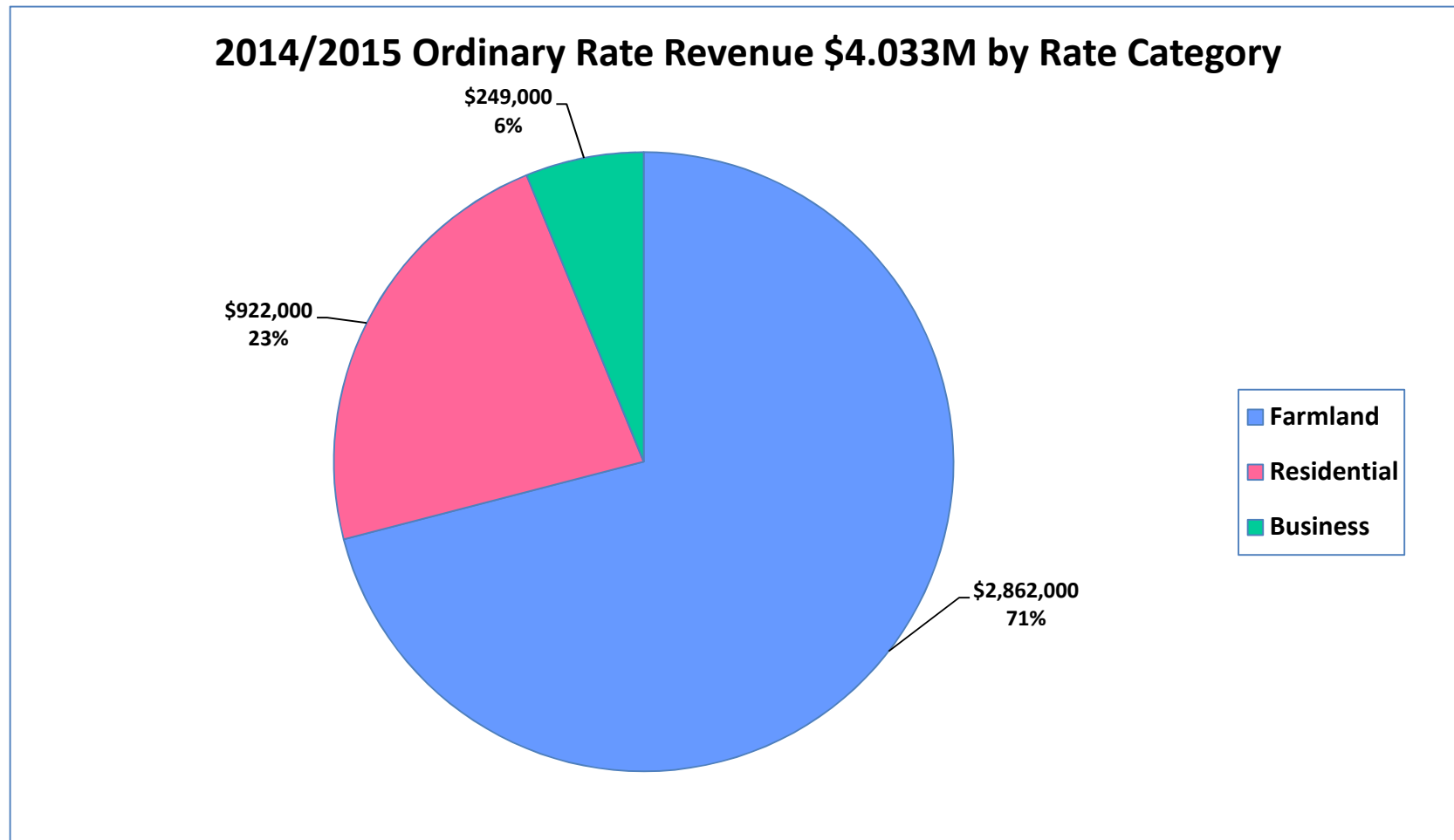
## **What is rate pegging?**

Under the Local Government Act 1993, the total amount of income that a council can raise from certain rates and charges is limited. This is called rate peg percentage. The rate peg is determined on an annual basis by Independent Pricing and Regulatory Tribunal of NSW (IPART).

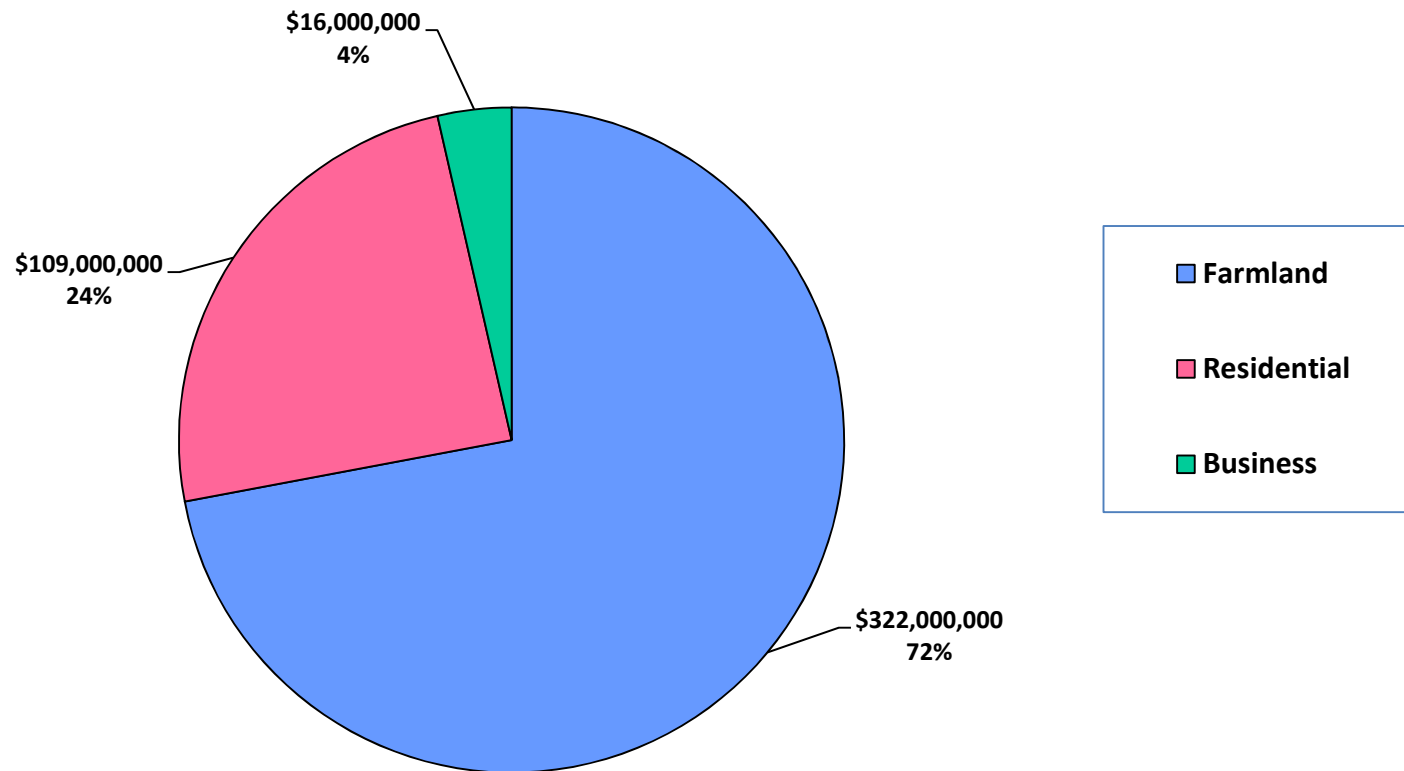
## **Is there any way the councils can increase their income by more than the rate-peg limit?**

Under the Local Government Act 1993 (Act), councils are able to apply for additional increases in general income beyond the annual rate peg amount. This is referred to as a **'special rate variation'**.

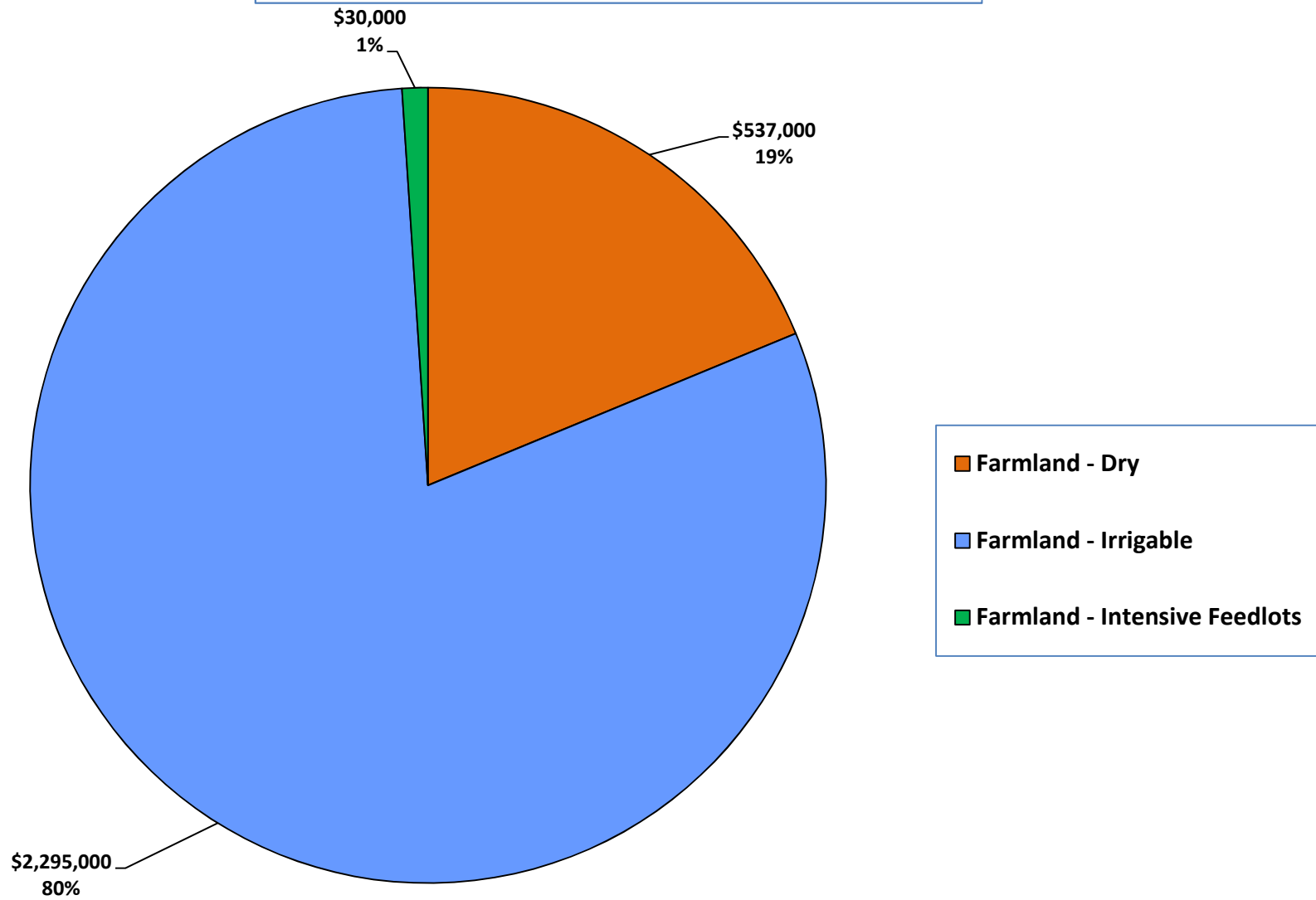
## What areas does ordinary rate revenue come from?



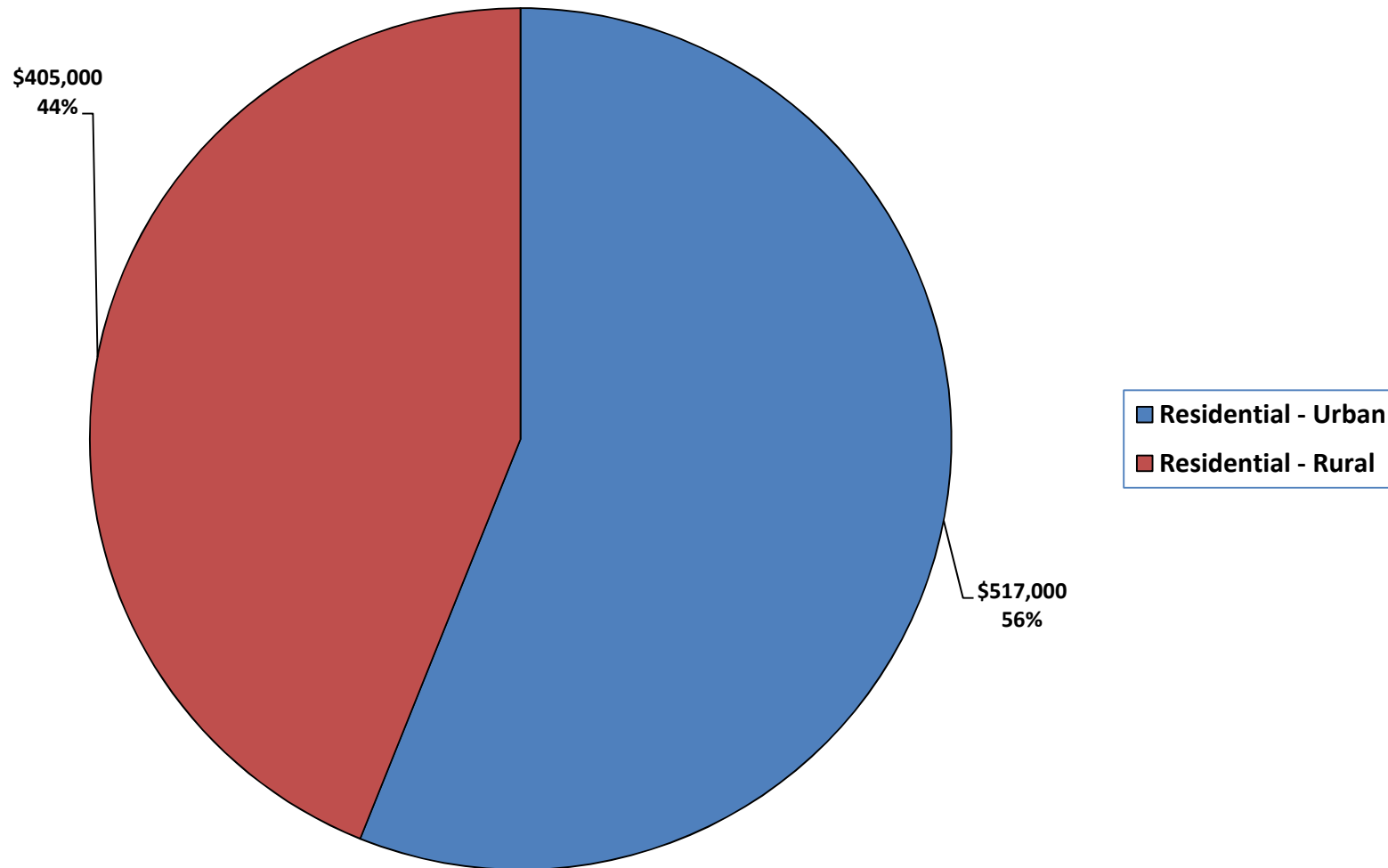
**Rateable Land Values \$447.0M by Rate Category**



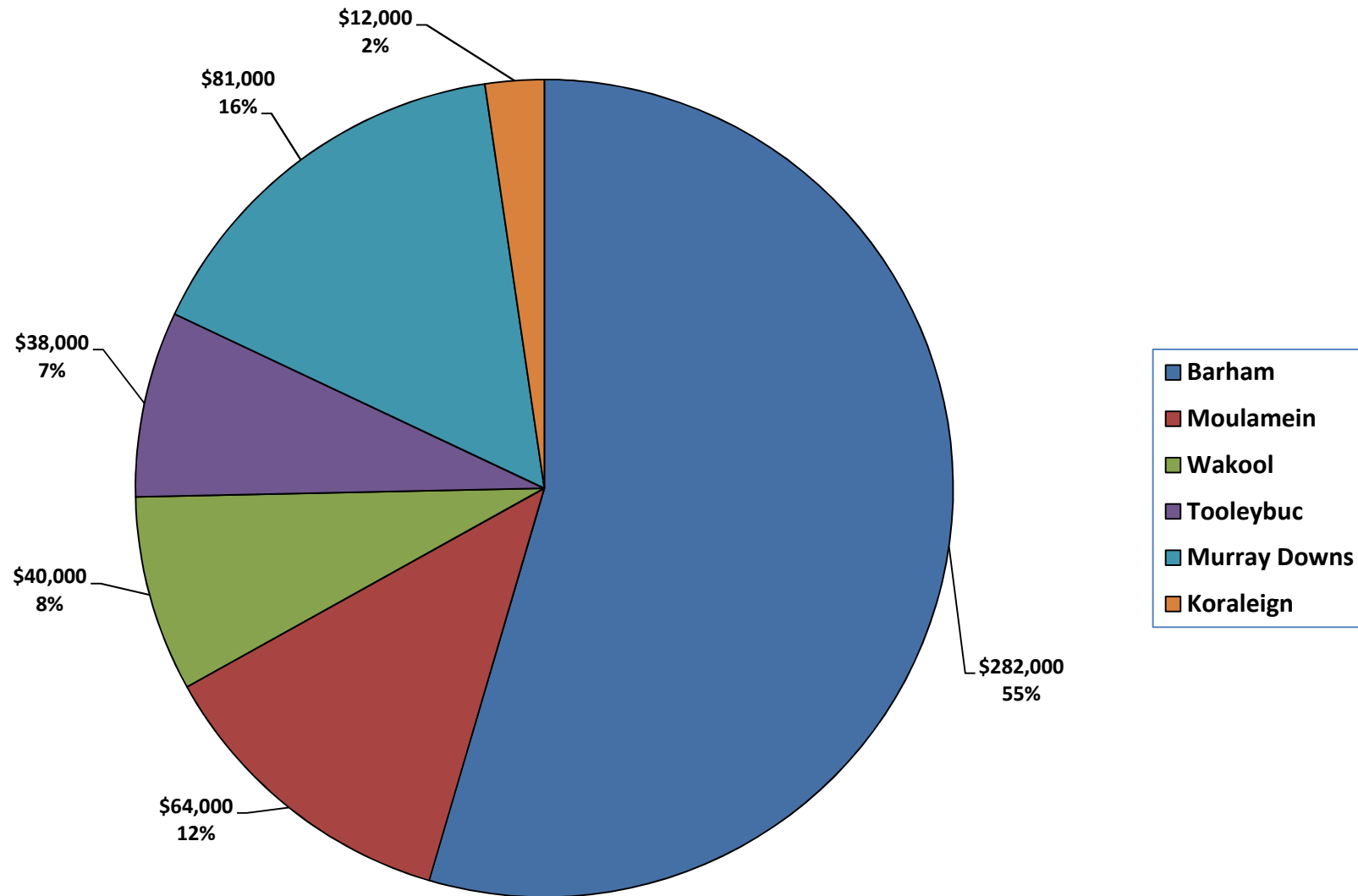
**Farmland Rates \$2.862M by Sub Categories**



**Residential Rates \$922,000 by Sub Categories**

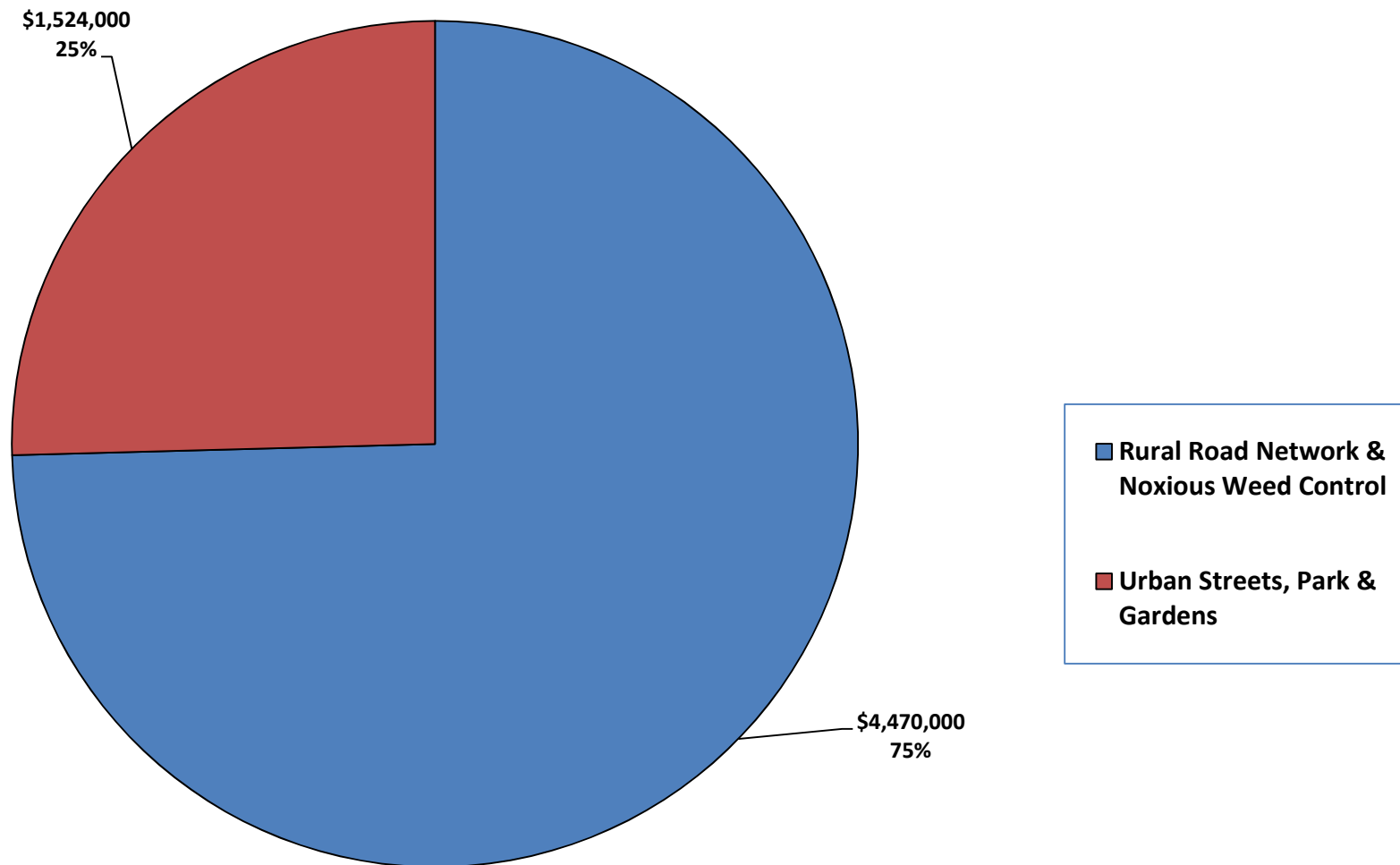


**Residential Urban Rates \$517,000 by Towns**

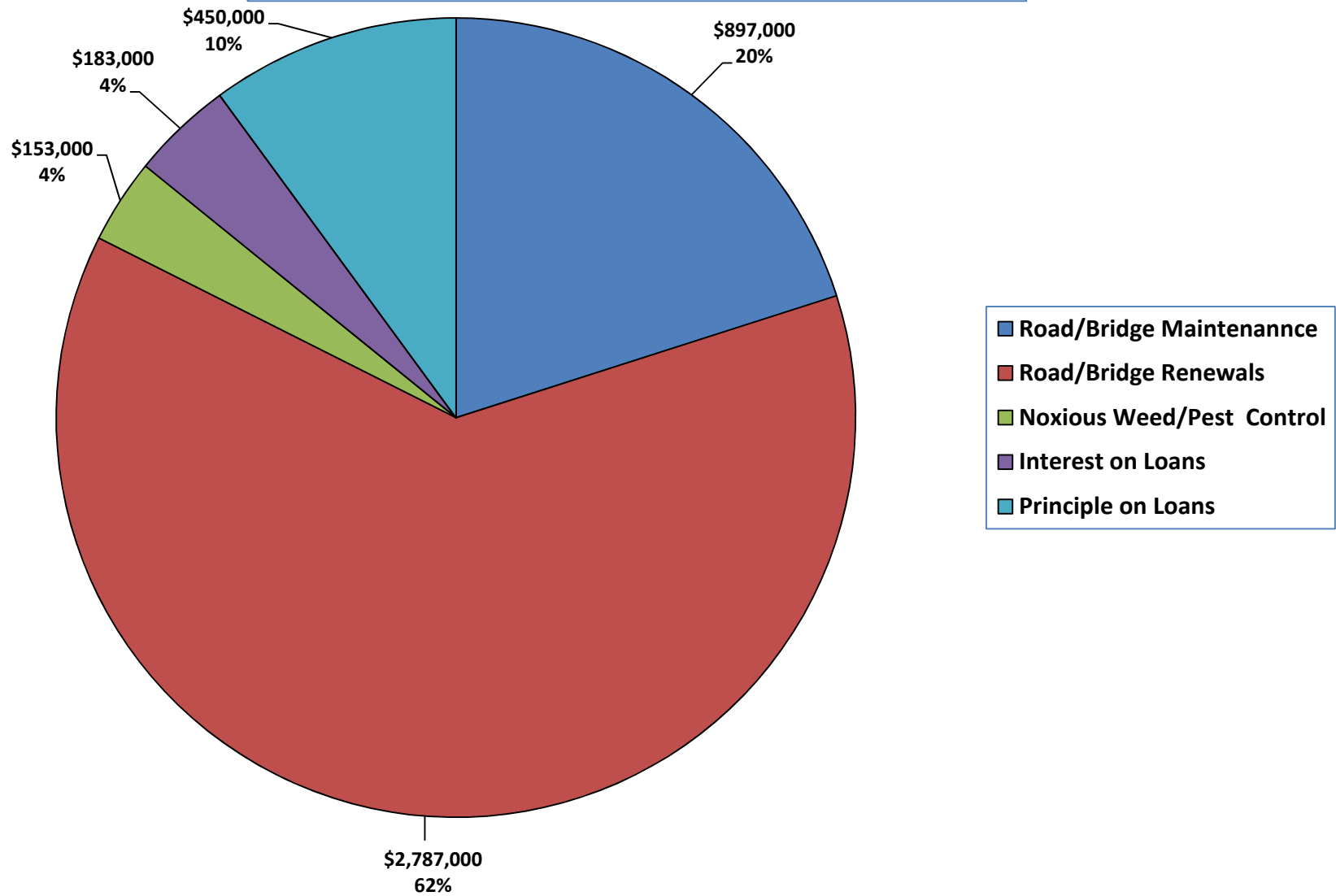




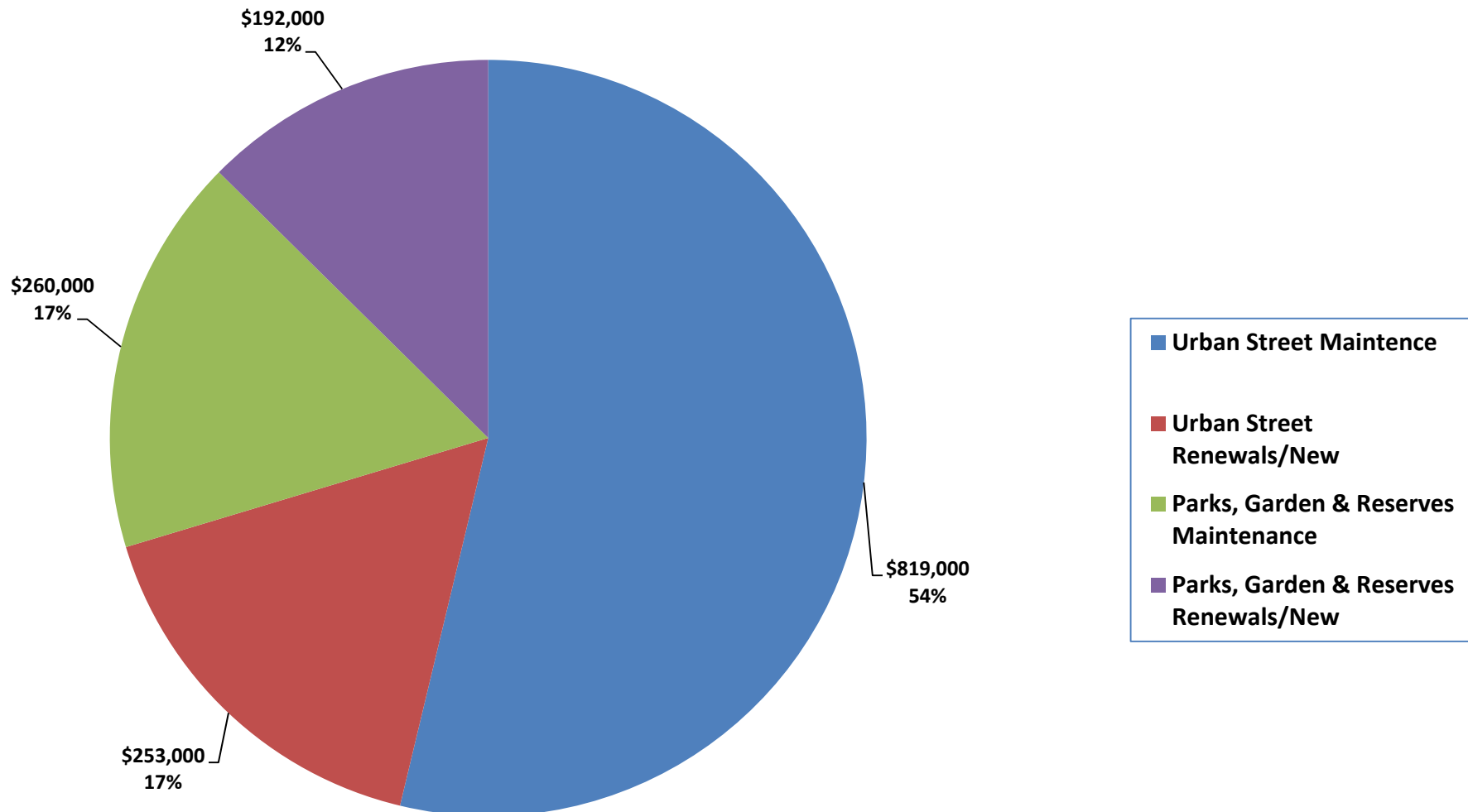
**2013/14 Expenditure \$5.994 Million - Ignoring Other Income Streams**



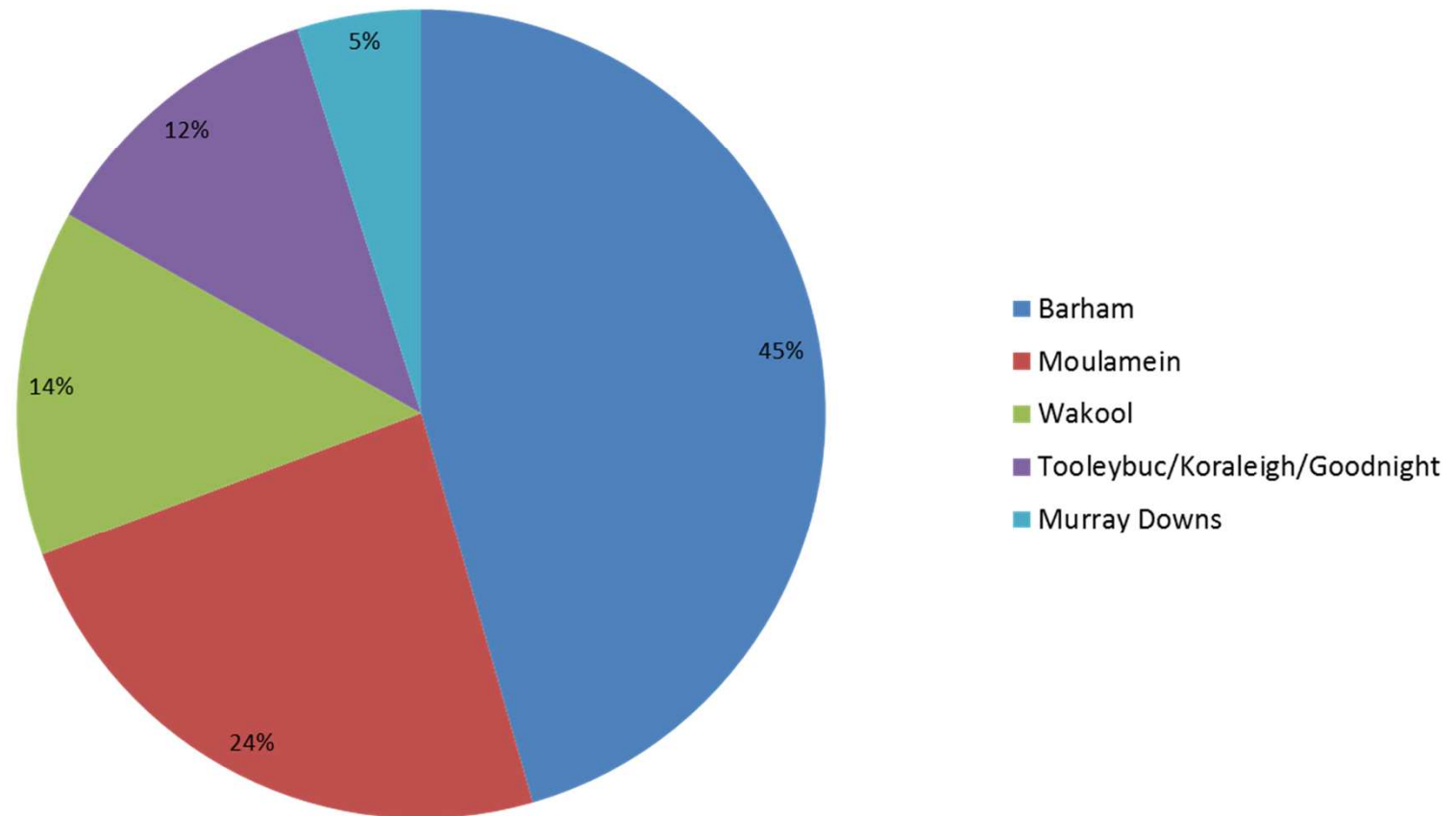
**Breakdown Rural Network Expenditure \$4.47M**



**Breakdown Urban Network Expenditure \$1.524M**



## Town Maintenance Expenditure incl Parks & Gardens & Recreation Reserves



## Special Rate Variation (SRV) Options

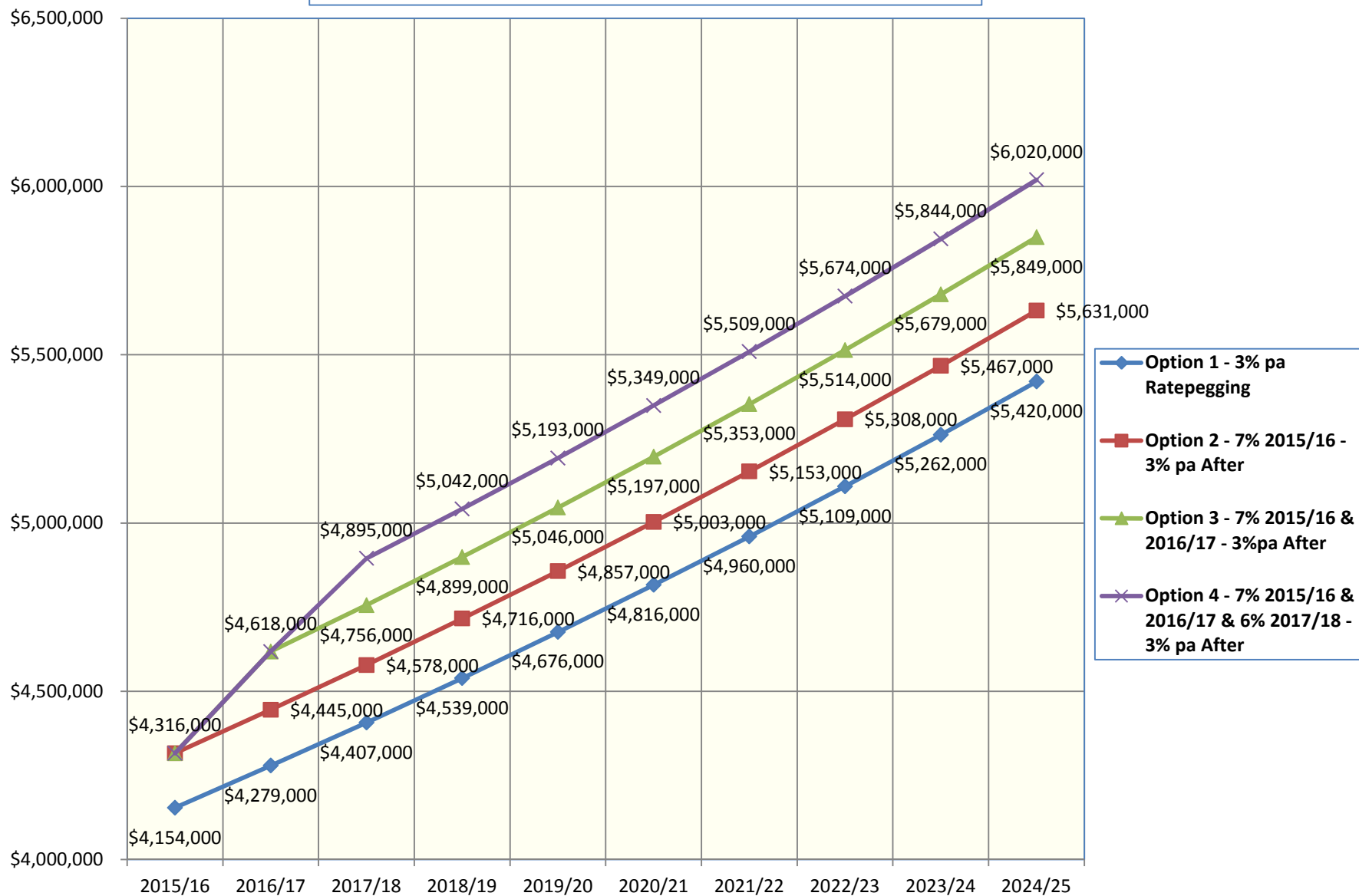
**Option 1** – Rate pegging increases only (3%) and reduce levels of service and review capital works program

**Option 2** – SRV of 7% in 2015/16 to maintain existing service levels – s508 (2) of the LG Act

**Option 3** – SRV of 14% over two (2) financial years commencing in 2015/16 - s508A of the LG Act

**Option 4** – SRV of 20% over three (3) financial years commencing in 2015/16 - s508A of the LG Act

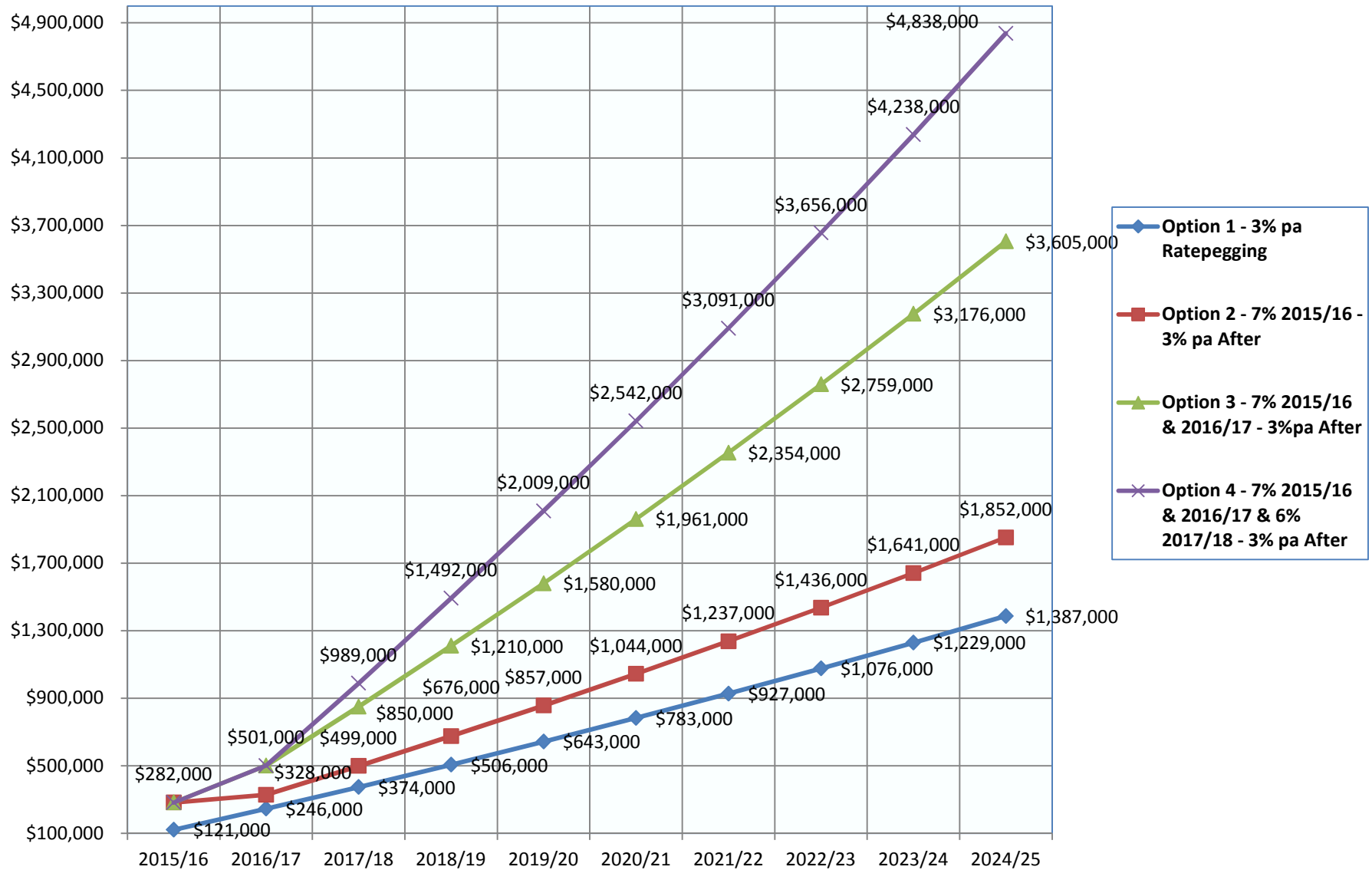
## Yearly Ordinary Rate Revenue - All Options



### Yearly Ordinary Rate Showing Additional Income above Option 1

Years	Option 1 - 3% pa Rate pegging	Option 2 - 7% 2015/16 - 3% pa After	Option 3 - 7% 2015/16 & 2016/17 - 3%pa After	Option 4 - 7% 2015/16 & 2016/17 & 6% 2017/18 - 3% pa After
2015/16	\$121,000	\$162,000	\$162,000	\$162,000
2016/17	\$125,000	\$166,000	\$339,000	\$339,000
2017/18	\$128,000	\$171,000	\$349,000	\$488,000
2018/19	\$132,000	\$177,000	\$360,000	\$503,000
2019/20	\$137,000	\$181,000	\$370,000	\$517,000
2020/21	\$140,000	\$187,000	\$381,000	\$533,000
2021/22	\$144,000	\$193,000	\$393,000	\$549,000
2022/23	\$149,000	\$199,000	\$405,000	\$565,000
2023/24	\$153,000	\$205,000	\$417,000	\$582,000
2024/25	\$158,000	\$211,000	\$429,000	\$600,000
Total	\$1,387,000	\$1,852,000	\$3,605,000	\$4,838,000
Accumulative Additional Income		\$3,239,000	\$4,992,000	\$6,225,000

## Accumulative Yearly Rate Increases above Option 1





## **OPTION 1**

Rate pegging increases only (3%)  
and reduce levels of service and  
review capital works program.

*In general terms as the standard of  
maintenance reduces and defects reach  
safety levels, insurance and public  
concern increases and the only option is  
to increase funding levels at the expense  
of renewal and capital projects.*

## Option 1

If option 1 is chosen, Council will be freezing expenditure at the same levels as 2013/14 for the three years in the areas below. While costs increase over this period Council levels of service will need to decrease.

### **Rural Road Network**

Maintenance  
Vegetation Control  
Gravel Resheets  
Bitumen Reseals

*The 10 year prediction for the unsealed road network is for poor to very poor condition to increase from 15% to 55%. Response times will get longer and defects become greater prior to fixing – will get worse with time i.e. longer & longer.*

### **Towns/Villages**

Maintenance  
Street Resealing  
Footpath  
Kerb & Gutter Renewal  
Parks  
Gardens & Recreation

*A reduction in maintenance will mean longer grass, an un-kept appearance, playground deterioration and some areas not maintained or allowed to dry-back. Street reseals and kerb & gutter renewal programs will be wound back.*

**Adoption of this option will further reduce our rate of own source revenue meaning a greater reliance on external grant funding sources.**

## **OPTION 2**

Special Rate Variation of 7% in 2015/16 to maintain existing service levels – s508 (2) of the Local Government Act.

## Option 2

- Allows a Special Rate Variation of 7% (inclusive of rate pegging %) in 2015/16 so as to maintain current service levels following the three year freeze on indexation of the Financial Assistance Grants.
- This decision to freeze indexation has effectively removed \$3.2 million of revenue in the LTFP. This has impact has diminished slightly due to 2.64% increase in FAGs received this year.
- Continuation of the accelerated the timber bridge replacement program.
- Future borrowings possible
- Adoption of this option means maintenance of the current levels of service delivery and current programmed reduction in the infrastructure backlog.

**Adoption of this option will maintain our current rate of own source revenue (approximately 43%)**

## Option 2 - 2015/2016 Ordinary Rates Levy

2014/2015 Ordinary Rate Levy			\$4,033,000	
2015/2016 Ordinary Rates				
Categories	Option 1	Option 2	Additional compared to Opt 1	Number Ratepayers
Farmland	\$2,948,000	\$3,063,000	\$115,000	920
Residential	\$950,000	\$987,000	\$37,000	1,644
Business	\$256,000	\$266,000	\$10,000	268
Total	\$4,154,000	\$4,316,000	\$162,000	2,832
Yearly % Increase	3.00%	7.00%	4.00%	

## **OPTION 3**

Special Rate Variation of 14% over two  
(2) financial years commencing in  
2015/16 – s508 (2) of the Local  
Government Act.

### **Option 3**

- Maintain current service levels
- Advances timber bridge replacement program and reduces the need to borrow \$1.3 million over the 2022/23 – 2023/24 financial years.
- Requires an application for a Special Rate Variation (SRV) of 14% (inclusive of rate pegging %) over two (2) financial years commencing 2015/16.
- Continuation of the accelerated the timber bridge replacement program.
- Allows for additional future borrowing capacity.
- Adoption of this option means improvement of the current levels of service delivery and improvement of the current programmed reduction in the infrastructure backlog.

**Adoption of this option will improve our rate of own source revenue  
(moving towards 50%)**

## Option 3 - 2016/2017 Ordinary Rates Levy

2014/2015 Ordinary Rate Levy					\$4,033,000		
2016/2017 Ordinary Rates							
Categories	Option 1	Option 2	Additional compared to Opt 1	Number Ratepayers	Option 3	Additional compared to Opt 1	Number Ratepayers
Farmland	\$3,036,000	\$3,154,000	\$118,000	920	\$3,277,000	\$241,000	920
Residential	\$979,000	\$1,017,000	\$38,000	1,644	\$1,056,000	\$77,000	1,644
Business	\$264,000	\$274,000	\$10,000	268	\$285,000	\$21,000	268
Total	\$4,279,000	\$4,445,000	\$166,000	2,832	\$4,618,000	\$339,000	2,832
Compound % Increase on 2014/15 Rates	6.10%	10.22%	4.12%		14.51%	8.41%	



## **OPTION 4**

Special Rate Variation of 20% over  
three (3) financial years commencing  
in 2015/16 – s508 (2) of the Local  
Government Act.

#### **Option 4**

- Baseline budget assumptions & three year freeze on indexation of the Financial Assistance Grants effective from July 2014.
- Maintain service levels.
- Requires an application for a Special Rate Variation (SRV) of 20% (inclusive of rate pegging %) over three (3) financial years commencing 2015/16.
- Continuation of the accelerated the timber bridge replacement program
- Allows for additional future borrowing capacity
- Additional expenditure on the Rural Road Network renewals.
- Adoption of this option means improvement of the current levels of service delivery and improvement of the current programmed reduction in the infrastructure backlog.

**Adoption of this option will improve our rate of own source revenue  
(moving towards 50%)**

## Option 4- 2017/2018 Ordinary Rates Levy

2014/2015 Ordinary Rate Levy					\$4,033,000					
2017/2018 Ordinary Rates										
Categories	Option 1	Option 2	Additional compared to Opt 1	No	Option 3	Additional compared to Opt 1	No.	Option 4	Additional compared to Opt 1	No
Farmland	\$3,127,000	\$3,249,000	\$122,000	920	\$3,375,000	\$248,000	920	\$3,474,000	\$347,000	920
Residential	\$1,008,000	\$1,047,000	\$39,000	1,644	\$1,088,000	\$80,000	1,644	\$1,119,000	\$111,000	1,644
Business	\$272,000	\$282,000	\$10,000	268	\$293,000	\$21,000	268	\$302,000	\$30,000	268
Total	\$4,407,000	\$4,578,000	\$171,000	2,832	\$4,756,000	\$349,000	2,832	\$4,895,000	\$488,000	2,832
Compound % Increase on 2014/15 Rates	9.27%	13.51%	4.24%		17.93%	8.65%		21.37%	12.10%	

# What does the proposed rate increase mean for me?

2017/18 Rate Levy					
Rate Category	Land Value	Option 1 - 3%+3% +3%	Option 2 - 7%+3% + 3%	Option 3 - 7%+7%+3%	Option 4 - 7%+7%+6%
Farmland - Irrigable	\$5,565,000	\$56,281.27	\$58,467.04	\$60,737.62	\$62,506.65
Farmland - Irrigable	\$2,560,000	\$25,890.40	\$26,895.89	\$27,940.40	\$28,754.18
Farmland - Irrigable	\$56,000	\$571.00	\$593.00	\$616.00	\$634.00
Farmland - Dry	\$4,950,000	\$39,069.40	\$40,587.31	\$42,163.62	\$43,391.47
Farmland - Dry	\$2,170,000	\$17,127.39	\$17,792.82	\$18,483.85	\$19,022.12
Farmland - Dry	\$70,000	\$571.00	\$593.00	\$616.00	\$634.00
Intensive Feedlots	\$1,470,000	\$19,468.99	\$20,225.07	\$21,010.51	\$21,622.46
Intensive Feedlots	\$449,000	\$5,946.65	\$6,177.59	\$6,417.49	\$6,604.41
Marina	\$111,500	\$1,295.67	\$1,345.98	\$1,398.25	\$1,438.98
Marina	\$49,000	\$569.40	\$591.51	\$614.48	\$632.38
Rural Residential	\$524,000	\$3,418.86	\$3,549.68	\$3,690.10	\$3,794.96
Rural Residential	\$266,000	\$1,735.53	\$1,801.94	\$1,873.22	\$1,926.45
Rural Residential	\$81,900	\$557.00	\$579.00	\$601.00	\$619.00

## What does the proposed rate increase mean for me?

2017/18 Rate Levy					
Rate Category	Land Value	Option 1 - 3%+3% +3%	Option 2 - 7%+3% + 3%	Option 3 - 7%+7%+3%	Option 4 - 7%+7%+6%
Residential - Barham	\$337,000	\$2,078.79	\$2,168.28	\$2,257.94	\$2,321.27
Residential - Barham	\$146,000	\$900.60	\$939.37	\$978.22	\$1,005.65
Residential - Barham	\$52,000	\$438.00	\$454.00	\$471.00	\$485.00
Residential - Koraleigh	\$13,200	\$438.00	\$454.00	\$471.00	\$485.00
Residential - Moulamein	\$110,000	\$678.54	\$707.75	\$737.01	\$757.68
Residential - Moulamein	\$25,000	\$438.00	\$454.00	\$471.00	\$485.00
Residential - Tooleybuc	\$150,000	\$925.28	\$965.11	\$1,005.02	\$1,033.21
Residential – Tooleybuc	\$80,000	\$497.80	\$519.23	\$536.01	\$555.86
Residential - Tooleybuc	\$24,000	\$438.00	\$454.00	\$471.00	\$485.00
Residential - Wakool	\$5,500	\$438.00	\$454.00	\$471.00	\$485.00
Residential - Murray Downs	\$1,780,000	\$10,979.94	\$11,452.63	\$11,926.19	\$12,260.71
Residential - Murray Downs	\$304,000	\$1,875.23	\$1,955.96	\$2,036.83	\$2,093.96
Residential - Murray Downs	\$105,000	\$647.69	\$675.58	\$703.51	\$723.24

## What does the proposed rate increase mean for me?

2017/18 Rate Levy					
Rate Category	Land Value	Option 1 - 3%+3% +3%	Option 2 - 7%+3% + 3%	Option 3 - 7%+7%+3%	Option 4 - 7%+7%+6%
Business	\$1,130,000	\$11,857.47	\$12,316.11	\$12,802.04	\$13,167.41
Business	\$465,000	\$4,879.40	\$5,068.13	\$5,268.09	\$5,418.45
Business	\$41,800	\$460.00	\$478.00	\$496.00	\$511.00
Grain Sheds - Small	\$233,000	\$6,329.56	\$6,575.37	\$6,830.73	\$7,029.68
Grain Sheds - Small	\$24,000	\$758.04	\$787.48	\$818.06	\$841.89
Grain Sheds - Large	\$29,900	\$14,729.16	\$15,301.17	\$15,895.39	\$16,358.36
Grain Sheds - Large	\$8,250	\$4,064.18	\$4,222.01	\$4,385.97	\$4,513.72
Transport Depot	\$231,000	\$3,897.06	\$4,048.41	\$4,205.63	\$4,328.12

## **Additional Information**

It should be noted that urban residential/business ratepayers pay the following charges on top of their ordinary rates. However these additional charges can only be expended on the functions that they have been raised for. These charges add approximately \$1,600 to their annual rate bill

- Water Supply Charges
- Sewerage Charges
- Waste Management Charges
- Stormwater Drainage Charges

## **Pensioners**

Pensioners are entitled to the rate concessions - \$425 pa

- Half of the total of the ordinary rates & domestic waste charges up to a maximum of \$250
- Half of the Water Supply Charges up to a maximum of \$87.50
- Half of the Sewerage Charges up to a maximum of \$87.50

## Summary of Accumulative Percentage Increases

Accumulative Percentage Increase on all Options compare to 2014/2015 Rates				
Year	Option 1	Option 2	Option 3	Option 4
2015/2016	3.00%	7.00%	7.00%	7.00%
2016/2017	6.10%	10.22%	14.51%	14.51%
2017/2018	9.27%	13.51%	17.93%	21.37%

Additional Rates - Accumulative Percentage Increase above Option 1			
Year	Option 2	Option 3	Option 4
2015/2016	4.00%	4.00%	4.00%
2016/2017	4.12%	8.41%	8.41%
2017/2018	4.24%	8.66%	12.10%



## Attachments

Attached to the website are examples of Rating Structures for 2015/2016, 2016/2017 & 2017/2018 for each of the Options that relate to that year.

Using these will enable individuals to calculate their own rates in any one of the Options in each of the rating years.

Example – Farmland Irrigable Properties Rate Category for Option 1

Option 1 - Rating Year 2015/2016 - Minimum \$538.00			
Land Value	Rate in the \$	Amount – Land Value x Rate in \$	Actual Rates for Year
\$100,000	\$0.0095329	\$953.29	\$953.29
\$50,000	\$0.0095329	\$476.65	\$538.00

**Option 2 - Rating Year 2015/2016 – Minimum Rate \$559.00**

Land Value	Rate in the \$	Amount – Land Value x Rate in \$	Actual Rates for Year
\$100,000	\$0.0099031	\$990.31	\$990.31
\$50,000	\$0.0099031	\$495.16	\$559.00

**Option 2 - Rating Year 2016/2017 – Minimum Rate \$576.00**

Land Value	Rate in the \$	Amount – Land Value x Rate in \$	Actual Rates for Year
\$100,000	\$0.0102002	\$1,020.02	\$1,020.02
\$50,000	\$0.0102002	\$510.01	\$576.00

**Option 2 - Rating Year 2017/2018 – Minimum Rate \$593.00**

Land Value	Rate in the \$	Amount – Land Value x Rate in \$	Actual Rates for Year
\$100,000	\$0.0105062	\$1,050.62	\$1,050.62
\$50,000	\$0.0105062	\$525.31	\$593.00

## Conclusion

- Council has included options three and four to seek the Community's interest in wanting to improve service delivery and accelerate the renewal of Community Infrastructure.
- Council's main focus is with renewal of its rural network infrastructure and in particular replacement of its timber bridge network.
- Council believes investing in replacing the timber bridge is an investment for the long term as the new bridges are expected to last between 80 – 100 years.
- Council has already borrowed \$2.3million to accelerate the replacement of five (5) bridges by 2014/2015 and is planning to borrow further funds in the future if needed.
- Council is and will continue to actively explore other income opportunities to further accelerate the renewal of its Community Infrastructure.

Further information is available  
on our website:

[www.wakool.nsw.gov.au](http://www.wakool.nsw.gov.au)