



14 CIVIC LEADERSHIP

Item	14.10
Subject	Special Rate Variation - Application to IPART
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EXECUTIVE SUMMARY

Council resolved at its November Ordinary 2022 Meeting to engage with the community regarding the proposed permanent, four year Special Rate Variation (SRV) of two years of 8% SRV's per year (including the rate peg) for 2023/24 and 2024/25 and two years of 6% SRV's per year (including the rate peg) for 2025/26 and 2026/27 (compounding to 31.06% over the four year time period). Throughout December – January a broad community engagement process was undertaken.

This report overviews submissions received regarding the SRV proposal generally during the community engagement process. This report recommends that Council submit an application to the NSW Independent Regulatory and Pricing Tribunal (IPART) for a permanent, four year SRV of two years of 8% SRV's per year (including the rate peg) for 2023/24 and 2024/25 and two years of 6% SRV's per year (including the rate peg) for 2025/26 and 2026/27 (compounding to 31.06% over the four year time period) in accordance with Section 508(A) of the NSW Local Government Act 1993.

Council is required to submit the SRV application to IPART by Friday 3 March 2023. Once Council has made a resolution on the matter, the application is able to be finalised and will be circulated separately. The full application will also be available on Council's website.

RECOMMENDATION

That Council

1. Make application to the NSW Independent Regulatory and Pricing Tribunal (IPART) for a permanent, four year Special Rate Variation (SRV) of two years of 8% SRV's per year (including the rate peg) for 2023/24 and 2024/25 and two years of 6% SRV's per year (including the rate peg) for 2025/26 and 2026/27 (compounding to 31.06% over the four

year time period) under Section 508(A) of the NSW Local Government Act 1993, commencing in the 2023/24 financial year for the specific purpose of addressing the impact of the inflationary pressures on Councils finances. The SRV is a platform of organisational sustainability initiatives aimed at ensuring the organisation is financially sustainable in the medium to long term, based on the contents of this report.

2. Acknowledge the feedback received from the community during the community engagement and public exhibition process and provide this to the NSW Independent Regulatory and Pricing Tribunal (IPART) as part of the Special Rate Variation application by Bellingen Shire Council for the years 2023/24-2026/27.

ATTACHMENTS

1. Attachment A - Digital Media and Website Results
2. Attachment B - SRV Submissions_Redacted_14022023
3. Attachment C - Survey Results Analysis
4. Attachment D - Fact Sheets
5. Fact-Sheet-Engaging-with-IPART-on-2023-24-special-variation-application-November-2022
6. BSC-LTFP-2022-2032
7. 2022-26-delivery-program-and-2022-23-operational-plan-e

PURPOSE

The purpose of this report is to present the information collated from the community consultation activities undertaken as part of the IPART SRV application process and to provide Council with the necessary information to assist in the determination to make application to IPART.

DISCUSSION

In June 2022, Council adopted its suite of Integrated Planning and Reporting documents including its Long Term Financial Plan and Delivery Plan documents which reflect the SRV Council is proposing to apply for. These documents were publicly exhibited from 27 April 2022 until 27 May 2022.

In addition to this, between June and December 2022, the Council participated in a series of workshops to better understand the rate peg methodology, Council's Financial Sustainability Strategy and Action Plan and the need for a SRV in the context of Council's overall imperatives around service delivery and financial sustainability.

In consideration of the June 2022 report and subsequent workshops, Council resolved at its November 2022 Ordinary Meeting:

RESOLVED (Cr Tree / Cr Cook)

That Council notify the NSW Independent Regulatory and Pricing Tribunal (IPART) of its intention to lodge an application for a Special Variation (SV) for the 2023-24 to 2026-27 financial years.
For (Mayor Allan, Cr Cook, Cr Brotherton, Cr Glyde, Cr Tree)
Against (Cr Fenton, Cr King)

Rate Pegging

Rate pegging has been in place since 1977. The rate peg determines the maximum percentage amount by which a council may increase its general income for the year. For 2023/24, for Bellingen the rate peg has been set by the NSW Government at 4.5% based on the change in the Local Government Cost Index (LGCI), a productivity factor, any special adjustments and, since 2022-23, a population factor.

IPART calculated the rate peg by:

- Taking the increase in the LGCI for the year of 3.7%
- Setting the change in population factor of 0.8%

For Bellingen, this resulted in a rate peg of 4.5% for 2023/24.

Local Government NSW (LGNSW) released commentary regarding the rate peg percentage applied by the NSW Government expressing their concern that it simply does not meet the needs of local councils.

Bellingen Shire Council joined with other Councils and Local Government NSW (LGNSW) to advocate for a more realistic rate peg in the future. LGNSW argued that the financial sustainability

of regional and rural Councils across NSW would be put at risk by the low rate peg increase. In a high inflationary environment this low rate peg would put further pressure on Councils already constrained budgets.

As a result of this, IPART have been tasked by the NSW Government to undertake a review of the rate peg methodology. The review is looking at new approaches to setting the rate peg that reflect, as far as possible, changes in inflation and local government costs, while continuing to protect ratepayers from excessive rate increases. IPART will be consulting extensively as part of this review.

Bellingen Shire joined NSW Councils in making a submission to the methodology review, highlighting the impact of rate pegging and the subsequent financial pressure the rate peg is having on delivering essential services to our communities.

As a result of over four (4) decades of rate pegging in NSW, Bellingen Shire's income has not kept pace with the costs of providing services and maintaining its \$0.5 Billion in infrastructure. This has been demonstrated in the number of special rate variation (SRV) applications that Council has been required to apply for in recent years. All SRV's have been for maintaining current service levels, *not* for new or improved services, this is out of step with the intent of the rate peg, which should sufficiently cover the costs of maintaining current service levels.

IPART's final report on the review of the methodology is expected to be released in May 2023.

Long Term Financial Plan (LTFP)

Bellingen Shire Council's financial position has been affected by global inflationary pressures such as elevated oil prices and supply chain disruptions. Over the 12 months to December 2022, the Consumer Price Index (CPI) rose by 7.8%. The ongoing pandemic, Russian invasion of Ukraine, strained supply chains and rising international inflation all present risks to the global and domestic outlooks. As a result of this, the RBA expects inflation to remain high for a number of years.

As part of Councils LTFP modelling, Council has undertaken an analysis of Council's operational expenditure including fuel, electricity, wages, superannuation, emergency services levy and insurance premiums to fully understand the inflationary impacts to Council. The result of this modelling has shown additional annual costs to Council exceeding \$1.3M per year. The additional income generated from the 2023/24 rate peg of 4.5% is only \$416k and alone cannot adequately address the inflationary pressures on Councils finances. The proposed SV will allow Council to continue to maintain services and progress its infrastructure renewal program.

Council's LTFP provides a framework to assess its revenue building capacity to meet the activities and levels of service outlined in its Community Vision, Delivery Program and Operational Plan. The LTFP is required to be produced annually with a detailed review every four years, and cover a minimum period of 10 years.

As part of the planning process, Council modelled five different scenarios in the LTFP. The scenarios tested as part of the modelling process were:

Model 1 – Financial sustainability improvement, assuming medium inflation forecast - Introduce SRVs (2 x 8%, 2 x 6%) in 2023/24 – 2026/27

'Model 1' is the base model used throughout the LTFP and assumes 8% SRVs in years 2023/24

and 2024/25, and 6% SRVs in years 2025/26 and 2026/27. Inflation forecasts are based on a 5% spike in inflation 2022/23, followed by two years of elevated levels of 3.75%, returning to 2.5% from 2025/26 onwards.

Model 2 – Medium inflation forecast - Introduce SRVs (4 x 6%) in 2023/24 – 2026/27

'Model 2' assumes a 6% SRV in years 2023/24 and 2026/27 years. Inflation forecasts are based on a 5% spike in inflation 2022/23, followed by two years of elevated levels of 3.75%, returning to 2.5% from 2025/26 onwards.

Model 3 – Low inflation forecast - Introduce SRVs (2 x 6%) in 2023/24 – 2024/25

'Model 3' assumes a lower inflation forecast and includes the forecast of two special rate variations of 6% in years 2023/24 and 2024/25. This model assumes a spike in inflation and wage costs in 2022/23 of up to 5%, returning to lower levels from 2023/24 onwards.

Model 4 – High inflation forecast - Introduce SRVs (3 x 10%) in 2023/24 – 2025/26

'Model 4' assumes a higher inflation forecast and includes the forecast of three special rate variations of 10% in years 2023/24 to 2025/26. This model assumes a spike in inflation and wage costs in 2022/23 – 2024/25 of up to 5%, returning to historic levels from 2025/26 onwards.

Model 5 – No new SRVs introduced

'Model 5' assumes no new SRVs being introduced throughout the plan. This model does not address the financial sustainability pressures facing Council and is to be used for comparison purposes only. All other assumptions are based on medium inflation forecasts.

In addressing the impact of the inflationary pressures on Council's finances, Council has identified a number of budgetary savings and operational efficiencies facilitated through its Financial Sustainability Strategy and Action Plan. A key action within the strategy is the use of SRV's to offset the impact of the inflationary pressures facing Council.

In addressing these action and ensuring ongoing financial sustainability, Council adopted 'Model 1' of the Long Term Financial Plan in June 2022 forecasting the use of two years of 8% SRV's per year (including the rate peg) for 2023/24 and 2024/25 and two years of 6% SRV's per year (including the rate peg) for 2025/26 and 2026/27 (compounding to 31.06% over the four year time period).

Special Rate Variation Criteria and Assessment

OLG Requirements

The Office of Local Government releases a set of guidelines each year for the preparation of an application for a special rate variation to general income. These guidelines outline how IPART will assess council applications. The Guidelines, provide the Council with limited time to formalise its responses against the criteria for the SRV should it decide to do so.

The need for additional funding through a SRV must be identified through Councils' Integrated Planning & Reporting (IP&R) processes. Based on this requirement, Council included modelling in

its Long Term Financial Plan and Delivery Plan documents to reflect the SRV Council is proposing to apply for. These documents were publicly exhibited from 27 April 2022 until 27 May 2022.

IPART Requirements

IPART requires councils to actively engage residents in discussions about any proposed increase above the rate peg. Councils can do this by using community engagement tools that suit their population. IPART will consider how effective each council's community engagement has been before determining its application to increase charges above the rate peg that has been established by the State Government.

This report outlines the extensive community engagement activities which have been undertaken since Council's November 2022 resolution, including:

- Community drop in sessions facilitated in Dorrigo, Urunga and Bellingen
- Mail out to all ratepayers
- Newspaper advertisements
- Media releases
- Fact sheets
- Social media campaign
- Website 'information centre' page
- Video resources, including a message from Mayor Steve Allan and instructions on using the Rates Calculator resource
- Documentation on public exhibition
- Rates Calculator to assist residents in understanding individual impacts
- Promotional A4 posters distributed on community noticeboards
- Customer Service Kiosk – with Rates Calculator and additional information
- Banners displaying key information relating to the SRV including individual impacts and what the SRV would be used for
- A-Frame to assist ratepayers with awareness of community drop-in sessions

During these engagement activities, Council endeavored to ensure that the IPART expectations above were met, providing detailed but clear information for community members regarding the SRV proposal and how it may impact them.

Council has an adopted Community Engagement Strategy that formed the basis of the engagement plan developed for this project. The engagement plan identified specific methods of engagement that would strengthen our ability to participate in the SRV process, including the use of print, digital and face-to-face opportunities.

Bellingen Shire Council aimed to raise awareness and understanding in the community regarding the Special Rate Variation proposal through its extensive digital media strategy. Utilising its existing Facebook, YouTube and Instagram channels, Bellingen Shire Council actively promoted

a range of material aimed at informing community members and promoting further engagement opportunities. Specialised 'explainer' style graphics were developed and promoted by Council on social media, with all content including links to more detailed information and resources on Council's website where a dedicated SRV Information page was established to provide the community with relevant information and resources regarding the Special Rate Variation. The SRV Information Centre includes factsheets, timelines, frequently asked questions, publicly exhibited documents, links to the Independent Pricing and Regulatory Tribunal (IPART) and other relevant information relating to the proposed SRV. The results of the digital and social media campaign are outlined in **Attachment A**.

The comprehensive engagement program was conducted throughout December 2022 and January 2023. The community engagement schedule is as follows:

Engagement Activity	December 2022	January 2023	February 2023
Inform			
Bellingen Shire Council SRV Information Centre webpage	X	X	X
Community drop in sessions x 4		X	
Mail out to all rate payers		X	
Notice/newspaper advertisement	X	X	
Media Release/s	X		
Social media campaign	X	X	
Customer Service Kiosk	X	X	X
Posters on community noticeboards	X	X	
Consult			
Survey on Bellingen Shire Council website	X	X	
Community drop in sessions x 4		X	
Invite submissions via email and post	X	X	
Public exhibition*			

**Public exhibition took place in April 2022 regarding the adoption of Council's Integrated Planning and Reporting documents including its Long Term Financial Plan.*

In their assessment, IPART will examine:

- If an effective variety of engagement methods were used to reach as many ratepayers as possible across all relevant rating categories in order to ensure the community is aware of the need for, and extend of, the proposed rate increases, including its timeliness
- The content of the material used for consultation and its clarity
- Whether the opportunities for input and feedback on the proposal made available to the community were effective
- The outcomes from consultation and any council response to community feedback
- How the IP&R documents set out the extent of the requested rate increases.

The timeframes for the nomination and application to IPART for a SRV are set by the Office of Local Government. Council was successful in an extension to the application due date, which supported extended consultation timeframes. Council is required to consider feedback from the community received during the Community Information and Feedback period. Submissions closed on 31 January 2023, and a summary report has been developed in **Attachment B**.

Consultation Survey

Council developed a survey to assist in gathering feedback, which was open during December 2022 and January 2023. The survey focused on gathering feedback regarding the importance placed on Council's ability to deliver quality services to the community, willingness to accept a reduction in services if no SRV was introduced and the community's overall understanding of the SRV proposal. Community members were encouraged to have their say on the SRV proposal as part of this survey, with an open field box provided to enter their comments. Alternatively, community members were encouraged to make submissions via mail or through Council's email and phone services to voice their feedback.

This survey was available to complete online and via a hardcopy version, which was distributed at Drop In sessions, community libraries and at the Bellingen Shire Customer Service Centre. This method ensured that the survey was accessible to the varied demographics within the community who may or may not have strong digital literacy skills. 86 responses were received to the survey. Analysis of survey responses is outlined in **Attachment C**.

Feedback on the SRV proposal

Councils' Integrated Planning & Reporting (IP&R) processes held in April 2022 identified the need for additional funding through a SRV and included modelling in its Long Term Financial Plan and Delivery Plan documents. These documents were publicly exhibited from 27 April 2022 until 27 May 2022.

Following this process and extensive financial modelling, Council adopted its LTFP and agreed to consider a four-year permanent Special Rate Variation with two years of 8% SRV's per year (including the rate peg) for 2023/24 and 2024/25 and two years of 6% SRV's per year (including the rate peg) for 2025/26 and 2026/27 (compounding to 31.06% over the four year time period).

Following Council's notification to IPART of its intent to apply for a SRV, Council commenced an

extensive community awareness campaign whereby community members were invited to provide feedback on the SRV proposal

Council proactively sought to gather feedback from the community during the engagement process. This included broad promotional activities, such as:

- Community drop in sessions in Dorrig, Urunga and Bellingen
- Mail out to all ratepayers
- Newspaper advertisements
- Media releases
- Fact sheets
- Social media campaign
- Website 'information centre' page
- Video resources, including a message from Mayor Steve Allan and instructions on using the Rates Calculator resource
- Rates Calculator to assist residents in understanding individual impacts
- Promotional A4 posters distributed on community noticeboards
- Customer Service Kiosk – with Rates Calculator and additional information
- Banners displaying key information relating to the SRV including individual impacts and what the SRV would be used for
- A-Frame to assist ratepayers with awareness of community drop-in sessions

Relevant material, including the fact sheets and brochures, are provided in **Attachment D**.

The community Drop In sessions played an integral role in the engagement process and were well attended, with approximately 119 community members attending the four sessions. Initially, three Drop In sessions were scheduled – two in the afternoon (Dorrig and Urunga) and one in the morning (Bellingen). Following feedback received from community members, who stated the sessions were difficult to attend for those working, a fourth evening session was added in Bellingen.

Hardcopy surveys were distributed at these sessions for community members who were unable to complete the survey via the Council website. iPads were also made available for those wishing to complete the survey digitally.

Drop in Sessions

Attendees at community drop-in sessions:

Location	Date	Time	Attendees
Dorrig	18 January 2023	4pm - 6pm	50
Urunga	19 January 2023	4pm - 6pm	35

Bellingen	20 January 2023	8am - 10am	30
Bellingen	23 January 2023	5pm - 7pm	4
		Total	119

The Drop Ins were attended by a number of Councillors, including Mayor, Cr Steve Allan, Cr Jo Brotherton, Cr Joanne Cook, Cr Jennie Fenton, Cr Stephen Glyde and Cr Ellie Tree. This provided community members the opportunity to share their views directly with Councillors regarding the SRV proposal.

A range of Council's senior staff were also in attendance and importantly provided a cross-section of staff who specialised in a range of roles across the Council, so that accurate information could be provided to community members regarding the status of various projects and scenarios.

Council used a number of reference tools to ensure the community was provided with clear and accurate information relating to the SRV. These included:

- The proposed SRV, showing the full impact of the proposed rate increase
- How the rates would be used (including a detailed breakdown of what \$100 of rates are used for)
- Providing information on the services that Council provides and the assets it maintains
- Financial information showing the increased costs that Council is experiencing to continue delivering the current level of service
- Financial information on the cost-saving measures that Council has introduced in recent years
- The cost breakdown for each key rates category (Residential, Farmland, Business)
- The impact on individual ratepayers

The reference tools included:

- Large Banners displayed at Drop In sessions and at Bellingen Shire Council offices
- A-Frame signage promoting Drop In sessions
- A4 Posters displayed on community noticeboards and throughout public sections of Council buildings
- Brochures distributed in the mailout to ratepayers
- Factsheets
- Frequently Asked Questions
- Kiosks located at the Bellingen Shire Council offices displaying the Rates Calculator

Council also developed a range of key messages and information relating to other neighbouring Councils that was used to assist Councillors and Council staff in responding to questions raised during community engagement activities. Many of these discussion points formed part of the FAQ

document that was available on Council's website and as printouts at drop-in sessions.

As part of this process, Council developed a submission register that collated all avenues of consultation including online, written, community drop in forums and Council's email address.

In summary, 107 submissions were received across all mediums. They are broken down as follows:

- Survey responses
- Email submissions
- Letter to Council

Copies of the feedback received is provided in **Attachment C**.

A range of unrelated concerns and issues were raised at drop-in sessions, these were captured on butchers paper and through discussions and will be addressed and responded to in accordance with Council's policies and procedures.

Feedback from all submissions provided a number of views with respect to the proposed SRV. The following themes have been listed in order of importance based on the number of times the themes were raised in the submission responses.

Of the submissions received opposing the SRV, many reflected factors outside of Council's control, including:

- Cost of living
- The need to increase the pension concession
- The inadequacy of funding from State Government for Councils
- The impact that the Special Rate Variation will have on the housing crisis
- Timing of engagement regarding the Special Rate Variation
- The need for State Forestry to pay rates.

Comments were received regarding Council internal costs and administration and claimed that:

- Council needs to reduce its expenditure and has mismanaged funds
- Residents are receiving a poor level of service from Council
- Council is overstaffed compared with other Councils
- Council should focus on core services only (i.e. waste and roads)
- The rates are already too high in Bellingen Shire
- Staff are paid too much
- Council should introduce other revenue measures to offset increasing costs
- Council has wasted funds on recruitment agencies
- An independent audit of Council's finances should be undertaken.

Other general comments claimed:

- The survey did not allow for an adequate opportunity to provide feedback
- Council needs to stop promoting tourism in the area as it has detrimental impacts on roads and other assets
- Council does not listen to the community
- Council has broken promises regarding rates
- The increase is above inflation rates
- Unsure of how other services will be increasing (i.e. waste and sewer).

In considering feedback received through the engagement process, the following information is provided.

Analysis summary

Bellingen Shire is home to 13,197 people (ABS ERP 2021), with 6,154 rateable assessments. A combined total number of submissions received including survey responses, email and mail submissions was 107. This equates to 1.74% of the ratepayer base.

Recognising that an increase in rates is unlikely to receive positive feedback from the community, the following information is provided to assist Council in its determination whether to apply for a SRV.

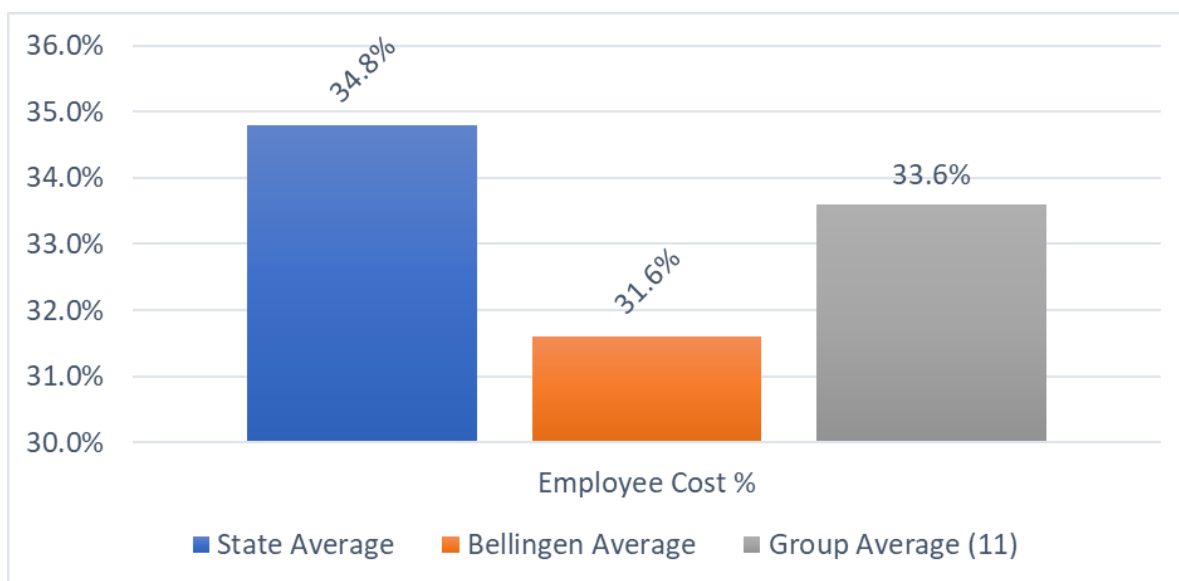
The clear majority of respondents agree that it is important for Bellingen Shire Council to provide quality services to the community and maintain a broad range of assets. 84% stated that they either strongly agree or agree with this statement. This confirms previous feedback captured during the Community Strategic Plan review process in January 2022 with 861 community members responding to surveys highlighting recommendations. These included the need for increased service provision regarding the maintenance and upgrade of the general condition of public open space and that Council embraces the review and continuous improvement of services to meet community needs with mentions of better roads and footpaths, as well as social and community infrastructure to support growth. Detailed analysis of survey responses has been included in **Attachment C**.

Average Employee Costs - NSW

A highlighting factor in the feedback received during the submission process was the concern that staffing and employee costs are too high in the Shire. The following table is based on total employee costs as a % of total operating expenditure. Council's full time equivalent staffing number sits significantly lower than the Group 11 (like size) council category and also the state average. This suggests that for the size and service output of the organisation Bellingen Shire actually operates on a lean workforce.

Category	Full Time Equivalent Staff
Bellingen	139
Group Average (11)	178

State Average	382
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Impact of Proposed Special Rate Variation on Our Community

This report proposes that Council apply for a permanent increase under the provisions of Section 508(A) of the NSW Local Government Act.

For comparison purposes, the below table outlines the impact on Council's rating income of the proposed SRV compared to the estimated rate peg for years 2023/24 to 2026/27:

Option	Percentage increase	Revenue Generated 2023/24	Revenue Generated 2024/25	Revenue Generated 2025/26	Revenue Generated 2026/27
Rate Peg	<u>Rate peg</u>				
	2023/24 - 4.5%				
	2024/25 - 2.5%	\$415,761	\$241,372	\$247,407	\$253,592
	2025/26 - 2.5%				
	2026/27 - 2.5%				
Special Rate Variation	<u>SRV</u>	R/Peg -	R/Peg -	R/Peg -	R/Peg -
	2023/24 - 8%	\$415,761	\$249,457	\$269,413	\$285,578
	2024/25 - 8%	- SRV	- SRV	- SRV	- SRV
	2025/26 - 6%	\$323,370	\$548,805	\$377,178	\$399,809
	2026/27 - 6%	- Total	- Total	- Total	- Total
		\$739,131	\$798,261	\$646,592	\$685,387

Rating Categories – Average Increases

The proposed SRV is to be applied equally to all categories of the ordinary rate. Council will model a number of scenarios for consideration along with a formal public exhibition period prior to the adoption of the Operational Plan and Revenue Policy for 2023/24.

Council's current rate structure comprises an ad valorem amount together with the base amount in order to achieve an equitable distribution of rates and minimise excessive fluctuations.

The proposed SRV to address the inflationary pressures facing Council is estimated to have the following impact on the rating categories:

Annual Rate Increase (%)	2023/24	2024/25	2025/26	2026/27	Cumulative
Rate Peg (Estimate)	4.5%	2.5%	2.5%	2.5%	12.54%
Special Rate Variation	3.5%	5.5%	3.5%	3.5%	18.52%
Total Annual Increase	8.0%	8.0%	6.0%	6.0%	31.06%

For Residential Ratepayers

Average Rate (Incl. Rate Peg)	Current	2023/24	2024/25	2025/26	2026/27	Av. Increase
Annual Rate	\$1,358.92	\$1,467.63	\$1,585.05	\$1,680.15	\$1,780.96	-
Annual Increase		\$108.71	\$117.41	\$95.10	\$100.81	\$105.51
Weekly Increase		\$2.09	\$2.26	\$1.83	\$1.94	\$2.03

For Business Ratepayers

Average Rate (Incl. Rate Peg)	Current	2023/24	2024/25	2025/26	2026/27	Av. Increase
Annual Rate	\$1,686.92	\$1,821.87	\$1,967.62	\$2,085.68	\$2,210.82	-
Annual Increase		\$134.95	\$145.75	\$118.06	\$125.14	\$130.98
Weekly Increase		\$2.60	\$2.80	\$2.27	\$2.41	\$2.52

For Farmland Ratepayers

Average Rate (Incl. Rate Peg)	Current	2023/24	2024/25	2025/26	2026/27	Av. Increase
Annual Rate	\$3,022.57	\$3,264.38	\$3,525.53	\$3,737.06	\$3,961.29	-
Annual Increase		\$241.81	\$261.15	\$211.53	\$224.22	\$234.68

Weekly Increase		\$4.65	\$5.02	\$4.07	\$4.31	\$4.51
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**The above rates are estimates only based on rate category averages. The final rate amount will be dependent on land value and the final rates model adopted by Council in June 2023.*

In addition to the general rate, Council also applies water, sewer and domestic waste charges to properties that access those services. The table below provides an example of the projected annual charge pricing for 2023/24 – 2026/27 for residential properties based on the net average increase.

	2023/24	2024/25	2025/26	2026/27
Water / Sewer				
Average Sewer / Water Charges	\$1,287.00	\$1,321.00	\$1,355.00	\$1,219.00
Percentage Increase	2.6%	2.6%	2.6%	2.6%
\$ Increase per year	\$33.00	\$34.00	\$35.00	\$36.00
\$ Increase per week	\$0.63	\$0.65	\$0.66	\$0.68
Waste Services				
Average Waste Charges	\$842.00	\$884.00	\$928.00	\$975.00
Percentage Increase	5.0%	5.0%	5.0%	5.0%
\$ Increase per year	\$40.00	\$42.00	\$44.00	\$46.00
\$ Increase per week	\$0.77	\$0.81	\$0.85	\$0.89
Total	\$2,129.00	\$2,205.00	\$2,283.00	\$2,366.00

Community Capacity to Pay

In consideration of making an application for a SRV, Council has considered the community's capacity to pay based on the SEIFA Index of Advantage and Disadvantage, level of proposed increase and other cost indices. Socio-Economic Indexes for Areas (SEIFA) is a product developed by the ABS that ranks areas in Australia according to relative socio-economic advantage and disadvantage. Given that many comparisons were made with neighbouring councils by respondents to the engagement process, the following information is provided.

Bellingen Shire's SEIFA index, in comparison with some neighbouring councils, indicates

Bellingen (966) has a higher capacity to pay compared to our nearest coastal Councils, e.g. Nambucca Valley Council (907), Kempsey Shire Council (888) and Clarence Valley Council (926). Coffs Harbour City Council has a similar index to Bellingen (967)

In comparison to like size NSW Councils (OLG Group 11), Bellingen is ranked as having the 5th highest SEIFA in the group. This would indicate that residents within Bellingen Shire would have a higher capacity to absorb rate increases than most Group 11 Councils. Details below:

Group 11 Council	SEIFA Index
Yass Valley	1,062
Cabonne	1,010
Greater Hume Shire	987
Upper Hunter Shire	976
Bellingen Shire	966
Federation	963
Gunnedah	956
Leeton	954
Narrabri	954
Snowy Valleys	951
Hilltops	949
Cootamundra-Gundagai	943
Parkes	940
Muswellbrook	930
Cowra	924
Moree Plains	917
Inverell	916
Nambucca	907

Average Rate Comparison

There are several factors to consider when comparing rates with other Councils across the State, including, population density, economies of scale, level of infrastructure managed, SEIFA ranking, service levels, local climate, population centres and population growth rates. Each of these drivers will have a significant impact on the operational costs of each Council. With this in mind, caution should be taken when comparing councils.

Council currently has 6,136 rate assessments, compared to the State average of 26,061. When taking a high level comparison of the average rate (total rates divided by number of assessments)

across the State, Bellingen ranks 83 out of 128 councils (1 being the highest), with an average rate of \$1,363. This compares favourably to the State average of \$1,510.

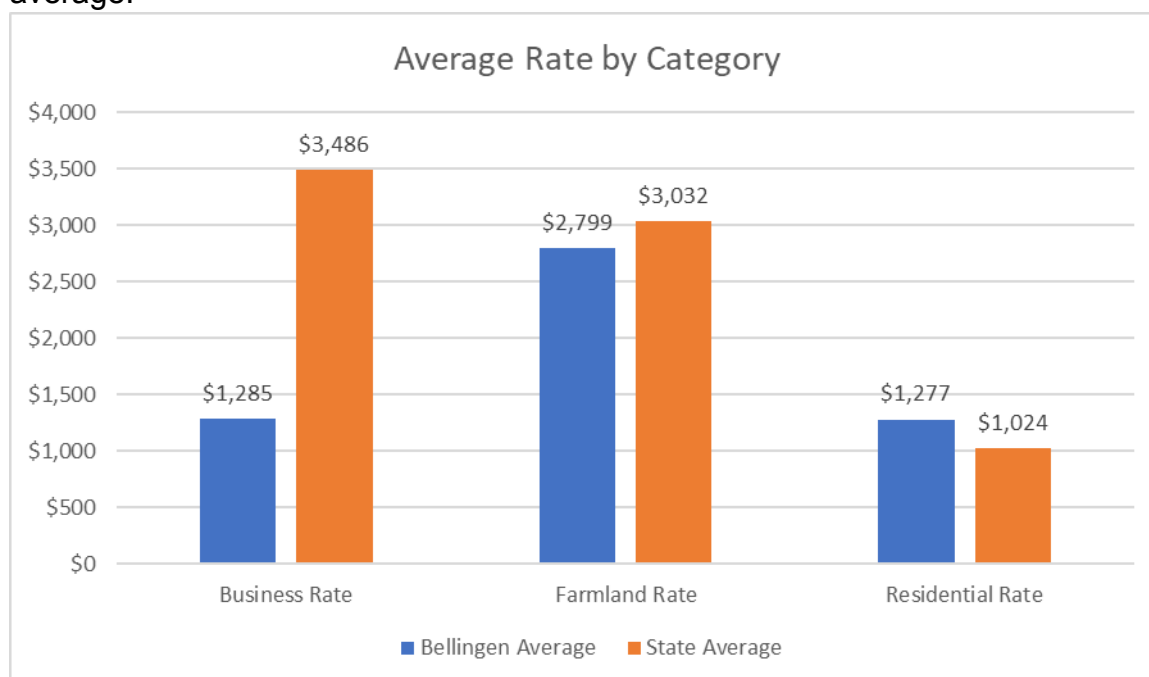
When comparing rates by category across neighbouring councils, Bellingen Shire ratepayers pay similar residential rates, with the exception of Nambucca Valley Council. Bellingen's business rate is well below the averages and whilst farmland is higher than neighbouring councils, it is well below the State average.

The following table outlines comparative rate averages across Bellingen, Nambucca, Coffs Harbour and Kempsey local government areas:

	Bellingen	Coffs Harbour	Kempsey	Nambucca	NSW Average
Average Residential Rate	\$1,277	\$1,276	\$1,273	\$1,070	\$1,024
Average Business Rate	\$1,285	\$4,101	\$2,634	\$1,880	\$3,486
Average Farmland Rate	\$2,799	\$2,105	\$2,108	\$2,030	\$3,032

**Above figures are based on the most up to date Office of Local Government comparative information (2020-2021).*

The graph below, shows Bellingen Shire's average rate per rating category compared to the State average:

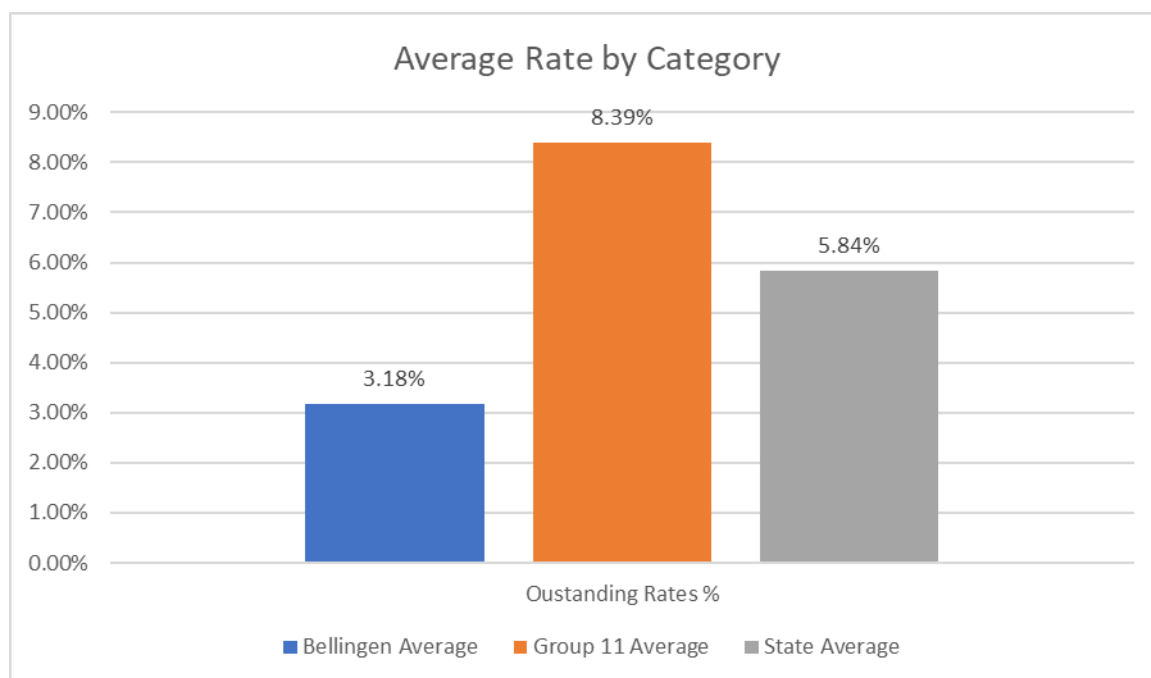


**Please note – 36 Councils also levy a mining rate. Average rate \$287,387.*

Outstanding Rates and Annual Charges

A good economic indicator of a community's capacity to pay is the percentage of rates and

charges outstanding. As at 30 June 2022, Councils outstanding rates and annual charges sat at 3.18%, this is well below the benchmark of 10% set by the OLG and is well below the State average of 5.84% and Group 11 average of 8.39%. This might suggest the community is experiencing less difficulty paying rates compared to other councils.



Housing

By looking at the housing Tenure within Bellingen Shire, we can identify the areas that would be most impacted by the Special Rate Variation. Bellingen currently has a high home ownership rate, with 45.6% of households being fully owned (i.e. no mortgage). This compares favourably to the Regional NSW average of 36.3%. Housing tenure is an important determinant of housing affordability. Those households with full home ownership (owned outright) are generally not subject to housing affordability issues. Details of housing tenure comparatives can be seen in the below chart:

Households by Tenure 2021	Bellingen	Regional NSW
Fully Owned	45.6%	36.3%
Mortgage	24.6%	29.4%
Renting - Private	18.8%	21.7%
Renting – Social/Affordable housing	2.0%	3.8%

**Excludes life tenure schemes, squatting, and other forms of occupancy.*

House prices have increased substantially across the Shire in recent years. Whilst this is a trend across NSW, Bellingen has seen a 22% increase in house prices over the past three years. This is significantly higher than the Regional NSW average increase of 14.9% over the same period. This is likely a result of sea/tree changes from metro areas.

The median house price in the Shire currently sits at \$903K, compared to \$725K in Regional NSW. Given this, and the high home ownership in the Shire, affordability of the rate increase is likely to have very limited impact on a large portion of our ratepayers.

Despite the above, Council is conscious of the fact that the Special Rate Variation will have a negative impact on vulnerable groups within our community and those that are experiencing housing stress. To address this, Council has an adopted hardship policy in place to provide assistance to ratepayers who are experiencing genuine difficulties with the payment of their rates and charges.

As part of the consideration of the communities capacity to pay, Council also considered the Bellingen Shire average weekly household income. The 2021 ABS Census Data indicates the following:

Household Income brackets	Bellingen	Regional NSW
Very Low	14.2%	11.4%
Low	16.9%	12.4%
Moderate	24.2%	20.9%
High & Very High	28.0%	44.1%

Council also took into consideration community feedback from the extensive community engagement processes around housing stress and the impact the current inflationary environment is having on households.

Addressing Hardship

Bellingen Shire Council recognises that ratepayers may at times experience difficulty in paying rates and charges. Council has a Hardship Policy in place to provide assistance to ratepayers who are experiencing genuine difficulties with the payment of their rates and charges. The Hardship Policy was most recently adopted on 3 April 2020 and is reflected in Council's Revenue Policy.

The NSW Local Government Act 1993 (LGA) gives Council the authority necessary to provide assistance to those ratepayers under the following sections of the LGA:

1. Section 564 of the LGA provides Council with the option to accept payment of rates and charges due and payable in accordance with an agreement made with the ratepayer and to write off or reduce interest accrued on rates and charges if the ratepayer complies with the agreement.
2. Section 567 of the LGA provides for Council to write off accrued interest on rates and charges payable by a ratepayer if, in Council's opinion the reasons that the ratepayer was unable to pay the rates and charges when they became payable were beyond the ratepayer's control, or that the ratepayer is unable to pay the accrued interest for reasons beyond that ratepayer's control, or that the payment of the accrued interest would cause the ratepayer hardship.

3. Section 575 of the LGA provides for the granting of concession on rates and charges for eligible pensioners.
4. Section 601 of the LGA provides for ratepayers who incur a rate increase as a result of a revaluation of land to apply to Council for financial relief if the increase in the amount of rates payable will cause them substantial financial hardship.

The Hardship Policy requires ratepayers to be means tested and make an application for a formal payment arrangement. Once the payment arrangement has been finalised, Council may also remove any interest accrued should this contribute to any additional hardship.

As stated above, Council also provides concession on rates and charges for eligible pensioners. Bellingen Council has 27% of ratepayers that receive a pensioner concession on their rates. The following is an extract from Council's Revenue Policy (page 5) that outlines the level of concession available to pensioners.

Pensioner Rebates (Sec 575 NSW Local Government Act 1993)

Rebates are available to eligible pensioners who are solely or jointly liable for the payment of rates and charges. The pensioner must occupy the dwelling as their sole or principal place of living. The rebates are as follows:

- *50% of the combined ordinary rates and domestic waste management charge up to a maximum rebate of \$250.00.*
- *50% of water charges up to a maximum rebate of \$87.50.*
- *50% of sewerage charges up to a maximum rebate of \$87.50.*

The pensioner rebate must be applied against the rate assessment or water billing account in the name of the ratepayer and not a Body Corporate or a Company, except where it is allowed by special agreement. The special agreement would cover circumstances such as where an applicant is the sole shareholder of the company that owns the property and the property is used as the applicants' principal place of residence.

Productivity Improvements and Cost Containment Strategies

Council has worked extensively over the past decade to deliver a significant improvement in its operating result and become financially sustainable into the future. Council's overall operating result has improved from a deficit of \$9 million in 2014 to a surplus of \$2.7 million in 2022. This is a net improvement of \$11.7 million over the last 7 years. The result is due to a focus on organisational reform, asset management and financial sustainability.

Whilst Council has seen significant improvements to its financial position, the recent economic events have put strain on Council's finances. In addressing these challenges, Council has established a financial sustainability strategy and action plan to systematically address each of the financial challenges facing Council.

The Financial Sustainability Strategy is designed to guide organisational decision making to ensure financial sustainability is a central focus of Council. The key expected outcomes of the

strategy include:

- Generate operation savings in excess of \$700K.
- Advocate for fair funding from State and Federal Governments.
- Review fees and charges to increase operating revenue and identify additional revenue streams.
- Improve cash management practices.
- Ensure organisational staff structure is aligned to organisational objectives.
- Improve infrastructure management.
- Identification of operational efficiencies.

The strategy will be regularly reviewed to improve productivity improvements, efficiencies and cost containment strategies to assist in ensuring Council's future financial sustainability.

STRATEGIC ALIGNMENT

(CL2.1) Facilitate inclusive community consultation and stakeholder engagement

RESOURCING STRATEGY IMPLICATIONS

Funds have been allocated for the preparation and formalisation of a SRV application. Costs relate primarily to community engagement and project management.

Project resourcing has been provided using existing staff.

The proposed SRV has been based on the modelling undertaken in relation to the 2022 IP&R documentation and Financial Sustainability Strategy.

This modelling was in turn reflected in Council's LTFP and adopted by the Council in June 2022.

In the event that the additional funds anticipated by the proposed SRV are not realised, this will have a negative impact on Council's financial position. The long term implications for this need to be considered in terms of Council's long term financial sustainability, service provision and the ability to appropriately maintain its asset base.

The revenue generated from the proposed four year SRV (cumulative 31.06%) is to address the inflationary pressures facing Council to ensure ongoing service provision.

Should the proposed SRV not be approved then it would be necessary for the Council to resolve to review service levels with the view to reducing operating expenditure.

ENGAGEMENT

Community engagement is a key priority for our community and for Council and is embedded in our Community vision as a Connected Sustainable Creative Community.

The Bellingen Shire Council Community Engagement Strategy was adopted by Council at its Ordinary Meeting 30 June 2021. This strategy is designed to outline the approach Bellingen Shire takes towards engaging with our community.

Having regard to the Community Engagement Strategy it is considered that the actions/initiatives contained within this report are appropriately categorised as having a Level 1 Impact - Shire wide.

To ensure Council actively seeks input from our community in line with the principles set out in Council's Community Engagement Strategy, Council has undertaken the following engagement activities:

- Four Community drop in sessions were facilitated in Dorrigo, Urunga and Bellingen
- Mail out to all ratepayers
- Newspaper advertisements
- Media releases
- Fact sheets
- Social media campaign
- Website 'information centre' page
- Video resources, including a message from Mayor, Cr Steve Allan and instructions on using the Rates Calculator resource
- Documentation on public exhibition
- Rates Calculator to assist residents in understanding individual impacts
- Promotional A4 posters distributed on community noticeboards
- Customer Service Kiosk – with Rates Calculator and additional information
- Banners displaying key information relating to the SRV including individual impacts and what the SRV would be used for
- A-Frame to assist ratepayers with awareness and access of community drop-in sessions

Detailed information relating to the outcomes of this engagement is contained within this report.

CONCLUSION

In addressing the impact of the inflationary pressures on Council's finances, Council has identified a number of budgetary savings and operational efficiencies facilitated through its Financial Sustainability Strategy and Action Plan. A key action within the strategy is the use of SRV's to

offset the impact of the inflationary pressures facing Council.

In addressing these action and ensuring ongoing financial sustainability, Council adopted 'Model 1' of the Long Term Financial Plan in June 2022 forecasting the use of two years of 8% SRV's per year (including the rate peg) for 2023/24 and 2024/25 and two years of 6% SRV's per year (including the rate peg) for 2025/26 and 2026/27 (compounding to 31.06% over the four year time period).

The additional income generated from the rate peg cannot adequately address the inflationary pressures on Councils finances. The proposed SRV will allow Council to continue to maintain services and progress its infrastructure renewal program.