



## **SPECIAL RATE VARIATION – ADVICE TO THE SHIRE COMMUNITY**

### **Mayoral Introduction**

Over the last 18 months Blayney Shire Councillors and the staff have been undertaking a detailed review of the future direction of Council and the level of services required, to ensure that the Shire roads, bridges, buildings, parks and ovals and community service levels are maintained at a high level. Council's review has recently been confirmed by the community survey that was undertaken where the respondents identified that roads, bridges, and recreational facilities are a high priority to this community.

Council has undertaken a detailed review of its assets and has inspected the closed bridges, the roads, footpaths and buildings to identify unfunded maintenance works. This review is part of the Integrated Planning and Reporting (IP&R) requirements of the NSW Government and has required Councillors to take a detailed look at the organisation and to ensure that it is heading in the direction that you, as residents, identified in the development of the IP&R (community direction) documents .

After all, Councillors are elected to ensure that the residents receive a reasonable standard of service for their rates and charges and that the community has assets that provide for future generations (intergenerational equity).

The work undertaken in the review of the assets, budgets and the IP&R documents has highlighted that Council due to rate pegging over the last 30 years has fallen behind in what it can afford. Without a Special Rate Variation (SRV) we will continue to fall further behind and our roads, bridges and other service areas will continue to deteriorate and become unusable.

The Council is therefore talking to you about introducing a Special Rate Variation (SRV) and requires your advice as to the acceptable level you believe the community can afford and the expected level of service you require Council to meet into the future. The SRV's are discussed in this document and why Council has undertaken an independent review of the affordability across each rating sector.

This is our Shire and we need your help to Keep Up, Get Ahead and Back Ourselves.

### **What is a Special rate Variation (SRV) and why do we need it?**

A Special Rate Variation is a change to the general rate payable above the yearly increase that is available from IPART and the NSW State Government. In previous years Council has adopted rate increases from 2.5% to 3.5% based on this allowable increase.

As the community is aware, Council in 2008/09 introduced a SRV for the replacement of the community centre and this variation at the time was 8.19% or roughly \$75.00 per rate assessment at its introduction. As a community this was not well received although the building and its use by the community is going well.

Under the rules that govern how Council operates, it is required to go to the community and seek advice on a ten year program that acknowledged what the community wanted and provide advice to the community on the delivery of those items, review the conditions of its assets (roads, bridges, footpaths, buildings etc.), to determine its workforce to undertake what the community requires and to produce a budget that could fund the works and services for ten years.

Councillors and staff have been fine tuning these items to determine if it can provide improvements in assets and services under the current funding, or if it requires a SRV. Council has determined based on its reviews and the recently completed survey that a SRV is required.

### **How Much is the SRV?**

Council has discussed and determined that it would present to the community the basis of a SRV and to allow the community to give feedback on the level of service that they believe is acceptable.

Council has also undertaken an independent review of the SRV to determine if the community can afford the SRVs proposed and to identify groups that may be disadvantaged by such an increase. Councillors have also considered that the SRV for the community centre should be removed if the community supports a 15% special rate variation.

Based on the IP&R process and the independent review undertaken by the Western Research Institute at Bathurst, the following permanent SRV options are proposed for you to consider:

1. Reduced Services Model - 3.3% being the proposed rate cap each year (current situation) for all rating categories.
2. Maintained Model - Residential/business/mining and farmland 10.0% per annum over 4 years (cumulative)
3. Road to Infrastructure Improvement Model -15% per annum over 6 years (cumulative) for all rating categories

## Option 2 Maintained Model -Residential/business/mining and Farmland 10.0% over 4 years (cumulative)

In the Western Research Institute (WRI) review of affordability into Blayney Shire, WRI identified:

- that the community could afford a 15% rates increase,
- that the increase based on the level of rates being paid is less than adjoining Councils and similar sized Councils across NSW
- that based in real terms that the rural community that does not have off farm income or relies extensively on rural activity for its income will find it more difficult to meet the proposed 15% increase annually,
- that the rural rate payers are currently paying high rates compared to our adjoining Councils and Councils of similar size in NSW, and
- that some government support recipients will also find it harder to pay for a rates increase annually.

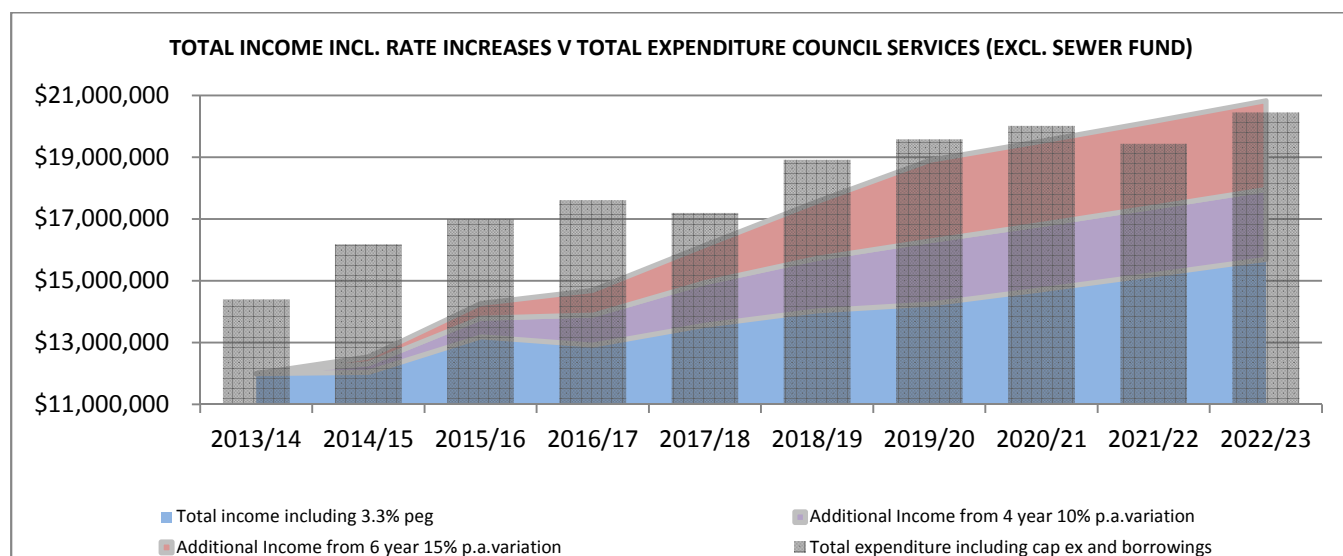
Council is therefore proposing a mid-point in the SRV that is to consider a 10.0% variation to the residential, business, mining and non-farm rates and to rural rates (farmland rating category) for a four year period.

Under this SRV, the community will receive a lower level of service and Council will need to fine tune its budgets, its works programs and to look at alternatives to the replacement of bridges, roads and other assets that are suitable to community needs. This level of service will see improvements made but it will require the community to expect some delays in service as staff levels will be maintained but increased for required works only and that no capital (new developments) will occur until roads, bridges, footpaths and buildings are slowly brought up to a higher standard.

## Option 3 Road to Infrastructure Improvement Model – 15% each year over 6 years (cumulative) for all rating categories

Council has identified that under a SRV of 15% for all rate payers that it will have funding to be able to improve its overall works programs and to raise loans that will be paid back over 10 to 30 years for major items such as bridge replacements. This level of funding is cumulative so each year the rates will increase by 15% on top of the year before. This will allow Council to provide a higher level of service quicker and after the 6 years SRV period it will be able to review capital improvements and funding.

The following chart indicates from Council's Long Term Financial Plan the income versus the expenditure required to bring council's services to a Maintained Services level.



## Can we afford to downgrade Assets?

The current situation across Blayney Shire is that we have 3 bridges closed due to funding short falls. This is not a good position to be in as it does restrict the movement of people and emergency services on our roads. Blayney Shire has approximately 20 bridges that need major maintenance to ensure they can remain open to the public. We would also like to ensure that village roads, footpaths and structures are maintained to a higher level to attract tourists and to make them pleasing to live within.

In the past we have seen that buildings such as the Community Centre, that required demolition rather than repair and CentrePoint which requires a large amount of maintenance. The rebuilding of the Community Centre by our local trades people and businesses was a wonderful example of a community pulling together to provide a community facility of a very high standard.

## What will the SRV cost me?

The following table indicates the average rate increase proposed by the SRV over the next six years for the residential and farmland average excluding charges for waste and sewerage services.

Rating Category: RESIDENTIAL	Average for 2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
<b>Residential - Rate Peg (3.3% p.a.) only</b>	\$ 632.07	\$ 652.93	\$ 674.47	\$ 696.73	\$ 719.72	\$ 668.48	\$ 690.54
<b>Residential - permanent 15%p.a. SRV for 6 years cumulative</b>	\$ 632.07	\$ 726.88	\$ 835.91	\$ 961.30	\$ 1,105.49	\$ 1,196.32	\$ 1,375.77
Impact of permanent 6 year 15% SRV per year over rate-peg	\$ -	\$ 73.95	\$ 161.44	\$ 264.57	\$ 385.77	\$ 527.84	\$ 685.23
Cumulative Impact of permanent 6 year SRV	\$ -	\$ 73.95	\$ 235.39	\$ 499.96	\$ 885.73	\$ 1,413.57	\$ 2,098.80
<b>Residential - permanent 10%p.a. SRV for 4 years cumulative</b>	\$ 632.07	\$ 695.28	\$ 764.80	\$ 841.29	\$ 925.41	\$ 880.95	\$ 910.02
Impact of permanent 4 year 10% SRV per year over rate-peg	\$ -	\$ 42.35	\$ 90.33	\$ 144.55	\$ 205.69	\$ 212.48	\$ 219.49
Cumulative Impact of permanent 4 year SRV	\$ -	\$ 42.35	\$ 132.68	\$ 277.23	\$ 482.92	\$ 695.40	\$ 914.88

Rating Category: FARMLAND	Average for 2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
<b>Farming - Rate Peg (3.3% p.a.) only</b>	\$ 2,490.59	\$ 2,572.78	\$ 2,657.68	\$ 2,745.38	\$ 2,835.98	\$ 2,854.57	\$ 2,948.77
<b>Farmland - permanent 15%p.a. SRV for 6 yrs cumulative</b>	\$ 2,490.59	\$ 2,864.18	\$ 3,293.81	\$ 3,787.88	\$ 4,356.06	\$ 4,934.47	\$ 5,674.64
Impact of permanent 6 year 15% SRV per year over rate-peg	\$ -	\$ 291.40	\$ 636.12	\$ 1,042.49	\$ 1,520.08	\$ 2,079.90	\$ 2,725.87
Cumulative Impact of permanent 6 year SRV	\$ -	\$ 291.40	\$ 927.52	\$ 1,970.01	\$ 3,490.09	\$ 5,569.99	\$ 8,295.85
<b>Farmland - permanent 10%p.a. SRV for 4 yrs cumulative</b>	\$ 2,490.59	\$ 2,739.65	\$ 3,013.61	\$ 3,314.98	\$ 3,646.47	\$ 3,691.81	\$ 3,813.64
Impact of permanent 4 year 10% SRV per year over rate-peg	\$ -	\$ 166.87	\$ 355.93	\$ 569.59	\$ 810.49	\$ 837.24	\$ 864.87
Cumulative Impact of permanent 4 year SRV	\$ -	\$ 166.87	\$ 522.80	\$ 1,092.39	\$ 1,902.88	\$ 2,740.12	\$ 3,604.99

The Average Rate increases proposed for the rate categories of Business and Mining are available on Council's web site.

## What will we see for the SRV's proposed?

Like you, Councillors are concerned that any increase in rates funding should be used to improve the Shires' assets, ensure that roads and bridges remain open and that our level of service can be maintained and improved over time.

The current level of funding through our rates is falling behind the real world cost of living and Councils are required like any home owner or tenant to pay for increases in the costs of living for electricity, gas, water and fuel. We have seen electricity rise by 18% in 2012/13 and gas rise by 8.5% across NSW and water rise by 8%. Council also has increases in wages, superannuation and insurance costs, the same as any other business. Councils do not receive any discounts to market prices.

The proposed options are all permanent rate increases and cumulative each year.

### Option 1 Reduced Services Model - 3.3% being the proposed rate cap each year (current situation) for all rating categories.

This option proposed is the rate capping proposal of 3.3% (estimate) which is the status quo. This situation is unsustainable as it does not increase the funding required to maintain Council at its current level and it will not allow Council to fund any future works or upgrades to roads, bridges etc. which have been identified as being a priority in the community survey. The level of funding will eventually require Council to reduce its staff numbers and this means that roads will not be maintained, that parks and gardens will receive less maintenance and Councillors will need to make decisions less favourable to its ratepayers.

The community has an expectation that the elected Councillors and the staff will ensure that these assets are maintained to a reasonable standard and that improvements are made to reduce long term deterioration. That is our goal. A SRV is required to ensure that we do not down grade assets and that road, bridges and buildings will be available to future generations.

## **Other Income**

Blayney Shire receives income from other sources of funding other than rates, but this historically only makes up 49% of all income available to Council. Over the years, the sources of state and federal government grants has reduced and this trend is expected to continue.

At the recent federal election campaign, statements were made that bridge funding will be provided, the RDA grant funding will be reallocated etc. Council cannot crystal ball what is going to happen with funding, but has included known funding in its financial predictions such as Federal Assistance grants and Roads to Recovery funding. Even these long term funding streams may be removed by government which will cause extreme stress on all Councils across Australia.

Council is positive that the Commonwealth Government will maintain funding and that additional funding becomes available. Council is also working hard with its State member to find funding for village enhancement plans and to help in bridge repairs and capital upgrades.

If future funding becomes available especially in the area of timber bridge repairs and replacement, then this will have a large impact on what Council can undertake. It will also allow Council to review the level of SRV that the community may be required to pay in future years. The SRV is to bring assets up to a higher standard and ensure that bridges, roads, parks and buildings do not deteriorate further. If funding is available from grants or other sources then the Councillors can decide to reduce the SRV. Councillors are hopeful that promises made by our elected Federal Government are honoured.

## **Review into Local Government and Amalgamation**

As the community is aware, a review is being undertaken into local government in NSW and the final report is about to go to the Government. The review has been undertaken as the NSW Government and its Treasury office has identified that NSW Councils are unsustainable unless changes are made. Blayney Shire is in an acceptable position at this point in time but its future is of a declining budget, unsustainable asset maintenance, and things will get tougher.

Many Councils, including some in our region are in a far worse position than Blayney Shire.

This review has initially suggested that Blayney Shire can operate efficiently but if nothing changes to its finances, then it should consider merging with Orange City Council and Cabonne Shire. This suggestion does not mean that Orange City residents will fund improvements to roads, bridges, parks and garden etc. In fact Orange City Council has stated that this will not occur.

What this may require is for all rates to rise to meet the costs of providing services across a bigger area. Orange City Council residents could not be expected to fund Blayney Shire and Cabonne residents, as Blayney residents could not be expected to fund any other adjoining Council area.

Is an amalgamated Council that is un-financial and unsustainable going to be better than what we currently have? For more information on this you need to read the NSW Tcorp reports into the sustainability of NSW local government.

## **Rebates for Government Pension Recipients**

As part of the WRI review they noted that some government support recipients may find it difficult to meet the SRV increase of 15% as proposed. For this reason, depending on the community's advice on the SRV, Councillors will make a determination if additional funding offsets are required into the future that will support this group of people and their families. Council has not set a level for this funding but it will be considered in the budget reviews.

## **How do I have my say as to the SRV I want?**

Firstly, as Councillors elected to provide service to the Blayney community we will listen and we will respect your advice. We will take into account all people that live in the Shire and not restrict our decision to a minority or to those that are the most vocal. The IP&R process was developed to ensure that our residents have an opportunity to participate in the big decisions and to be honest, this is a big one and it will impact on you and what you will see Council do for many years.

You are asked to fill in the attached survey and place it in the survey box at the meetings or to return it to your local store in the village or return it to Council's office in Blayney. Council will publically advise the community of its decision and the results of the survey.

---

Thank you for taking time to assist Council to meet our community needs for future generations of residents.

**Councillor Scott Ferguson (Mayor)**