

Special Rate Variation Fact Sheet



Weddin Shire Council

Securing the Future and independence of the shire

November 2014

A Message from Your Councillors

Council is committed to maintaining a vibrant Weddin Shire community. To do this, Council needs to continue to provide services that meet the needs of our villages and towns. This investment will support the proud rural traditions of New South Wales by sustaining strong population growth that contributes to the success of agricultural, mining and small businesses. As a community, we need to secure sufficient funds to ensure that quality services are provided.

At its June 2014 meeting Council resolved to submit an application to the Independent Pricing and Regulatory Tribunal (IPART) for a special variation to general rate income of 4% above the anticipated rate pegging level of 3% each year. This would apply for the next four years. Following the special rate variation rates would increase on the new base by the amount allocated under the current NSW Government rate pegging policy.

Council has been considering it's long term direction and its ability to deliver not only the services expected of it by our ratepayers but also the desired long term strategic direction of growing the local population, an objective identified by the community in developing Council's Integrated Planning & Reporting (IP&R) documents.

Weddin Shire Council, like the majority of Councils in NSW, faces the challenges of having the capital to maintain the ageing assets and infrastructure under its control and the additional challenge posed when they have to be replaced.

NSW is the only state in Australia where the State Government controls Local Government rate increases. Under this Rate Pegging system the State usually approves a General Council rate increase of between 3% and 4% each year. Unfortunately these rate increases have not kept pace with the real cost of delivering the services expected of Councils. In addition, cost shifting has seen extra responsibilities being given to Council without any extra funding to help us provide them. According to an independent review of NSW Councils by the NSW Treasury Corporation, councils in NSW are financially unsustainable unless changes are made. Specifically in relation to Weddin Shire Council the NSW Treasury Corporation review found:

Weddin Shire Council was moderately sustainable in the short to medium term with its financial situation deteriorating. Continued operating deficits will eventually have a negative impact on Council's ability to replace key infrastructure assets when they become due for renewal¹.

The decision to apply for a special rate variation has not been taken lightly but is a necessary step towards long term financial sustainability and to ensure the community has assets that provide for the future.

Special Rate Variation Explained

A Special Rate Variation (SRV) is a change in the general rate payable above the yearly increase that is available under the Rate Pegging system from the Independent Pricing and Regulatory Tribunal (IPART) and the NSW State Government. Previously, the rate pegging system has seen the Council adopt rate increases of approximately 2.5% - 3.5% based on this allowable increase.

Council is applying for an increase of 4% above rate pegging (estimated at 3%) each year for the next 4 years. Based on the estimated rate peg of 3% per annum, this equates to a total increase of 7% per annum for the next 4 years. Information relating to the Special Rate Variation Process is available on the IPART website: www.ipart.gov.au

¹ <http://www.olg.nsw.gov.au/sites/default/files/TCorp-Report-Financial-Sustainability-of-the-New-South-Wales-Local-Government-Sector-April-2013.pdf>

Why is a Special Rate Variation Needed?

As previously mentioned, a recent NSW Treasury Corporation (TCorp) report considered Weddin Shire Council 'moderately sustainable in the short to medium term with its financial situation deteriorating.'

Significant challenges Council will face in the coming years include:

- Securing the ongoing tradition of rural life, including its businesses, which contributes to New South Wales and Australia
- The impact of cost shifting to local government through which Council is given extra responsibilities by the State without being given any extra funding
- Implications of rate pegging which has meant that rate increases have not kept pace with the real cost of delivering infrastructure and services including rural roads, basic health services, recreational facilities and business support
- The ability of Council to fund its existing asset management commitments according to standards acceptable to the community
- The ability for Council to meet community expectations in relation to service delivery
- The impact of rising costs, for example energy and waste management expenses
- Increasing considerations required in relation to public liability and risk management

The TCorp report identified that Weddin Shire Council had the capacity to undertake additional borrowings to assist in funding its activities but that it would be advisable for Council to develop strategies to improve its operating position prior to undertaking any borrowings.

Council's long term financial planning confirms that for it to remain financially sustainable in the medium to long term, its level of income must be increased. While Council receives income from other sources such as State and Federal Government grants, the current trend of fiscal tightening has seen these sources decrease and this is expected to continue.

In response to all these factors a special rate variation is proposed as a measure to improve Council's long term financial sustainability and to assist in funding Council's asset management commitments including the planned construction of a Grenfell Medical Centre and the upgrade of the Grenfell Swimming Pool.

Assistance for Ratepayers having difficulty in paying their rates

Council is mindful of the upward cost of living pressures faced by ratepayers and understand that some ratepayers may find it difficult to meet the proposed Special Rate Variation. With this in mind, Council has adopted a policy of hardship assistance at its September 2014 meeting. This policy was adopted to provide a mechanism through which ratepayers who cannot pay their rates for reasons of financial hardship can apply to Council for assistance. A copy of the policy and a financial hardship application form are available on Council's website: www.weddin.local-e.nsw.gov.au

Having your say

As Councillors elected to serve the Weddin Shire community, we will listen to and respect your advice.

To support Council in making decisions about your community, you are asked to fill in the attached survey and return it to Council by Friday the 5th December 2014. The survey can also be completed online by following the link on Council's website: www.weddin.local-e.nsw.gov.au

More information on the Special Rate Variation Process can be found on the Independent Pricing & Regulatory Tribunal (IPART) website : www.ipart.nsw.gov.au

How Much Extra Will You Have to Pay

Council is very mindful of the financial pressures on the community and understand that individual ratepayers want to know how a special rate variation is going to impact them. Accordingly the below **indicative** average general rate increases are provided for information purposes. It must be noted however that rates levied have a direct correlation to unimproved land values which vary between rating categories. Council is required to use new land valuation in 2015/16 which will also impact on rates paid.

Comparison of Average Yearly General Rate Increases With and Without the Special Rate Variation for each Rating Category

| Rating Category | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|--|----------|----------|----------|----------|----------|----------|----------|----------|
| Grenfell Residential | | | | | | | | |
| Grenfell Residential - With SRV | 532.93 | 570.24 | 610.15 | 652.86 | 698.56 | 719.52 | 741.10 | 763.34 |
| Grenfell Residential - Without SRV | 532.93 | 548.92 | 565.39 | 582.35 | 599.82 | 617.81 | 636.35 | 655.44 |
| \$ Difference due to SRV | 0.00 | 21.32 | 44.77 | 70.52 | 98.75 | 101.71 | 104.76 | 107.90 |
| % Difference due to SRV | | 4.00% | 8.16% | 12.47% | 16.96% | 16.96% | 16.96% | 16.96% |
| Ordinary Residential | | | | | | | | |
| Ordinary Residential - With SRV | 664.09 | 710.58 | 760.32 | 813.54 | 870.49 | 896.60 | 923.50 | 951.20 |
| Ordinary Residential - Without SRV | 664.09 | 684.01 | 704.53 | 725.67 | 747.44 | 769.86 | 792.96 | 816.75 |
| \$ Difference due to SRV | 0.00 | 26.56 | 55.78 | 87.87 | 123.05 | 126.74 | 130.54 | 134.46 |
| % Difference due to SRV | | 4.00% | 8.16% | 12.47% | 16.96% | 16.96% | 16.96% | 16.96% |
| Caragabal Residential | | | | | | | | |
| Caragabal Residential - With SRV | 139.49 | 149.25 | 159.70 | 170.88 | 182.84 | 188.33 | 193.98 | 199.80 |
| Caragabal Residential - Without SRV | 139.49 | 143.67 | 147.98 | 152.42 | 157.00 | 161.71 | 166.56 | 171.56 |
| \$ Difference due to SRV | 0.00 | 5.58 | 11.72 | 18.46 | 25.85 | 26.62 | 27.42 | 28.24 |
| % Difference due to SRV | | 4.00% | 8.16% | 12.47% | 16.96% | 16.96% | 16.96% | 16.96% |
| Greenethorpe Residential | | | | | | | | |
| Greenethorpe Residential - With SRV | 241.54 | 258.45 | 276.54 | 295.90 | 316.61 | 326.11 | 335.89 | 345.97 |
| Greenethorpe Residential - Without SRV | 241.54 | 248.79 | 256.25 | 263.94 | 271.86 | 280.01 | 288.41 | 297.06 |
| \$ Difference due to SRV | | 9.66 | 20.29 | 31.96 | 44.75 | 46.10 | 47.48 | 48.90 |
| % Difference due to SRV | | 4.00% | 8.16% | 12.47% | 16.96% | 16.96% | 16.96% | 16.96% |
| Quandialla Residential | | | | | | | | |
| Quandialla Residential - With SRV | 171.65 | 183.67 | 196.52 | 210.28 | 225.00 | 231.75 | 238.70 | 245.86 |
| Quandialla Residential - Without SRV | 171.65 | 176.80 | 182.10 | 187.57 | 193.19 | 198.99 | 204.96 | 211.11 |
| \$ Difference due to SRV | 0.00 | 6.87 | 14.42 | 22.71 | 31.80 | 32.76 | 33.74 | 34.75 |
| % Difference due to SRV | | 4.00% | 8.16% | 12.47% | 16.96% | 16.96% | 16.96% | 16.96% |
| Bimbi Residential | | | | | | | | |
| Bimbi Residential - With SRV | 158.67 | 169.78 | 181.66 | 194.38 | 207.98 | 214.22 | 220.65 | 227.27 |
| Bimbi Residential - Without SRV | 158.67 | 163.43 | 168.33 | 173.38 | 178.58 | 183.94 | 189.46 | 195.14 |
| \$ Difference due to SRV | 0.00 | 6.35 | 13.33 | 20.99 | 29.40 | 30.28 | 31.19 | 32.13 |
| % Difference due to SRV | | 4.00% | 8.16% | 12.47% | 16.96% | 16.96% | 16.96% | 16.96% |
| Main Street Business | | | | | | | | |
| Main Street Business - With SRV | 867.63 | 928.36 | 993.35 | 1,062.88 | 1,137.29 | 1,171.40 | 1,206.55 | 1,242.74 |
| Main Street Business - Without SRV | 867.63 | 893.66 | 920.47 | 948.08 | 976.53 | 1,005.82 | 1,036.00 | 1,067.08 |
| \$ Difference due to SRV | 0.00 | 34.71 | 72.88 | 114.80 | 160.76 | 165.58 | 170.55 | 175.67 |
| % Difference due to SRV | | 4.00% | 8.16% | 12.47% | 16.96% | 16.96% | 16.96% | 16.96% |
| Ordinary Business | | | | | | | | |
| Ordinary Business - With SRV | 1,118.59 | 1,196.89 | 1,280.67 | 1,370.32 | 1,466.24 | 1,510.23 | 1,555.54 | 1,602.20 |
| Ordinary Business - Without SRV | 1,118.59 | 1,152.15 | 1,186.71 | 1,222.31 | 1,258.98 | 1,296.75 | 1,335.65 | 1,375.72 |
| \$ Difference due to SRV | 0.00 | 44.74 | 93.96 | 148.01 | 207.26 | 213.48 | 219.88 | 226.48 |
| % Difference due to SRV | | 4.00% | 8.16% | 12.47% | 16.96% | 16.96% | 16.96% | 16.96% |
| Farmland | | | | | | | | |
| Farmland - With SRV | 1,292.91 | 1,383.41 | 1,480.25 | 1,583.87 | 1,694.74 | 1,745.58 | 1,797.95 | 1,851.89 |
| Farmland - Without SRV | 1,292.91 | 1,331.70 | 1,371.65 | 1,412.80 | 1,455.18 | 1,498.84 | 1,543.80 | 1,590.12 |
| \$ Difference due to SRV | 0.00 | 51.72 | 108.60 | 171.07 | 239.56 | 246.75 | 254.15 | 261.77 |
| % Difference due to SRV | | 4.00% | 8.16% | 12.47% | 16.96% | 16.96% | 16.96% | 16.96% |
| Mining | | | | | | | | |
| Mining - With SRV | 5,058.00 | 5,412.06 | 5,790.90 | 6,196.27 | 6,630.01 | 6,828.91 | 7,033.77 | 7,244.79 |
| Mining - Without SRV | 5,058.00 | 5,209.74 | 5,366.03 | 5,527.01 | 5,692.82 | 5,863.61 | 6,039.52 | 6,220.70 |
| \$ Difference due to SRV | 0.00 | 202.32 | 424.87 | 669.25 | 937.18 | 965.30 | 994.26 | 1,024.08 |
| % Difference due to SRV | | 4.00% | 8.16% | 12.47% | 16.96% | 16.96% | 16.96% | 16.96% |

Comparative Data

As a point of reference the following table compares Weddin Shire Councils average rate per assessment with neighbouring Councils.

| Average Rate Per Assessment Comparison with neighbouring Councils | | | |
|---|--------------|-----------|----------|
| | Residential* | Business^ | Farmland |
| Cowra | \$414 | \$2,770 | \$1,484 |
| Forbes | \$807 | \$2,806 | \$2,169 |
| Bland | \$612 | \$1,404 | \$2,539 |
| Young | \$508 | \$3,625 | \$1,968 |
| Weddin | \$522 | \$862 | \$1,260 |
| *Based on Residential rates for the townships of Cowra, Forbes, West Wyalong, Young and Grenfell. Excludes villages & other residential rating categories | | | |
| ^Based on Business rates for Cowra, West Wyalong/Wyalong, Forbes CBD, Young CBD and Grenfell Main St. Excludes other business rating categories | | | |
| The source of data included in this table is the 2013/2014 Rating Return Schedule 2. | | | |