

# Special Rate Variation Community Presentations

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Why do we need to apply again?

IPART's May 2018 Assessment of Kiama  
Municipal Council's Special Rate  
Variation application is as follows:



## 1. Financial Need



The council demonstrated the financial need for the special variation (SV):

- ▼ Operating Performance Ratio (average from 2018-2019 to 2027-28) is
  - 2.2% with SV
  - -0.2% without SV revenue and assuming SV expenditure.
- ▼ Infrastructure backlog ratio is estimated at 1.8% in 2027-28 with SV but 4.3% in 2027-28 without SV.
- ▼ Asset renewals ratio above 100% benchmark to 2027-28 with SV (average 109%), but falls below the benchmark, averaging 78%, without the SV expenditure.

However, the IP&R documents, specifically the exhibited Delivery Program and LTFP did not adequately consider the base case and the special variation scenario (see criterion 4).

## 2. Community awareness



On balance, the council demonstrated the community is aware of the rate rise. It:

- ▼ used a range of engagement methods to make the community aware of the need for, and extent of rate increase
- ▼ provided detailed explanation about the purpose and impact of the SV and sought feedback, and
- ▼ satisfactorily considered community feedback on the rate increase.

However, the council's IP&R documents, specifically the Delivery Program and LTFP did not fully meet the requirements in detailing the extent of the general fund rate rise under the special variation (see criterion 4).

### 3. Impact on ratepayers

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Impact on ratepayers will be substantial, as current rate levels are higher than Group 4 and neighbouring councils. However the impact is reasonable as the:

- ▼ rates to income ratio is similar to other councils
- ▼ outstanding rates ratio is lower than neighbouring councils and the Group 4 average, and
- ▼ SEIFA ranking (108) is higher than neighbouring councils.

We note the council's exhibited Delivery Program and LTFP did not fully meet the requirements in assessing the impact on ratepayers (see criterion 4).

## 5. Productivity improvements and cost containment



Commencing in 2012, the council has implemented cost containment strategies and efficiency measures which resulted in savings of:

- ▼ \$1.26 million from reduced workers compensation insurance premiums
- ▼ \$187,538 from a procurement optimisation process in 2015-16, and
- ▼ \$153,000 per year from waste management reductions.

The council has also realised additional revenue of \$1.35 million from asset sales. It also included further savings in the LTFP from further optimisation in procurement processes, road surface treatment review, projects design and delivery innovations and environmental initiatives.



#### 4. IP&R documents exhibited



The council did not appropriately update its IP&R documentation. Specifically the:

- ▼ LTFP did not compare a base case with the SV scenario, and did not discuss the full cumulative increase in rates or the impact on ratepayers.
- ▼ Delivery Program exhibited during the public consultation did not identify the requested SV. The updated Delivery Program with the proposed SV amendments did not provide sufficient time for the community to fully consider the proposed SV.

The Delivery Program and LTFP did not fully meet the requirements in considering financial need (criterion 1), community awareness (criterion 2) and impact on ratepayers (criterion 3).

# What is a Special Rate Variation (SRV)?

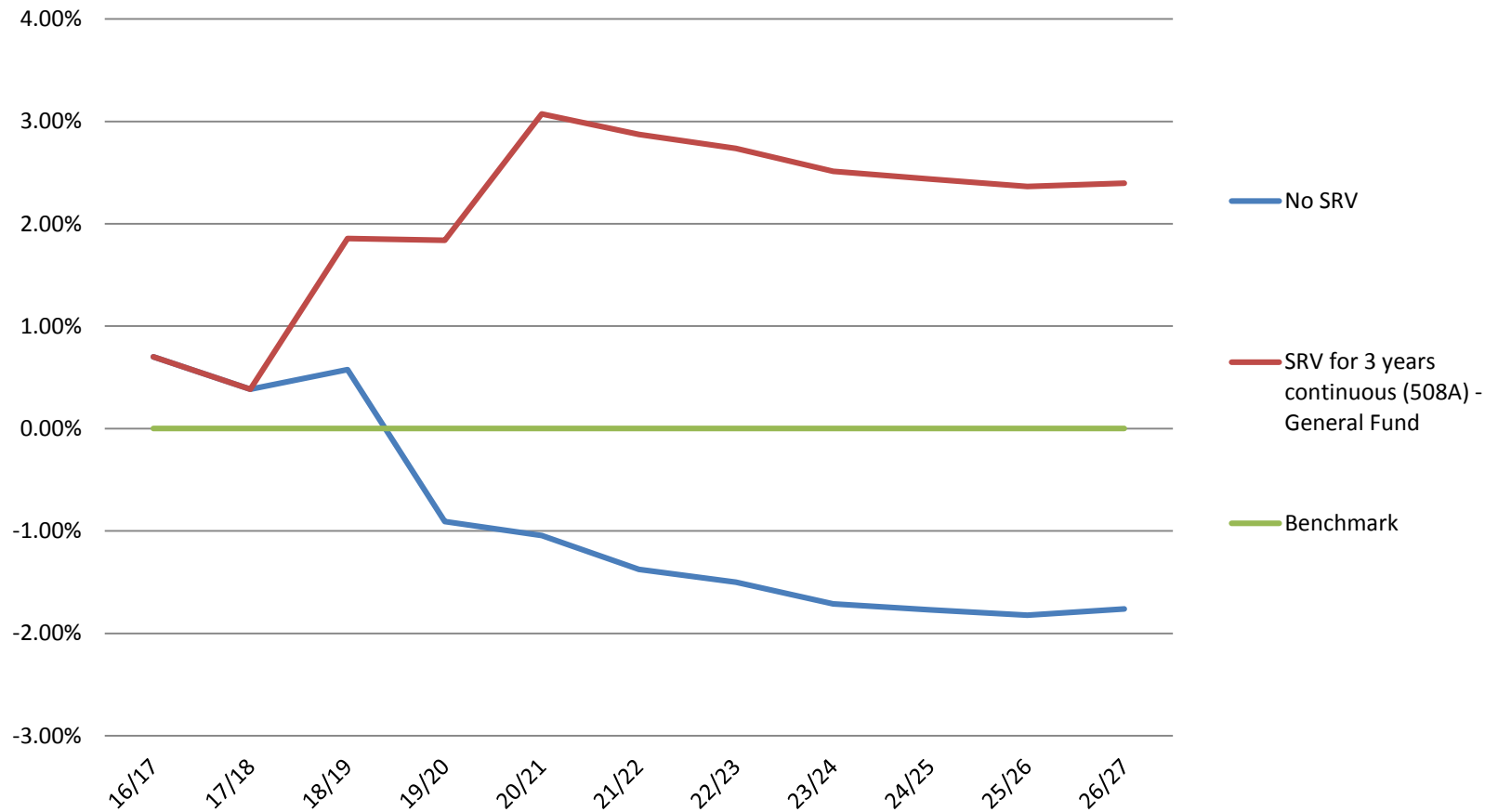




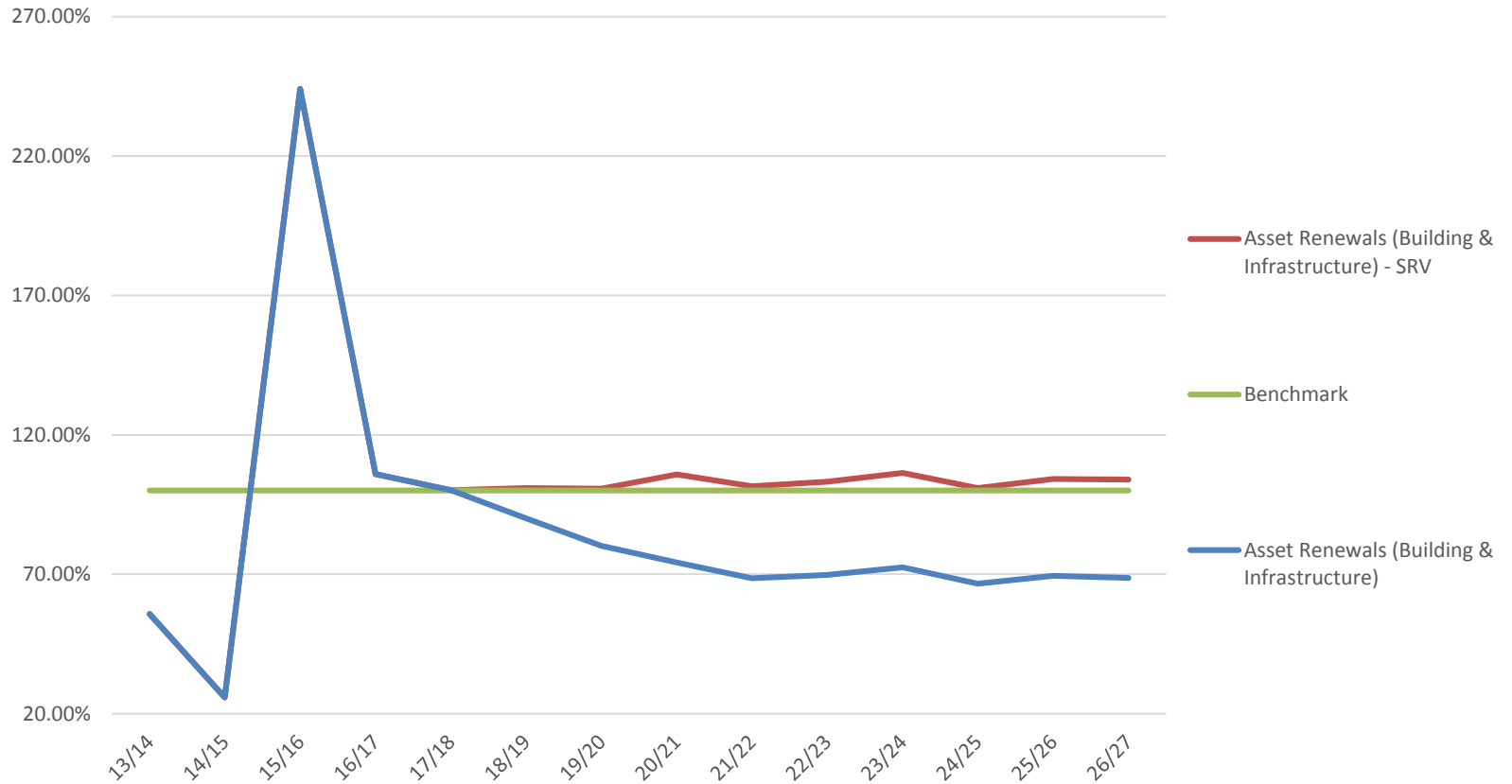
Why is Council applying for an SRV?  
What is the money to be used for?



# Operating Performance Ratio - General Fund



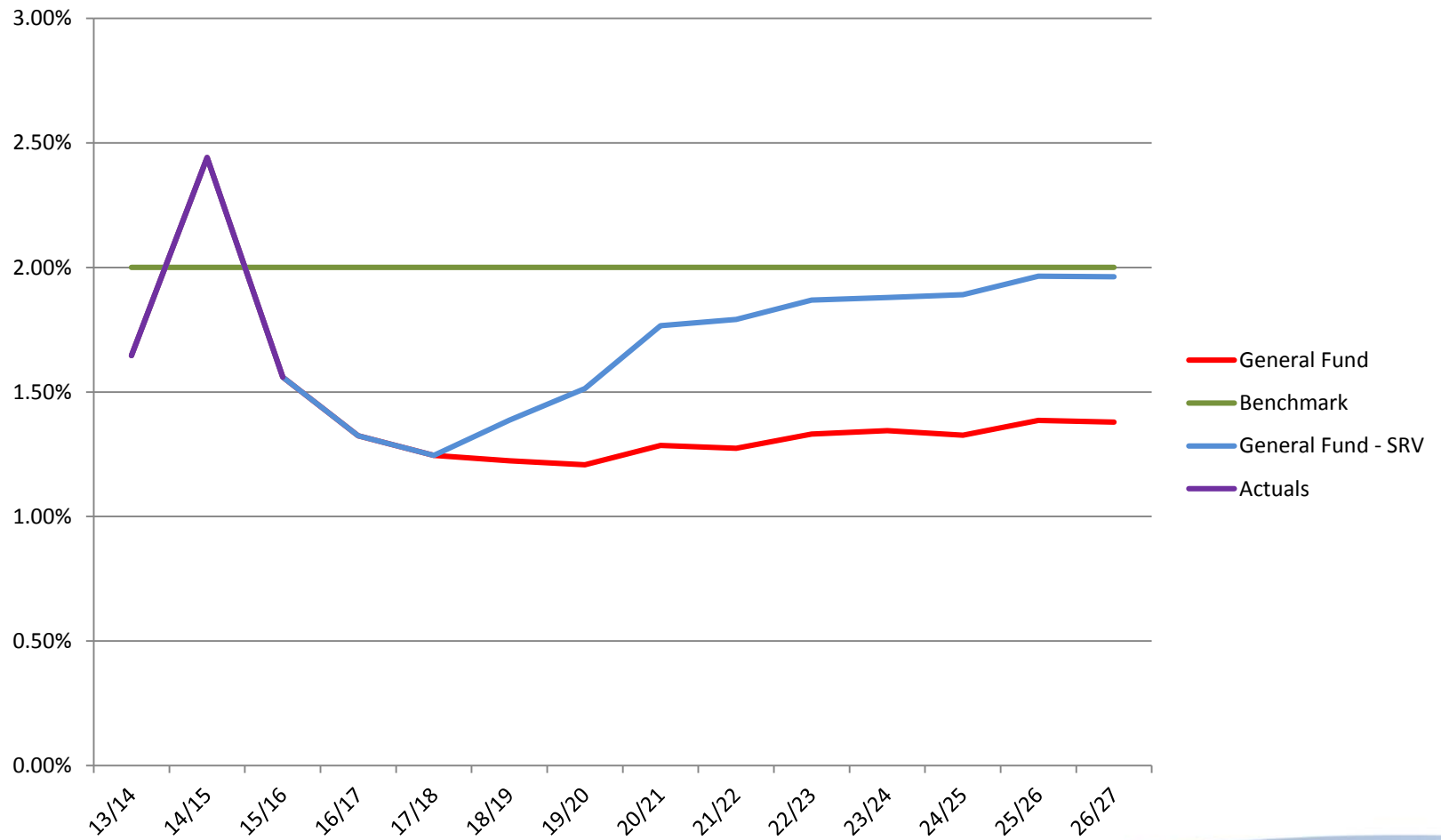
# Infrastructure Renewals Ratio



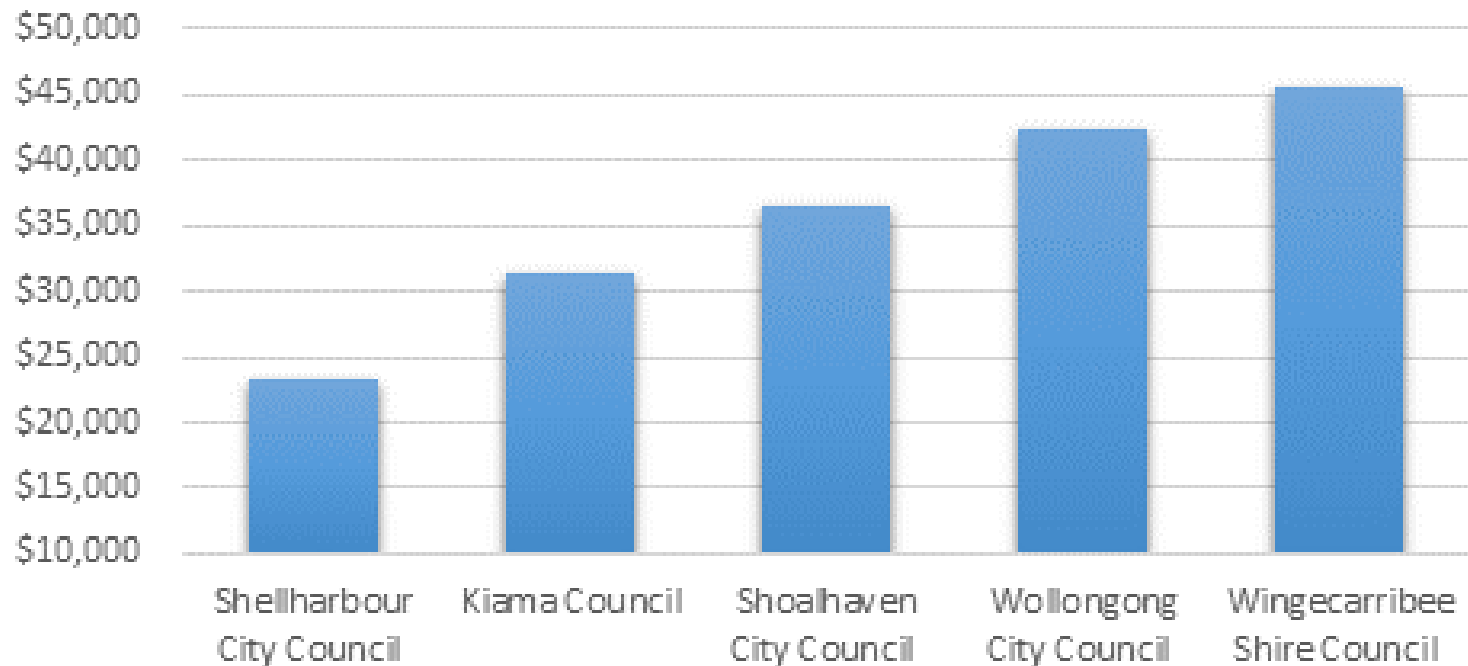
# Asset Maintenance Ratio



# Infrastructure Backlog Ratio



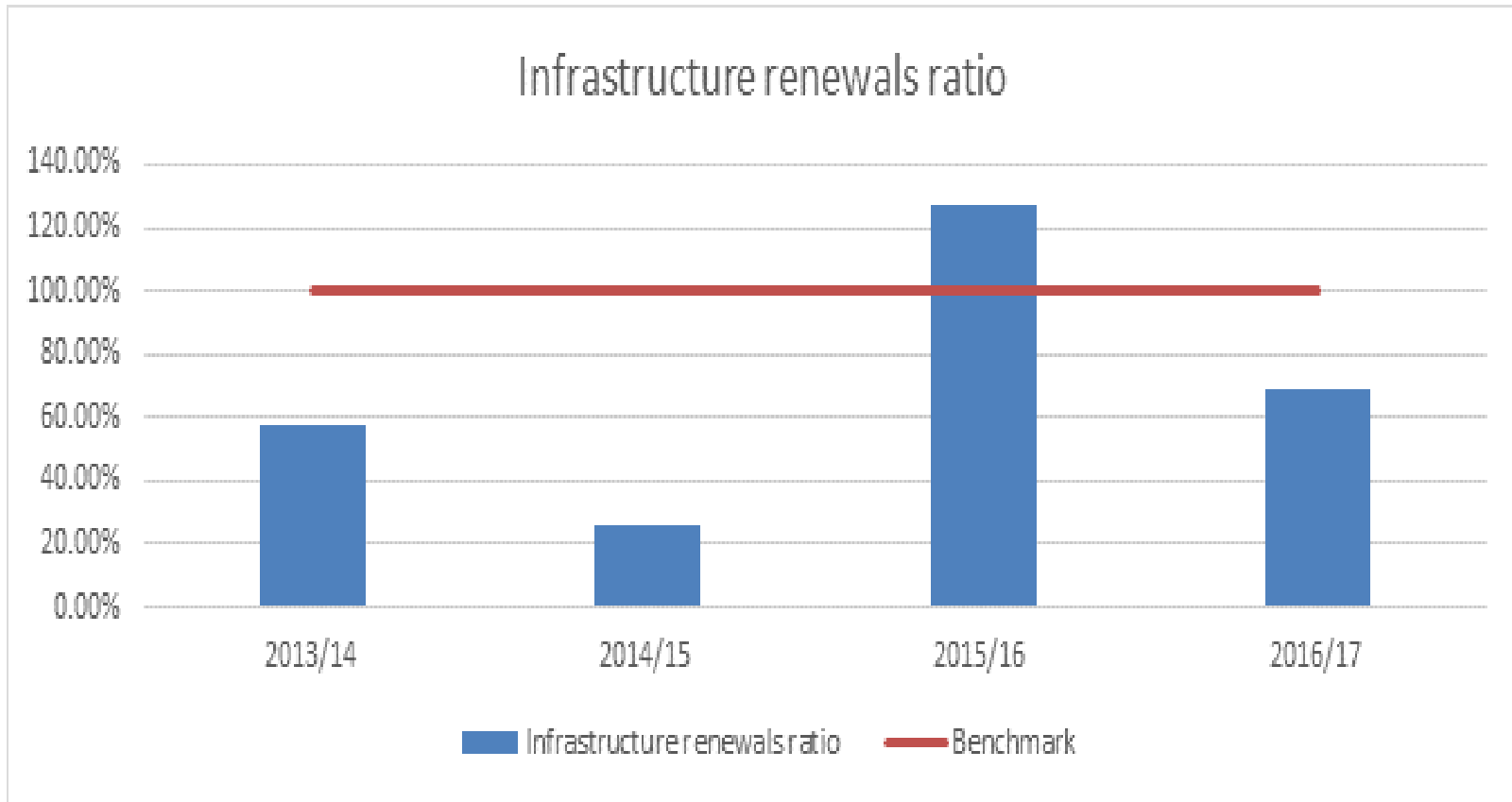
## Infrastructure Asset Value per Assessment 2018



Based on 2017 audited financial statements



# Infrastructure Renewal Shortfall



# Are there alternatives to an SRV?





# What is the impact of the proposed SRV on average rates?



# Regional Comparison

In terms of the size and scale of the proposed SRV in the Kiama LGA the following information regarding SRV's approved in the region is set out below:

Council	SRV increases	Cumulative Impact
Wollongong	14/15 6.13%, 15/16 6.23%, 16/17 6.24%	19.78%
Shellharbour	13/14 8-10% for 4 years	41.15%
Shoalhaven	17/18 13.2% Application for a further 3 years at 5% currently being prepared	31.00%
Wingecarribee	16/17 8.55%, 17/18 9.25%, 18/19 9.25%, 19/20 12.15	45.30%
Kiama - 2018 application	18/19 6%, 19/20 6%, 20/21 6%	19.10%
Kiama - revised application	18/19 2.17%, 19/20 9.83%, 20/21 6%	19.10%

Other Council's increases set out above were accurate as at January 2018



# Residential Comparison

Applying surrounding Councils approved rating factors to Kiama Council's average residential land value of \$418,274, Kiama's estimated residential rates are/will be the lowest.

Residential Rate Comparison - Neighbouring Councils ****					
Council	Value	2017/2018 Rates	2018/2019 Rates	2019/2020 Rates	2020/2021 Rates
Wingecarribee Shire Council *	\$418,274	\$1,614.08	\$1,763.38	\$1,977.63	\$2,027.07
Wollongong City Council	\$418,274	\$1,765.16	\$1,809.29	\$1,854.52	\$1,900.89
Shellharbour City Council	\$418,274	\$1,844.49	\$1,890.60	\$1,937.87	\$1,986.31
Shoalhaven City Council **	\$418,274	\$1,486.99	\$1,561.33	\$1,639.40	\$1,721.37
Kiama Council – 2018 ***	\$418,274	\$1,412.65	\$1,497.41	\$1,587.26	\$1,682.49
Kiama Council – revised ***	\$418,274	\$1,412.65	\$1,497.41	\$1,587.26	\$1,682.49
* Wingecarribee Shire Council - includes SRV increases of 2017/18 - 9.25%, 2018/19 - 9.25%, 2019/20 - 12.15%, 2020/21 - 2.5% ** Shoalhaven City Council - applying for an SRV increase of 5% for three years and is included in this table *** Kiama Council – includes proposed SRV increases **** Details accurate as at January 2018					



# Business/Commercial/Industrial Comparison

Applying surrounding Councils approved rating factors to Kiama Council's average Business/Commercial/Industrial land value of \$429,798, Kiama's estimated Business/Commercial/Industrial rates are substantially the lowest in the region.

Business/Commercial/Industrial Rate Comparison - Neighbouring Councils ****					
Council	Value	2017/2018 Rates	2018/2019 Rates	2019/2020 Rates	2020/2021 Rates
Wingecarribee Shire Council *	\$429,798	\$3,371.28	\$3,683.12	\$4,130.62	\$4,233.89
Wollongong City Council	\$429,798	\$6,526.22	\$6,689.38	\$6,856.61	\$7,028.03
Shellharbour City Council	\$429,798	\$4,662.24	\$4,778.80	\$4,898.27	\$5,020.72
Shoalhaven City Council **	\$429,798	\$3,439.34	\$3,611.31	\$3,791.87	\$3,981.47
Kiama Council - 2018 ***	\$429,798	\$2,147.24	\$2,276.07	\$2,412.64	\$2,557.40
Kiama Council – revised ***	\$429,798	\$2,147.24	\$2,276.07	\$2,412.64	\$2,557.40

*Wingecarribee Shire Council includes SRV increases of 2017/18 - 9.25%, 2018/19 - 9.25%, 2019/20 - 12.15%, 2020/21 - 2.5%*  
*\*\* Shoalhaven City Council are applying for an SRV increase of 5% for three years and is included in this table*  
*\*\*\* Kiama Council – includes proposed SRV increases*  
*\*\*\*\* Details accurate as at January 2018*



## Weekly impact of rating components

<u>Rate Type</u>	<u>Average Land Value</u>	<u>% of Assessments under Average</u>	<u>Year</u>	<u>Rate Peg impact/ week</u>	<u>SRV Impact/ week</u>	<u>Combined Impact/ week</u>
<b>Residential</b>	\$418,274	63%	2018/2019	\$0.68	\$0.95	\$1.63
			2019/2020	\$1.38	\$1.98	\$3.36
			2020/2021	\$2.09	\$3.10	\$5.19
<b>Rural Residential</b>	\$1,056,740	61%	2018/2019	\$1.31	\$1.83	\$3.14
			2019/2020	\$2.65	\$3.82	\$6.47
			2020/2021	\$4.02	\$5.97	\$9.99
<b>Business Commercial Industrial</b>	\$429,798	91%	2018/2019	\$1.03	\$1.44	\$2.47
			2019/2020	\$2.09	\$3.01	\$5.10
			2020/2021	\$3.17	\$4.71	\$7.88
<b>Business Ordinary</b>	\$268,512	78%	2018/2019	\$0.44	\$0.62	\$1.06
			2019/2020	\$0.90	\$1.30	\$2.20
			2020/2021	\$1.37	\$2.03	\$3.40
<b>Farmland</b>	\$1,394,638	55%	2018/2019	\$1.17	\$1.64	\$2.81
			2019/2020	\$2.38	\$3.43	\$5.81
			2020/2021	\$3.61	\$5.36	\$8.98



## Pensioner Rebate

Additional annual pensioner rebates will be provided subject to SRV approval -

2018/2019	\$10 (already in place)
2019/2020	\$17
2020/2021	\$25 (will be permanent)



# Additional Impact Minimisation



When will the outcome of the SRV application be known?







# Questions?





# Your Council, Your Community



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**Kiama Municipal Council**



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