



## SRV fact sheet 1: Summary of the Special Rate Variation (SRV) process and the Local Infrastructure Renewal Scheme (LIRS)

\* Updated 4 December 2013 to reflect the IPART determination of 2 December 2013 to set the peg rate at 2.3%

### Special Rate Variation

Increases in council rates are regulated by the Independent Pricing and Regulatory Tribunal (IPART), since delegation by the State Government in 2010. IPART's functions in relation to council rate increases include:

- determining the rate peg (the maximum allowable increase in Local Government general income for most councils)
- establishing a Local Government Cost Index to be used in setting the rate peg
- reviewing applications from councils for special rate variations
- determining special rate variations
- reviewing applications from councils for minimum rates above the statutory limit and determining minimum rate increases.

Rate pegging has been a feature of council rate revenue regulation since 1977. Rate pegging allows all councils to increase their total rate revenue in line with the annual change in the rate peg. The rate peg is a percentage amount that is set each year by IPART. The rate pegging system also allows flexibility in allowing councils to apply to IPART for a special variation. Special variations allow councils to seek to increase their rates by more than the rate peg, after engaging with their communities as part of their Integrated Planning and Reporting processes.

Council is currently examining the option of applying for a Special Rate Variation (SRV) to fund works on a backlog of road and bridge infrastructure maintenance and renewal. A number of rate increase scenarios are

being put forward for consultation with our community. These are:

1. A 2.3% increase in general rate income (the base case, or rate peg)
2. An 8.3% increase in general rate income\*
3. An 11.8% increase in general rate income\*
4. A 17.3% increase in general rate income\*

\* Each of these is inclusive of the rate peg

It is proposed that any SRV, if approved, would be a one-off but permanent variation to general rate income.

The extra revenue generated (ie that in excess of the expected peg rate increase of 2.3%) would be used to exclusively fund road and bridge infrastructure projects and would be set aside in an externally restricted reserve. It is proposed that any additional funding raised through an SRV be leveraged by way of loan funding and potential grants. More specifically, to address priority projects the preferred option would be to use the extra revenue to fund repayments on a 10-year loan and draw down capital over a 4 - 10 year rolling works program. Further details are provided in *Fact Sheet 2: Roads and Bridges Works Review and Program Scenarios*.

### Special Rate Variation Scenarios

The following is a summary of the revenue increases under differing scenarios, including the base case of rate pegging:

Scenario	Additional annual rate revenue
2.3% increase	\$135,474
8.3% increase	\$488,886
11.8% increase	\$695,043
17.3% increase	\$1,019,003

## Leveraging Our Rate Dollar - Local Infrastructure Renewal Scheme

The estimated infrastructure backlog for all NSW councils as at 30 June 2012 was estimated to be \$7.4 billion, of which \$4.5 billion relates to roads and related assets and \$1 billion relates to buildings. The backlog in the northern coastal area of NSW equates to 29% of the State total.

The Local Infrastructure Renewal Scheme (LIRS) is part of a package of support that the State Government provides to councils in New South Wales to assist in addressing the local infrastructure backlog. The current round of LIRS provides for a 3% interest subsidy on loans taken out by local councils for infrastructure backlog works, as well as for projects providing infrastructure to enable new housing.

If an SRV was sought and approved Council would seek a LIRS interest subsidy to assist in repayment against any loan taken for road and bridge infrastructure backlog projects, effectively increasing the total infrastructure investment. The following table of loan capital (10-year period at 5.8%) illustrates how this would apply:

Loan amount per scenario	2.30%	8.30%	11.80%	17.30%
SRV only	\$0	\$2.675m	\$4.225m	\$6.675m
SRV and LIRS	\$0	\$3.075m	\$4.850m	\$7.675m

LIRS applications close at the end of December 2013 and will be conditional on approval of a Special Rate Variation.

## What a Special Rate Variation may mean for you

The four possible increases in rate revenue have been apportioned to the different council rate types in the table below which shows the average annual dollar increase in rates for each of our rating categories:

Type	2.30%	8.30%	11.80%	17.30%
Residential Rural	\$24.00	\$87.00	\$123.00	\$181.00
Business	\$19.00	\$68.00	\$97.00	\$142.00
Farmland	\$42.00	\$153.00	\$218.00	\$319.00
Residential Dorrigo	\$15.00	\$55.00	\$79.00	\$205.00
Business Dorrigo	\$16.00	\$57.00	\$81.00	\$119.00
Residential Bellingen	\$18.00	\$64.00	\$91.00	\$134.00
Business Bellingen	\$26.00	\$92.00	\$131.00	\$192.00
Residential Urunga	\$20.00	\$73.00	\$104.00	\$152.00
Business Urunga	\$32.00	\$117.00	\$167.00	\$245.00
Residential Mylestom	\$21.00	\$75.00	\$107.00	\$156.00

In addition to the general rate Council also applies water, sewer and domestic waste charges to those that access those services. The table below provides an indicative example of the projected pricing for 2014/2015 for residential properties.

**Note:** Water pricing comprises an availability charge and a user charge. The user charge is projected to decrease by 13%

RESIDENTIAL	2.30%		8.30%		11.80%		17.30%	
	2014/15	Increase	2014/15	Increase	2014/15	Increase	2014/15	Increase
Residential Ordinary Rate Average	\$824	\$18	\$872	\$66	\$901	\$95	\$945	\$139
Water - Annual Charge	\$112	-\$19	\$112	-\$19	\$112	-\$19	\$112	-\$19
Sewerage - Annual Charge	\$842	\$117	\$842	\$117	\$842	\$117	\$842	\$117
Domestic Waste Management Charge	\$596	\$17	\$596	\$17	\$596	\$17	\$596	\$17
Total	\$2,374	\$133	\$2,422	\$181	\$2,451	\$210	\$2,495	\$254

For further details please visit Council at [www.bellingen.nsw.gov.au](http://www.bellingen.nsw.gov.au) or telephone Council on 6655 7300.



Connected, Sustainable, Creative

Bellingen Shire  
COUNCIL



## SRV fact sheet 2: Roads and Bridges Review and Program Scenarios

**\* Updated 4 December 2013 to reflect the IPART determination of 2 December 2013 to set the peg rate at 2.3%**

Roads and bridges are vital infrastructure that connect and support our communities on the mountains, in our valleys, and on the seaboard. Bellingen Shire has approximately 636km of roads and 153 bridges and of this Council is responsible for maintaining, renewing and improving 567km roads and 136 bridges. In the current financial year (2013/14) Council has budgeted \$1.8 million for maintenance of its roads and bridges and \$0.87 million for reconstruction of roads and Newry Island Bridge repairs.

NSW Treasury Corporation reported that in 2011/12 the estimated cost to bring the council's public road infrastructure up to a satisfactory standard was \$11.5m and on an upward trend. Council estimates that for sealed roads an annual budget of approximately \$1.95 million is required for resealing and reconstruction of its roads and \$0.57 million for renewal of its bridges.

Following the failure of Hanly's Bridge in 2012 Council instigated a review of its program of bridge inspections. This indicated that 45 of the 136 Council bridges required further investigation. A more comprehensive inspection of these 45 bridges indicated that 13 were in need of major repair work. Seven of these bridges will be repaired during the 2013/2014 work program. The remaining six require investment of between \$1.823m - \$3.822m depending on the replacement scenario.

Temporary load restrictions have been applied to these bridges until the required repairs can be undertaken in order to ensure the safety of bridge users. These limits are necessary to prolong the longevity of existing structures while still enabling reasonable usage and ensuring access for residents and motorists. Wherever possible, Council has taken into consideration local transport needs including any school bus movements.

The largest investment required is for Newry Island Bridge. It is anticipated that options for repair/replacement of this bridge will be considered by Council in late 2013/early 2014. At this stage an allowance has been made for the works during early 2014. Preliminary estimates indicate that this replacement will cost \$1m for a single lane timber bridge, or \$2.2 million for a double lane concrete bridge, excluding the cost of relocation of services.

The condition of the sealed road network continues to be reviewed in conjunction with the review of Council's Asset Management Plans. The assessment to date has identified at least 20 kilometres of road that require reconstruction and/or resealing as a priority. A prioritisation for this reconstruction and resealing work has allowed the formulation of an indicative Rolling Capital Works Program for the next 8 years. It should be noted that as with all Rolling Capital Works Programs, priorities are reassessed annually as part of the annual budget process.

In addition to the sealed road network a number other road improvement projects have been identified through staff assessment or via community feedback. These include seal extension projects, drainage improvements, urban road improvement and retaining wall replacements.

As part of Council's overall management of Shire assets a major review of processes and programs relating to roads and bridges has also been conducted. These reviews seek to improve our efficiency and effectiveness. The key findings of the reviews are:

- The community survey undertaken in 2012 rated roads and bridges as being of high importance/low satisfaction
- Council needs to improve its asset management information and data
- There is a need for increased capital investment to address the renewal backlog.

To assist in addressing the backlog of renewal of road and bridge infrastructure Council is considering an application to the Independent Pricing and Regulatory Tribunal (IPART) for a Special Rate Variation (SRV) to fund capital works on roads and bridges. As this affects our entire shire Council is talking with our community to develop new delivery programs and long term financial plans to address our infrastructure backlog.

Fact sheet 1: *Summary of the Special Rate Variation (SRV) process and the Local Infrastructure Renewal Scheme (LIRS)* outlined what funding could be obtained with revenue from an SRV, with and without additional subsidies from LIRS. Council has modeled road and bridge infrastructure projects that could be delivered under the different scenarios, and summarised these in the following table (in \$ millions and assuming a LIRS subsidy):

	2014/15 – Expenditure Year 1 SRV scenarios				2014/15-2021/22 – Expenditure Year1-8 (cumulative), SRV scenarios			
	2.30%	8.30%	11.80%	17.30%	2.30%	8.30%	11.80%	17.30%
Shire Road Resurfacing/ Reconstruction	0.58	0.83	0.83	1.03	3.77	4.34	5.21	7.79
Bridge Repairs/ Re-decking	0.48	1.48	1.48	1.48	0.65	1.91	1.96	2.06
Road Improvement	0	0	0	0	0.31	1.84	2.57	2.82
<b>Totals</b>	<b>\$1.06m</b>	<b>\$2.31m</b>	<b>\$2.31m</b>	<b>\$2.51m</b>	<b>\$4.73m</b>	<b>\$8.09m</b>	<b>\$9.75m</b>	<b>\$12.67m</b>

In the event that Council does not secure a LIRS subsidy the program for the eight years will be affected as follows:

- 2.30% - no change
- 8.30% - total expenditure reduced to \$7.71 million
- 11.80% - total expenditure reduced to \$9.45 million
- 17.30% - total expenditure reduced to \$12.07 million

With a special rate variation Council will be able to assist in addressing the backlog of renewals of road and bridge infrastructure and invest funding into road improvement projects. Our modelling indicates that any loan raised, as referenced in Fact Sheet 1 by the various scenarios provide enough funds for increased investment in renewals for the following periods:

- 8.30% SVR – 4 years
- 11.80% SRV – 7 years
- 17.30% SRV – 10 years

Once any loan raised is paid off at the end of ten years the additional rate income used for loan repayments will be able to be directly fund road renewal projects.

These scenarios will allow Council to attend to the most urgent work which has been prioritised by the road and bridge review, and ensure that the infrastructure backlog is arrested. The scenarios will also allow Council to seek additional funding from State and Federal Governments to leverage the funding that the SRV provides.

By way of example, the Federal Government recently announced a \$300 million program (on a 50/50 basis with State/Local Government) to assist in addressing the identified \$1.4 billion of bridges nationally in a poor to very poor condition. If Council secures funding from the program Council's investment can be further leveraged.

Without a special rate variation spending on road maintenance will be insufficient to arrest the decline in asset condition. If Council is unsuccessful in obtaining an SRV Council will need to consider a range of other options including decreased service levels across its range of works and services including whether there are sufficient funds to maintain a safe sealed surface on some roads.

For further details please visit Council at [www.bellingen.nsw.gov.au](http://www.bellingen.nsw.gov.au) or telephone Council on 6655 7300.





## SRV fact sheet 3: Local Government Reform

### Our external environment

The last three years has seen an enormous impetus for change in local government driven by a range of imperatives. The Global Financial Crisis and its impact on both government and the private sector, a change in government at the State level, continued cost shifting from other levels of government and the impact of rate pegging for over 30 years on the financial sustainability of local government and community infrastructure has affected the operations of local government. In addition, the introduction by the State Government of a new corporate planning framework for local government (known as the Integrated Planning and Reporting (IPR) Framework) has also influenced the future direction for local government.

### The State Perspective

Drivers for change at a State level include:

- In late 2011 the NSW Minister for Local Government initiated a review of local government known as Destination 2036. Destination 2036 defined an Action Plan which included a range of initiatives such as the establishment of the Independent Local Government Review Panel and a review of the NSW Local Government Act.
- The Independent Local Government Review Panel has carried out a comprehensive review of local government, produced three discussion papers to date and lodged their final report with the Minister for Local Government in November 2013. The reforms proposed are broad ranging and address the full spectrum of local government operations and in particular **confronting the financial realities, bolstering the revenue base, tackling the infrastructure backlog, building stronger regions, and keeping the 'local' in local government.**
- The Local Government Acts Taskforce has worked in collaboration with the Independent Local Government Review Panel to review the Local Government Act which was enacted in 1993.
- A review of the NSW planning system commenced in 2011 and involved the release of a Green Paper for public consultation in July 2012 followed by the release of a "White Paper - A new planning system for NSW" (The White Paper) on 16 April 2013 for public consultation. The new Planning Act passed through the lower house of the NSW Parliament on 30 October 2013.
- In March 2012 NSW Treasury (T-Corp) undertook a financial assessment of NSW Council's. T-Corp rated Bellingen Shire Council as follows: Financial sustainability rating – Moderate; Outlook – Negative. TCorp noted in part that "Council is heavily reliant on the provision of operating and capital grants from other areas of government and would not be sustainable without the continued provision of these grants... Council is expected to consider lodging a submission for a Special Rate Variation in 2015....A successful application would better enable sufficient asset renewal."
- In June 2013 the Division of Local Government published the Local Government Infrastructure Audit. The key findings were:
  - The total infrastructure backlog for all NSW Councils was estimated to be \$7.4 billion at 30 June 2012, of which \$4.5 billion relates to roads and related assets and \$1 billion relates to buildings
  - The backlog in the northern coastal area of NSW equates to 29% of the state total
  - The infrastructure backlog is over \$1,000 per head of the NSW population

### The Regional Perspective

At a regional level the Mid North Coast Region of Councils (ROC) has undertaken extensive work to develop a strategic plan, establish sub-groups who work across councils around key focus areas such as roads and bridges, work health and safety and information technology and have agreed on a process of corporatisation. In addition, in an effort gain further

efficiencies, the ROC has developed a model for shared servicing which incorporates governance and auditing. The ROC is proactively positioning itself to deliver on the reforms anticipated by the work of the Independent Local Government Review Panel and strengthen service delivery at the local level.

## **Bellingen's Reform Process**

For the past 2 ½ years Bellingen Shire Council has embarked on a process of major organisational review and reform aimed at improving our service to our community. These activities are based on contemporary organisational principles, but more importantly on what the community has told us in 2012 in response to our customer and planning surveys. More specifically, our customer survey in 2012 provided specific advice in terms of resident priorities around roads and infrastructure as follows:

- Services with a low satisfaction mean included footpaths and cycleways, maintenance of sealed roads .... and maintenance of unsealed roads.
- Services rated important to respondents were maintenance of sealed roads, river water quality, waste and recycling, protection of the natural environment and flood management
- In contrast maintenance of sealed roads, river water quality, bridge maintenance, maintenance of unsealed roads, footpaths/cycleways and flood management were regarded as having high importance but low satisfaction.
- Any additional income should be spent on road improvements.

The imperatives to conduct the organisational review related to a range of challenges facing Bellingen Shire and Local Government in the wider context. In particular, these challenges included the need to ensure effective and efficient service delivery and within that quality and allocation of resources, as well as broader drivers around financial sustainability, asset management, community needs and customer service. Council received quarterly reports around our progress commencing in August 2012. Our outcomes to date include:

- Customer service initiatives including the development of a customer service charter, a review of our customer request management system and the establishment of a customer service team with the objective of resolution of 80% of enquiries on first call
- Improvements to asset management including the development of asset management plans, condition reporting and a major road and bridge review in terms of both condition, priorities and funding options
- A focus on and improved management of leave liability
- The establishment of a revised Advisory Committee structure which aligns to our community vision
- The standardisation of engineering policies and DA standard engineering conditions to provide improved certainty to our development sector and customers generally
- Reduction in casual labour and investment in our young people via the establishment of a traineeship program
- Implementation of a service review program which seeks to define standards of service & improve efficiencies & effectiveness which to date has focused on weeds, Bellingen Pool, & our road and bridge programs
- Implementation of a Joint Workers Compensation Improvement Plan with our insurer to improve our safety and incident performance and reduce our premium costs
- A review of our Planning and Regulation Section in response to changes in the planning system and a downturn the building industry
- Rearrangement of our Works Section to provide focus on supervision and quality of work
- Online recruitment to ensure efficiencies in the process and a reduction in advertising costs
- Online training to ensure efficiencies in the process, ensure our staff and volunteers have the appropriate and current knowledge and qualifications along with a reduction in associated costs
- Collaboration with other councils in our region around a range of issues such as work health and safety, IT, procurement roads and bridges, waste and HR as well as a actively working towards a model that will establish shared servicing
- Development of an intranet to disseminate information, reduce printing costs and improve customer service

### **A Snapshot of our outcomes to date:**

- The draw down on reserves to fund non-recurrent \$270,000 implementation costs related to the organisational review has not been required primarily as a direct consequence of cost management and efficiency initiatives.
- Recruitment managed in house resulting in an estimated saving of \$95 000 in external recruitment fees during the 2012/13 financial year
- Reduction in overtime hours by approximately 20% since June 2011
- 43% reduction in the number of workers compensation claims
- 55% reduction in days lost to injury

For further details please visit Council at [www.bellingen.nsw.gov.au](http://www.bellingen.nsw.gov.au) or telephone Council on 6655 7300.



## SRV fact sheet 4.1 – Frequently asked questions

### Why do we need a Special Rate Variation (SRV)?

Council's across NSW are suffering from an infrastructure backlog as a consequence of over 30 years of Rate Pegging as well as the impost of Cost Shifting from other levels of Government which for rural Councils in 2010/11 was estimated to be 3.88%, equating to \$1.085 million for Bellingen.

The Local Government Infrastructure Audit 2013 (NSW Division of Local Government) estimates that the total infrastructure backlog for all NSW councils was estimated to be \$7.4 billion at 30 June 2012, of which \$4.5 billion relates to roads and related assets.

In March 2012 NSW Treasury – T-Corp undertook a financial assessment of all NSW Councils and assessed Bellingen's current financial sustainability rating as moderate with a negative outlook. T Corp advised Council it should not incur further borrowings around some specific benchmarks but indicated that any additional funds secured through a SRV could be used to service additional borrowings.

In early 2013 Council commenced a detailed assessment of its road and bridge infrastructure. This review assessed the condition of our transport assets and identified a range of priority works. The outcomes of this review were then modelled against ideal infrastructure investment required to manage the network in a sustainable manner.

As a consequence Council is considering the option of a special rate variation to raise funds to specifically address the backlog in infrastructure works relating to roads and bridges.

In consideration of the foregoing a range of scenarios have been modelled which take account of the opportunities to leverage loan borrowings and grant funding in order to have a significant impact on the infrastructure backlog.

### What are the options Council are considering, and what do we get for each?

Council is currently considering four SRV options for 2014/15:

1. Applying the IPART rate peg increase of 2.3% (announced 2 December 2013)  
*Note: The Rate Peg is the legislated increase applied annually by IPART*
2. Applying for a permanent special variation of 8.3%
3. Applying for a permanent special variation of 11.8%
4. Applying for a permanent special variation of 17.3%

For options 2-4, the funds raised over and above the base rate of 2.3% will be used to exclusively fund road and bridge infrastructure works.

As part of this process Council has modelled outcomes regarding what can be achieved on the basis that Council leverages outcomes via loan funding as well as accessing the Local Infrastructure Renewal Scheme which is a State Government scheme designed to subsidise interest rates to enable infrastructure by local government.

The modelling shows the funding strategy will facilitate the following investment for roads:

Scenarios	Reseals	Reconstruction
2.3%	70km	4km
8.3%	84km	6km
11.8%	100km	8km
17.3%	150km	14km

For bridge infrastructure major investments would occur in terms of the immediate restoration of the Newry Island Bridge, in addition to five other bridges across the shire which are currently subject to load limits. This is an addition to major work that has been carried out on 7 other bridges this financial year.

Unfortunately Option 1 which is the legislated rate peg (which is explained further below) will continue the current underfunding of road and bridge works. Urgent works will require redirection of funding from other areas. This may mean permanent load restrictions on some bridges, conversion of some sealed roads to unsealed roads, decreased service levels in some areas, and review of whether some services can be provided.

For more details see *SRV fact sheet 2: Roads and Bridges Review and Program Scenarios*

### How much will it cost me?

This will vary depending on where you live, the type of rates you pay (residential or rural), and the value of your land. A typical (i.e. average) residential rates notice amount is listed in the following table:

		2.30%		8.30%		11.80%		17.30%	
RESIDENTIAL		2014/15	Increase	2014/15	Increase	2014/15	Increase	2014/15	Increase
Residential Ordinary Rate Average		\$824	\$18	\$872	\$66	\$901	\$95	\$945	\$139
Water - Annual Charge		\$112	-\$19	\$112	-\$19	\$112	-\$19	\$112	-\$19
Sewerage - Annual Charge		\$842	\$117	\$842	\$117	\$842	\$117	\$842	\$117
Domestic Waste Management Charge		\$596	\$17	\$596	\$17	\$596	\$17	\$596	\$17
Total		\$2,374	\$133	\$2,422	\$181	\$2,451	\$210	\$2,495	\$254

Please note that water, sewerage, and waste charges are separate charges from general rates, and only residents that can access those services pay those charges. In the above table the water, sewerage and domestic waste charges are changing independently of the general rate change, and in fact water annual and usage charges are reducing.

More details are available in *SRV fact sheet 1: Summary of the Special Rate Variation (SRV) process and the Local Infrastructure Renewal Scheme (LIRS)*

### How much money will the special rate variation raise?

The general rate revenue raised by all the rate scenarios is:

Scenario	Additional annual rate revenue
2.3% increase	\$135,474
8.3% increase	\$488,886
11.8% increase	\$695,043
17.3% increase	\$1,019,003

### What will the money be spent on?

Funds raised by the special rate variation will only be spent on roads and bridges. For more details see *SRV fact sheet 2: Roads and Bridges Review and Program Scenarios*

### What will the special rate variation deliver?

Funds raised by the special rate variation will only be spent on roads and bridges. For more details see *SRV fact sheet 2: Roads and Bridges Review and Program Scenarios*

### How can I provide council with my feedback?

Council is actively seeking feedback from the community using a number of means, including:

- An online survey
- A paper-based survey (hard copy of the online survey)



- Submission and comments via email
- Submissions and comments by letter
- Via the *Have Your Say* page on Council's website
- Through participation at community forums
- Through your Councillor

### **What happens if the special rate variation doesn't get approved?**

If a special rate variation is not approved by IPART, it is anticipated that Council will apply the rate peg increase in 2014/15. The 2014/15 rate peg is 2.3% and was formally announced on 2 December 2013 by IPART.

Rate peg increases are intended to cover the annual cost increases local government measured by a Local Government Cost Index, less a productivity factor and any other adjustments.

Council's Long Term Financial Plan and Delivery Program will detail the financial and service implications for both the base case, ie the rate peg increase, and Council's preferred option for a special rate variation when the documents are placed on public exhibition in January 2014.

An increase of 2.3% will continue the current underfunding of road and bridge works, and urgent works will require redirection of funding from other areas. This may mean permanent load restrictions on some bridges, conversion of some sealed roads to unsealed roads, decreased service levels in some areas, and review of whether some services can be provided.

### **How do I get more information?**

For printed documentation the best place is Council's website where a Special Rate Variation Information Centre page has been created. This contains all the fact sheets, links to relevant Council meeting minutes, dates for meetings, and links to the community survey and related documents.

If you have a community group that would like Council staff to attend your meeting and address the issue please contact us and we will help you organise this. This can occur now and again following Council's consideration of which rate increase to apply for on 13 January 2013.

Council is also using local print, television news coverage, and radio opportunities to help keep you informed.

### **Who do I contact at Council?**

In the first instance please contact the Customer and Business Support Unit on (02) 6655 7300 and they will put you in contact with the appropriate Council officer.

### **Can I talk to my Councillor about this?**

Yes, and we encourage you to do so. Councillors' contact details are on our website.

### **How does a council decide how much I have to pay in rates and charges?**

Each council is required to determine the combination of rates, charges, fees and pricing policies needed to fund the services it provides to the community. This is called a revenue policy. The revenue policy contains a rating structure that determines which rates and charges apply and how they will be calculated. Charges are generally determined on either an annual basis or according to usage – or they may be a combination of both, for example, water supply charges.

Rates in Bellingen Shire Council are based on a combination of the land value of the property and a fixed amount per property.

The land value is determined by the Land and Property Information Division of the Department of Finance and Services on behalf of the NSW Valuer-General [www.lpi.nsw.gov.au](http://www.lpi.nsw.gov.au).

### **What is rate pegging?**

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

As a consequence of rate pegging, a council's overall rates revenue cannot increase by more than the approved percentage increase – unless approval is granted by IPART for special variations.

If overall land values rise, councils may have to reduce or otherwise adjust the amount of rates levied per dollar so that total income does not grow by more than the approved percentage increase.

### **How is the rate peg determined?**

IPART determines the rate peg that will apply to all NSW councils for the year using a Local Government Cost Index. The Index assists in calculating the operational costs of councils in New South Wales.

The rate peg percentage is calculated by subtracting a determined productivity factor for councils from the Local Government Cost Index.

For example, for 2014/15 IPART determined a Local Government Cost Index of 2.8%, deducted a productivity factor of 0.2%, and deducted a further 0.3% to adjustment for an carbon price advance that was brought forward in the 2012/13 rate peg, giving a rate peg for 2014/15 of 2.3%.

Further details about the methodology IPART uses to determine the rate peg can be found on IPART's website at [www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au).

### **How long has rate pegging been in place?**

Rate pegging has been in place since 1977.

### **What were the percentage increases in the rate pegging limit in recent years?**

2014/15 – 2.3%  
2013/14 – 3.4%  
2012/13 – 3.6%  
2011/12 – 2.8%  
2010/11 - 2.6%  
2009/10 - 3.5%  
2008/09 - 3.2%  
2007/08 - 3.4%  
2006/07 - 3.6%  
2005/06 - 3.5%

### **Who determines the rate peg?**

In 2010 the NSW Government announced that the Independent Pricing and Regulatory Tribunal of New South Wales (IPART) would determine the rate peg that applies to councils' general income. Previously the Minister for Local Government determined the rate peg.

IPART is the independent economic regulator for NSW. IPART oversees regulation in the electricity, gas, water and transport industries and undertakes other tasks referred to it by the NSW Government.

### **Does a council have to apply the full rate peg increase?**

A council may apply the full rate peg percentage, a portion of the rate peg percentage, or it may determine not to apply the rate peg increase at all.

### **Why did my rates go up by more than the rate peg percentage?**

Within rate-pegging, it is possible for some rates to increase by more than the rate-peg limit while others may increase by less than the rate-peg limit. In some cases, rates may decrease from the previous year.

More specifically, a council's rating structure and valuation changes are the main factors that will determine what happens to rates on an individual property. A general revaluation by the Valuer-General may result in the value of some land in a council area increasing or decreasing by more than other land. Where this happens the rates burden will shift. Councils may decide to vary rating structures from year to year to compensate for this.

### **Can your rates increase by more than the rate-peg percentage?**

Yes. Rate pegging applies to a council's overall general income and not to rates on individual properties. Within rate pegging, it is possible for some rates to increase by more than the rate peg percentage, while other rates may increase by less than the rate peg limit. In some cases, rates may decrease from the previous year. A council's rating structure and valuation changes are the main factors that determine what happens to rates on an individual property. Rating structures may change significantly from year to year.

**Are all rates and charges limited by rate-pegging?**

No. Only certain rates and charges are subject to rate pegging. Charges for waste management, water, and sewerage and storm water are not subject to rate pegging.

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

Under the NSW Local Government Act 1993 (LGA), 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'.

Under the LGA, councils may apply for a single year increase under section 508(2), or a multi-year increase (of between two and seven years) under section 508A.

In 2010, the Government delegated to IPART the responsibility for assessing and determining special rate variation applications, effective from 2011/12 onwards. Previously, the Minister for Local Government was responsible for determining special rate variations.

While IPART has been delegated responsibility for assessing and determining special variations, the NSW Government has retained responsibility for setting the policy framework under which applications will be assessed. This is reflected in the Government's Special Rate Variation Application Guidelines, which sets out the assessment criteria that IPART must use when assessing applications.

Councils may seek a special rate variation in order to undertake environmental works, fund town improvements, redevelop community and civic facilities, address maintenance backlogs and maintain or improve existing service provision.

**What does IPART take into account when it assesses a special variation application?**

In accordance with the Special Variation Guidelines, IPART must assess special rate variation applications against the following criteria:

- demonstrated need for the rate increase
- demonstrated community consultation on the special variation
- reasonable impact on ratepayers
- sustainable financial strategy consistent with the principles of intergenerational equity
- productivity improvements achieved and planned, and
- Implementation of the Integrated Planning and Reporting framework.

**How long will the rate increase last?**

If sought and approved, the special rate variation currently under consideration by Council would be permanent and would become the new general rate. Future increases would then be rate peg increases, similar to CPI increases. As an example, we will assume a current residential rate of \$806 pa (which is the current average), and an annual rate peg increase of 2.6% (i.e. the one just announced for 2014/15, less the carbon tax adjustment). For the 4 options this gives the following estimates for the next 4 years:

<b>Residential Rate by year</b>	<b>2.3% increase 2014/15</b>	<b>8.3% increase 2014/15</b>	<b>11.9% increase 2014/15</b>	<b>17.3% increase 2014/15</b>
2014/2015	\$824 pa	\$872 pa	\$901 pa	\$945 pa
2015/2016	\$845 pa	\$895 pa	\$924 pa	\$970 pa
2016/2017	\$867 pa	\$918 pa	\$948 pa	\$995 pa
2017/2018	\$890 pa	\$942 pa	\$973 pa	\$1021 pa

**What if I can't afford a rise?**

If you have difficulty paying your rates, at any time, Council has an existing Hardship Policy to provide assistance to ratepayers who are experiencing genuine difficulties with the payment of their rates and charges. For more information please visit our website or contact Council's Rates Section on 6655 7300.

### **Is Council really consulting?**

Yes, we are engaging with our community to provide background information on the current situation and information on the options available for funding road and bridge infrastructure works. We are actively listening to feedback from our community and will be incorporating this into information provided to Council as part of its further consideration of the matter on 13 January 2013.

Some of the ways we are providing information include:

- Community forums in the Dorrigo, Bellingen and Urunga
- Combined Chambers of Commerce forum
- Letter drops
- Newspaper advertisements
- Media releases and resulting coverage in newspapers and television
- Fact sheets
- The SRV Information Centre web page
- Public exhibition
- Meetings with stakeholders

Some of the ways we are collecting feedback include:

- Community forum questions and answers
- Submissions
- Letters to the newspapers
- Our online survey
- Letters
- Emails
- Telephone calls

### **What are the alternatives to a special rate variation?**

The primary alternative is applying the rate peg increase from 2014/15, which is 2.3%. As this does not improve the financial sustainability of Council, other measures will be required to address this such as seeking grants, and reducing expenditure through revising service levels and/or services delivered.

### **Can't Council get money from the Federal and State Governments?**

In 2012/13 Council received operating grants of around \$6.88m from the Commonwealth and State Government (split about 50/50), and capital grants of around \$1.2m from the State Government. This is around 29% of Council's gross revenue.

However, it does not address long term financial sustainability as there is never a guarantee these funds will be available in future, and often grants are on a like-for-like basis.

The situation is made worse when Councils are required to deliver services, without adequate funding, for other tiers of government resulting in what is termed "cost shifting". In our case this has resulted in a cost impost of \$1.085m.

### **Why is all this happening now?**

Applications for special rate variations close in late February 2014 and new guidelines for the process were released in September 2013. This means consultation and preparation needs to occur now so that Council can consider options, feedback and submissions to meet the required deadlines. An outline of the process is:

- Council resolution (to notify intent to apply) – 11 Nov 2013
- Community engagement and consultation – mid-Nov to mid-Dec 2013
- IPART notification of potential SRV application – 13 Dec 2013
- Council resolution (preferred SRV option) – mid-Jan 2014
- Integrated Planning and Reporting (IPR) document exhibition and consultation – mid-Jan to mid-Feb 2014
- Council resolution (IPR adoption, SRV application) – mid-Feb 2014
- SRV application\* – late Feb 2014

\*Subject to Council resolving to proceed

### **What is the backlog in rate payments, and what are you doing about it?**



In the quarter ending 30 September 2013, the percentage of rates and charges outstanding is estimated at 7.48%. It is noted that this percentage can be skewed as some ratepayers pay their rates up front which reduces the estimated percentage within the first quarter. Council's Debt Recovery Policy allows for flexible payment arrangements for ratepayers experiencing difficulty in meeting their quarterly rate obligations, whilst the Hardship Policy provides assistance for ratepayers facing genuine financial difficulties. Council also engages a mercantile agent for the recovery of outstanding amounts. Costs incurred in the recovery of overdue rates and charges are payable by the defaulting ratepayer in addition to their rate liability.

**Why are farmland rates increasing by twice that of residential?**

The average rateable land value of farmland properties is \$645,850 whilst the average rateable land value of residential properties is \$199,085. The average rate liability is in proportion to the value/size of the land.

For further details please visit Council at [www.bellingen.nsw.gov.au](http://www.bellingen.nsw.gov.au) or telephone Council on 6655 7300.



## SRV fact sheet 4.2 – Frequently asked questions on Finances and Rates

### 1. Why do businesses in Bellingen Shire pay much lower rates than in other councils?

Each NSW Council has a different rating structure that is relevant to their own special circumstances, location and dependent upon individual Council service levels. Each council's community has different needs for services and service levels which results in different levels of rates in different categories.

### 2. Why don't you spend some of your reserves?

Under the NSW Local Government Act 1993 Council's cash funds are held in Externally Restricted Reserves and Internally Restricted Reserves. Externally Restricted Reserves include funds raised for water, sewerage, domestic waste, Special Roads Levy, Environmental Levy, Section 94 Contributions etc. and are only to be used for the purpose they were raised. Internally Restricted Reserves include funds held under resolution of Council for employee leave entitlements, plant and vehicle replacement etc. These funds are only to be used for the purpose under which they were resolved by Council. The 2013 financial year financial reports Note 6 show that Externally Restricted Reserves amount to \$25.9m and Internally Restricted Reserves amount to \$3m.

### 3. Why don't you sell some Council property?

Work is to be undertaken in 2014 to review the property portfolio of Council with a view to Council's consideration of options relating to property holdings.

### 4. What proportion of rates is used in administration?

Council's financial statements in the 2012/13 annual report (note 2a) show that administration expenses totalled \$5.44m. The ordinary rates amount are pooled with other funds like grants, interest on investments and fees and charges, and this pool of funds is then used to fund the running of the depot, parks and gardens, the main administration building, libraries etc. Overall administration accounts for about 18.4% of gross revenue.

With respect to staff levels, Council has published information regarding the number of staff involved in the various functions and services it currently provides. As an overview Council is currently working off position numbers of 146.

53.5% (78) of the permanent roles are engaged in outdoor operations with 46.5% (68) engaged in "indoor roles". Of the indoor roles at Council, 60% (41) are roles that are directly involved in providing services or support to our community including:

- Community planning
- Aged and disability support via our Dorrig Support Centre
- Library staff
- Youth Centre management
- Visitor Information Services
- Engineers and Planners
- Health and Building Surveyors
- Sustainability and Natural Resource Management
- Economic & Business Development including sourcing grant funding
- Front office customer service staff

The remaining “indoor roles” (27) are primarily related to fulfilling Council’s regulatory and legislative requirements such as the management and reporting of Council’s finances, the collection of rates, technical and records management services, corporate governance, procurement, human resources and workplace health and safety.

**5. Why doesn’t the State Government pay rates on Crown Lands and National Parks?**

Under the NSW Local Government Act 1993 Crown Land, including national parks, is exempt from Council rates. Local Government NSW commissioned a report by Deloitte Access Economics on rate exemption provisions which can be located on the Local Government NSW web site at this address [www.lgnsw.org.au/key-initiatives/review-rate-exemptions](http://www.lgnsw.org.au/key-initiatives/review-rate-exemptions).

**6. Why isn’t council cutting costs to match income to expenditure?**

Council is currently actively reviewing the cost and quality of services we deliver through a formal Service Delivery Review process. We have also been actively working to manage and reduce costs, some details of which appear in *SRV fact sheet 3: Local Government Reform*.

**7. What is the forecast operational budget deficit?**

The operation deficit for 2012/13 was \$2.608m, and the current Long Term Financial Plan indicates a forecast deficit of \$96k for 2013/14. The Long Term Financial Plan for 2014 to 2023 is currently under development and will be on exhibition in mid-January 2014.

**8. What are the other options to raise funds?**

Options for councils to raise funds are by loans, grants, rates, charges, fees and contributions. The funding strategy associated with the option of a Special Rate Variation includes loans and grants. In addition Council will be shortly reviewing its fees and charges.

**9. Why aren’t other road users such as trucking companies, State Forestry etc. being apportioned a share of the fund-raising? It shouldn’t be just rate payers.**

The tax system in Australia is such that citizens pay tax (including income tax and GST) to the federal government and rates to Local government. There is no other avenue for taxation. Under the NSW Local Government Act 1993 Crown Land including State Forests is exempt from Council rates. Local Government NSW commissioned a report by Deloitte Access Economics on rate exemption provisions which can be located on the Local Government NSW web site at this address [www.lgnsw.org.au/key-initiatives/review-rate-exemptions](http://www.lgnsw.org.au/key-initiatives/review-rate-exemptions).

**10. Does Council have any investments it could consider calling on?**

Please see the response to question 2.

**11. What impact will getting (or not getting) a low interest loan have on the SRV options?**

Not getting an interest rate subsidy through the Local Infrastructure Renewal Scheme would reduce the amount of borrowing that could be funded by between \$0.4m and \$1m. More details can be found in *SRV fact sheet 1: Summary of the Special Rate Variation (SRV) process and the Local Infrastructure Renewal Scheme (LIRS)*.

**12. We paid a 4% environmental levy a couple of years back. Where has that money been spent?**

These funds have been approved by the State Government for a specific purpose and are accounted for separately. Allocation of funding is considered annually by both Council’s Environmental Sustainability Advisory Committee and Council as part of the budget process. Funds have been spent on environmental issues projects as the Urunga cycleway, shared paths in Hammond Street Bellingen, the Dangar Falls pathway, and the Weeds Action Program.

A specific example project that has been completed is the Connect with the River project (see 2012/13 year). This three year project was externally funded by the NSW Environmental Trust (\$100,000) to which Council made a contribution of \$47,500.00 over three years from the Environmental Levy. Further information on the Environmental Levy and the projects it funds can be located on Council’s web site at

[http://bellingen.nsw.gov.au/index.php?option=com\\_content&view=category&id=495&Itemid=1683](http://bellingen.nsw.gov.au/index.php?option=com_content&view=category&id=495&Itemid=1683)

Please also see the response to question 2.

**13. How can Council show ratepayers that they are indeed managing their expenses productively and efficiently? Are there comparable benchmarks from other Councils which can be used as a comparison?**

*SRV fact sheet 3: Local Government Reform* provides examples where Council has made progress on reducing costs and expenses.

**Bellingen Shire Council**

Bellingen Shire has an area of approximately 1047.1 km<sup>2</sup> with a population of 32,000. Located on the mid North Coast, halfway between Sydney and Brisbane. The Shire has a seasonal tourism focus in winter, dairy, poultry and meat processing. It has an emerging tourism industry and an events such as jazz and blues festivals and seafood and outdoor festivals.

Your Local Government Area		LGA	Group Avg	Your Council		LGA	Group Avg
Live year population change	1.5%	1.5%	1.5%	Number of Councilors	7	8	8
Population aged <16	25.7%	27.7%	27.7%	Population per Councilor	3,044	1,455	1,455
Population aged 16-65	47.6%	48.5%	48.5%	Number of Executive Board/Time Staff	12	10	10
Population aged 66+	26.7%	24.8%	24.8%	2011/12 Revenue (\$'000)	\$31,835	\$24,847	\$24,847
Aboriginal & Torres Strait Islanders	3.0%	6.1%	6.1%	Revenue per capita	\$2,408	\$2,847	\$2,847
Language Other than English	3.7%	2.1%	2.1%	Spenses per capita	\$2,572	\$2,407	\$2,407
Socio Economic Index Ranking (1=lowest)	25	27	N/A	Population Density Residents per km <sup>2</sup>	6.04	3.83	3.83

Your Local Economy		LGA	Group Avg	Your Public Facilities & Social Factors		LGA	Group Avg
Unemployment Rate	9.0%	9.0%	9.0%	Number of Public Swimming Pools	2	3	3
Average Taxable Income (\$)	\$22,242	\$20,412	\$20,412	Number of Public Libraries	2	3	3
Average Households Family Size	2.9	2.9	2.9	Number of Public Libraries	2	3	3
Annual Industry Employer	Health/Social Assistance	Health/Social Assistance	Health/Social Assistance	Open Public Space (ha)	115	257	257
Value of Stock Determined (\$'000)	\$11,263	\$28,051	\$28,051	Access to Public Facilities	27.5%	25.8%	25.8%
Trans: Accommodation Establishments	2	2	2	Access to Internet at Home	10.83%	8.148%	8.148%

**Your Council's Rates and Spending**

**Expenditure of Services**

**Your Council's Waste Services**

**Infrastructure Maintenance Expenditure**

**Infrastructure Maintenance Expenditure**

- Total Expenditure
- Asset Maintenance Expenditure

**Financial Sustainability**

ICorp has assigned your Council's current Financial Sustainability Rating as Moderate with a Negative outlook.

**The Infrastructure Audit assigned Council's infrastructure management to be Weak.**

Contacting Council	How Your Council Manages	LGA	Group Avg	How Your Council is Performing	LGA	Group Avg
1 Joyce Street	Average Residential Rate	\$7,192.1	\$10,321.6	Governance & Administration Expenditure per capita	\$304.46	\$289.60
Bellingen NSW 2451	Average Business Rate	\$660.74	\$1,739.05	Environment Expenditure per capita	\$304.21	\$198.55
Partially Addressed:	Average Residential Rate	\$1,663.58	\$2,373.31	Water & Sewer Services Expenditure per capita	\$375.84	\$389.66
101 River St	Average Mining Rate	N/A	\$113,561.06	Community Services & Amenities, Housing & Education Expenditure per capita	\$182.76	\$194.38
Bellingen NSW 2454	Average Residential Water and Sewer Bill	\$571.00	\$1,029.50	Recreation & Culture Expenditure per capita	\$169.17	\$221.10
Phone: 02 6626 7330	Average Domestic Waste Charge	\$240.63	\$247.46	Public Order, Safety & Health Expenditure per capita	\$109.16	\$181.80
Fax: 02 6655 231	% of Own Source Revenue	66.02%	54.15%	Other Services Expenditure per capita	\$234.13	\$384.61
Email:	% of Assets at Risk	45.59%	30.02%	Average Kilogram Curbside Dry Recyclables Collected per household	4.0	2.2
council@bellingen.nsw.gov.au	Operating Performance Rate	20.63%	2.72%	Average Kilogram Curbside Greenish Organics Collected per household	0.9	0.9
Web:	Unrestricted Current Ratio	7.13	6.13	Average Kilogram Curbside Recycled Waste Collected per household	4.7	12.8
www.bellingen.nsw.gov.au	Dwelling & Infrastructure Renewal Rate	79.00%	60.04%	Total Domestic Disposal Rate for Council	47.4%	51.23%
	Infrastructure Funding Ratio	8.80%	15.00%	Roads, Bridges and Footpath Expenditure per capita	\$56.33	\$55.19

**2012 Local Government Elections: Bellingen Candidates and Councillors**

LGA Demographics	% Pop in LGA	% Councilors (Candidates) in LGA	% Councilors (Candidates) in LGA	% Councilors (Candidates) in LGA	% Councilors (Candidates) in LGA	Mean gross votes for Unsuccessful Applicants	%	%
Male	45%	52%	86%	73%	73%	102	175	175
Female	51%	48%	14%	27%	27%	115	175	175
Age 18-24	3%	4%	0%	2%	2%	107	175	175
Age 25-34	3%	0%	0%	0%	0%	107	175	175
Age 35-44	3%	0%	0%	0%	0%	107	175	175
Age 45-54	3%	0%	0%	0%	0%	107	175	175
Age 55-64	3%	0%	0%	0%	0%	107	175	175
Age 65+	3%	0%	0%	0%	0%	107	175	175

**Comparative Information on NSW Local Government**

Measuring Local Government Performance 2011/12

NSW Premier's Cabinet (Local Government) Committee

14. What other sources of financing has Council considered? E.g. increase current debt levels. The recent publication of summary financial data for Council in the Bellingen Shire Courier Sun showed that current debt levels are low at 2.5%. (Compares with an average of 4.11% for Group 11 Councils and a State average of 5.45% in 2011 as reported in the Auditors report.) Interestingly the current Auditor comments state "The debt service cover ratio of 8.03 times indicates that council has \$8 before interest and depreciation to pay interest and principal on current borrowings. The TCorp benchmark for sustainability is to have a ratio of greater than 2.0. This ratio is one indicator that Council may be able to borrow for critical infrastructure projects in the future." Supported by an additional comment "The interest cover ratio indicates that Council has 10.49 times interest cover and is in a satisfactory position to service current debt commitments and may have the ability to service additional debt borrowings."

The auditor's comments are based on the 2013 Financial Year Financial Statements and look at the period 1 July 2012 to 30 June 2013. The audit report is looking back in time. The TCorp comments were based on previous Financial Statements and Councils current Long Term Financial Plan. TCorp were looking forward. TCorp also commented as follows:

- “The Interest Cover Ratio, similarly to the DSCR, shows the Council has sufficient capacity to service currently scheduled debt commitments. There is no capacity to service further debt interest costs in the short to medium term”



**15. The balance sheet as at 30/6/2013 shows Non-Specialised Buildings with a Fair Value of \$39 million, and accumulated depreciation of nearly \$5 million. The Auditors analysis of the balance sheet shows Investment Property Assets are valued at \$1.9m. Does this offer an opportunity for sale of buildings which are currently being rented and/or sale/leaseback of buildings currently being occupied as has been done in the private sector?**

Please see the response to question 3.

**16. Is there an underlying long term issue within the financials that overall income cannot sustain the required expenses of the Shire even if there is a special rate variation, given? I.e. is this special rate variation potentially the first of more to come? The current Auditor comments state "An operating performance deficit of 18% compares to a deficit in 2012 of 21% and means that Councils operating revenue, excluding capital grants and contributions are insufficient to cover operating expenditure. This compares to the Group 11 Councils average deficit of 2.72% and a state average deficit of 4.4%. The TCorp benchmark for this ratio is to have a deficit of less than 4.0% each year."**

Both TCorp and Council's Auditor have provided commentary in relation to long term financial sustainability. In more general terms this type of issue is being addressed across the State via the work of the Local Government Independent Review Panel. The Road and Bridge program is designed to address immediate infrastructure issues. Other organisational reform initiatives are designed to address Council's operating deficit. Local targets will be established in 2014 in the context of industry benchmarks.

**17. Whilst rate increases are subject to rate pegging, by revaluing properties to market value, additional rates are collected by Council. In reality how much has rate income increased by in the last 10 years?**

The NSW Valuer-General revalues land to unimproved capital value of land for rating purposes, which is not the same as market value. The NSW Valuer-General has different criteria for the unimproved capital valuation. Rate pegging still limits the total general rate income that can be raised by Council. The result in overall increases in valuations is a decrease in the component of rates based on that value – the net effect over all properties in the Council being zero.

**18. At the Community Meeting held on Wednesday, Council said they would be looking at options to sell property. If property is sold, and the SRV is approved and has taken place, then how will any funds from selling property be used? There is concern that the SRV will happen, and then other options to raise money/reduce expense will just be "lost" in the general running of Council.**

Funds from sale of property will be internally restricted for special projects and allocated by resolution of Council.

**19. While Council is to be commended for initiating some expense savings e.g. overtime reduction, reduction in days lost from workplace injury, etc., has Council completed a comprehensive zero based cost exercise to identify further savings potential?**

Council is currently engaged in comprehensive program of Service Delivery Reviews that analyses and reviews costs and potential savings for all services.

For further details please visit Council at [www.bellingen.nsw.gov.au](http://www.bellingen.nsw.gov.au) or telephone Council on 6655 7300.



## SRV fact sheet 4.3 – Frequently asked questions on the works program

### 1. Where does the 5% Special Road Levy fit in, and why doesn't it fund the road and bridge infrastructure backlog?

The 5% Special Road Levy was approved by the Minister in 1996/97 and last financial year generated \$283,842 in revenue. In 2013/14 the levy is expected to generate approximately \$304,000 in revenue and about two thirds of this revenue will be spent on road maintenance and the remainder on the works program.

So while the levy does fund work on the road and bridge infrastructure backlog it is not sufficient to fund address the backlog.

### 2. Does the 17.3% address everything we need?

Council has assessed our ideal capital expenditure for roads and bridges and modelling indicates the proposed rate increases would facilitate the following investment:

<i>Scenario</i>	<i>Reseals</i>	<i>Reconstruction</i>
2.3%	70km	4km
8.3%	84km	6km
11.8%	100km	8km
17.3%	150km	14km

For bridge infrastructure major investments would occur in terms of the immediate restoration of Newry Island Bridge, in addition to 5 other bridges across the shire which are currently subject to load limits. This is in addition to major work that has been carried out on 7 other bridges this financial year.

In addition, please see the answer to question 6.

### 3. Why don't you tender out the work?

It is anticipated that a significant amount of the work in the rolling works programme will be competitively contested.

**4. In the Audit Report attached to the Financial Statements ending 30 June 2013, the Auditors writes "Expenditure decreased by 3.1% on the previous year, largely as a result of a decreased materials and contracts expenditure of 16.3% which was mainly due to a reduction in road maintenance work during the year, which was offset by an increase in other expenses due to increases in insurance and electricity costs during the year." Why would road maintenance have been reduced against budget given the current dire situation? What was the money spent on? (Assuming grant money from flood relief payments for road and bridge repair has also been spent but allocated and accounted for separately.)**

The drop in materials and contracts is mainly the result of the flood work being finished in the 2012/13 financial year. A majority of the flood expense, especially for the 2009 flood, was incurred in the 2011/12 financial year. The road maintenance expense on Note 4(c) reduced from \$1,763,000 in 2011/12 to \$864,000 as a result of the flood work repair done in the 2011/12 financial year (repair work only – excludes capital works). Note that the figure excludes wages as these are reported under employee costs. The figures are for materials and contracts only.

**5. Recently the press reported that two new bridges had been installed by a private contractor and paid for by a private business within 10 days as part of a response to development application requirements. Is this true? And if so how was this work completed so quickly?**

The replacement of two bridges on Old Coramba Road were required as part of a recently determined Development Application. The work required was not the full replacement of the bridges, but the replacement of the timber beams and deck. The abutments and piers of the existing bridges were constructed of concrete and did not need replacing. The contractor prefabricated 'off site' replacement steel beams and concrete precast deck. The onsite work which was completed in 10 days included removal of the old timber deck and beams of the two bridges and the installation of the prefabricated beams and precast concrete deck. The process for refurbishment or replacement of bridges needs to be assessed on an individual basis.

**6. What is the annual cost to maintain roads and bridges, and what is the cost to address the backlog?**

The allocation for road and bridge maintenance in the 2013/14 budget is \$1,828,020. This allocation is not sufficient to address the backlog.

The Council's infrastructure backlog for roads, as reported in Council's 2012/13 Annual Report is \$12,882 million. To reduce this backlog three SRV scenarios have been prepared for consideration and what this will achieve is detailed below:

- With a base rate increase of 2.3% \$4,731,070 funded from the existing roads levy and Roads to Recovery funding will be spent over an eight year period on road and bridge asset renewal and improvements.
- The 8.3% SRV will provide funds to significantly increase renewal of the road and bridge asset for 4 years. Over an eight year period an additional \$3,358,930 will be spent on road and bridge asset renewal. This will only address the urgent renewal issues.
- The 11.8% SRV will provide funds to increase renewal of the road and bridge asset for 7 to 8 years. Over an eight year period an additional \$5,014,930 will be spent on road and bridge asset renewal. This will result in a reduction in the infrastructure backlog over that period.
- The 17.3% SRV will provide funds to increase renewal of the road and bridge asset for 10 years. Over an eight year period an additional \$7,939,930 will be spent on road and bridge asset renewal. In addition there will still be approximately \$500,000 for asset renewal in subsequent years. There will be a significant reduction in the infrastructure backlog over that period.

That said, Council has undergone an extensive reform processes which are detailed in *SRV fact sheet 3: Local Government Reform*. These processes aim to increase the efficiency and effectiveness of Council with the objective over time of capturing savings to reduce our operating deficit.

Concurrent to this process Council will continue to review its work practices through a series of initiatives, including service reviews. It is anticipated that significant capital injection will facilitate a shift in Council's budget allocation between maintenance and construction over time which will in turn facilitate further funding allocations to address the backlog and Council's operating deficit.

**7. I have heard that at least two previous Newry Island developers have paid contributions to infrastructure maintenance, including for the Newry Island Bridge. How much is available from these contributions and where is this money?**

The balance in the Section 94 fund, contributions by developers for the Newry Island Bridge, at 30 June 2013 is \$112,561. This money is held in an externally restricted reserve. The use of these funds will be considered when a decision is made by Council with regards to restoration of this bridge.

**8. What are the plans to ensure once the current infrastructure is brought up to scratch again, using the special rate variation, that maintenance will be kept up to date to avoid a repetition of this current situation?**

There needs to be an ongoing program of renewal of the road and bridge infrastructure to prevent an increase of infrastructure backlog. After ten years when any loan that is raised as part of the SRV process is repaid the additional funds generated by the SRV will be available to fund infrastructure renewals.

**9. What certainty do ratepayers have that the additional funds will be used for additional repair work? The concern here is that elements of "regular" bridgework expenses could be transferred or charged to the proposed special rate variation expense bucket.**

There is no proposal to reduce the current budgets for road and bridge maintenance. Any work that charged to 'special rate variation expense bucket' will be additional to 'normal' maintenance work.

**10. What other options to fund the Road and Bridge Infrastructure work have been considered by Council - or is the SRV the only (easiest) option?**

Council will continue to pursue other external funding options such as federal and state grants, however generally these require matching funds from Council. Council does not have sufficient funds available at its current level of income to reduce the infrastructure backlog. In addition NSW Treasury Corporation conducted an assessment of sustainability during 2011/12 and recommended that Bellingen Shire Council only borrow funds if it could secure additional revenue. As a result the only way the Council can secure additional borrowed funds is through a successful application for a SRV.

For further details please visit Council at [www.bellingen.nsw.gov.au](http://www.bellingen.nsw.gov.au) or telephone Council on 6655 7300.





## SRV fact sheet 4.4 – Frequently asked questions on the SRV process

### 1. What happens if you get one of the LIRS or SRV approved and not the other?

If the application for the Local Infrastructure Renewal Scheme (LIRS) is successful, and the Special Rate Variation (SRV) is not, then as Council will no longer require the LIRS interest rate rebate as it will not be borrowing for infrastructure renewal.

If the SRV is approved then Council will use the revenue that exceeds the rate peg to fund repayments on loans for road and bridge infrastructure payments. If the LIRS application is not successful it means that the loans that Council can leverage with the additional revenue will be slightly smaller.

More details can be found in *SRV fact sheet 1: Summary of the Special Rate Variation (SRV) process and the Local Infrastructure Renewal Scheme (LIRS)*.

### 2. What happens if the community feedback indicates that a special rate variation is not the preferred option?

The first step will be Council considering the community's feedback and other information at the January 2014 extraordinary meeting. This is a process where Councillors will consider the strengths and weaknesses of the options put forward as well as community feedback to arrive at a preferred option.

The preferred option will then be exhibited for 28 days for further feedback from our community. After the exhibition period, and considering submissions and feedback from that period Council will resolve to adopt, reject, or modify the preferred option. At this point a decision will be made as to the quantum of any special rate variation.

If an application is to proceed, the application will then be independently assessed by IPART and consider a number of factors, including need, community engagement, and the community's ability to pay.

More details can be found in *SRV fact sheet 1: Summary of the Special Rate Variation (SRV) process and the Local Infrastructure Renewal Scheme (LIRS)*.

### 3. What happens if Bellingen Shire Council is amalgamated as part of the local government reform agenda?

Structural reform initiatives for the local government industry are currently under review (see *SRV fact sheet 3: Local Government Reform*). However, regardless of the outcomes of the Independent Local Government Review, there are a range of imperatives that must be addressed urgently in relation to local infrastructure. In addition our neighbouring councils are in a very similar position in having infrastructure backlogs and most are applying for special rate variations for varying purposes.

### 4. Have you done analysis on the ability to afford the increase?

The report to Council for the extraordinary meeting on 11 November 2013 presented comparative data on the community's capacity to pay (pages 10-12). Further information on the community's capacity and willingness to pay is being collected via the SRV online survey, feedback from the community forums, and public submissions.

All this information and analyses will be provided to Council for consideration in January and February 2014, and to IPART if Council resolves to apply for a special rate variation.

## **5. Why isn't the increase for a fixed period?**

Addressing the backlog in road and bridge infrastructure is a long term program, and the current proposal to use additional revenue from a special rate variation fund borrowings for capital works on roads and bridges addresses only a portion of the backlog. After ten years when any loan that is raised as part of the SRV process is repaid the additional funds generated by the SRV will be available to fund infrastructure renewals.

More information is available in *SRV fact sheet 2: Roads and Bridges Review and Program Scenarios*.

## **6. Why aren't we sharing services with other councils?**

Council shares a number of services currently with other councils including waste, libraries, procurement, training, internal audit etc. Extensive work is being undertaken in relation to a regional model for collaboration and shared services. Council considered a number of reports regarding this initiative during 2013.

## **7. How can we be certain that the money raised will be spent on roads and bridges? What guarantee is there that the money will be spent on the agreed priorities? How do we know the money won't go to the depot?**

The Local Government Act 1993 requires that revenue raised by special variations can only be used for the purposes for which they are approved. Additionally, Council will provide an annual report card on the spend from the SRV reserve fund detailing revenue raised, capital borrowings, works funded and their progress, amounts spent, and reserves held.

## **8. What is the Council's preferred option?**

At this point (December 2013) there is no preferred option. Council will consider the four options and your feedback in January 2014 before resolving to publicly exhibit the preferred option in a revised Long Term Financial Plan, Revenue Policy, and Delivery Program. These documents will be on public exhibition for 28 days during which time you can make further submissions.

After the exhibition period, and considering submissions and feedback from that period Council will resolve to adopt, reject, or modify the preferred option. At this point a decision will be made as to the quantum of any special rate variation.

If an application is to proceed, the application will then be independently assessed by IPART and consider a number of factors, including need, community engagement, and the community's ability to pay.

More details can be found in *SRV fact sheet 1: Summary of the Special Rate Variation (SRV) process and the Local Infrastructure Renewal Scheme (LIRS)*.

## **9. What is the likelihood of another similar increase down the track?**

Council has undertaken a detailed and realistic assessment of its road and bridge infrastructure backlog. A funding model has been developed inclusive of loan borrowings and offset funding to maximise investment. Concurrently Council is undertaking a series of service reviews in addition to organisational reform initiatives, all of which are designed to streamline processes, reduce costs, improved customer services, and address our operating deficit.

## **10. How can people who don't have a computer access the information?**

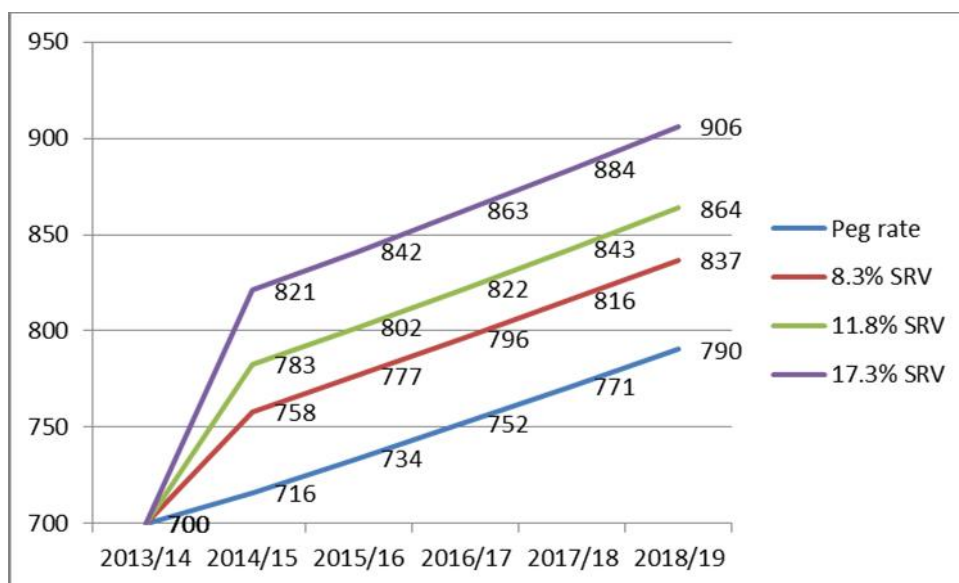
If you don't have access to computer there are a number of ways to access the information:

- Visit one of Council's libraries to access public use computers
- Visit Council's libraries or administration centre to access fact sheets and printed versions of the online survey
- Telephone Council on 6655 7300 to speak to a staff member or request copies of printed information
- Contact Council to have a staff member address a community forum
- Write and request a copy of printed information

## **11. How many years will the proposed special rate variation be applicable for? Is this in reality a permanent increase to rates?**

The proposed special rate variations are permanent increases to rates. However, this is not to say they will be increasing every year by the SRV rate – only the first year. Subsequent increases are likely to be the annual IPART peg rate increase.

The following graphs is an **example** of rate rises under the four scenarios based on a starting rate of \$700pa, and peg rate increases of 2.3% in 2014/15 and 2.6%pa subsequently:



**12. In one of the Fact Sheets presented at the Community session and available on the Council website, total numbers are shown for the 4 SRV options excluding and including LIRS options. The numbers shown leveraging the LIRS option (if Council is successful) are not that much higher than excluding the LIS option. Can these numbers please be explained better so the difference is clearly understood and how it is calculated? Currently it does not appear that the LIRS funding option gives a huge advantage other than allowing for slightly more infrastructure to happen sooner rather than later but it is very hard to understand from the numbers presented exactly how each scenario impacts on the outstanding infrastructure backlog position.**

Due to the short period of the loan, ie 10 years, a large portion of loan repayments in any period is repayment of the principal, as opposed to interest and so an interest payment subsidy will only have a moderate impact on overall repayments. It is however still worthwhile.

For example, a \$10m loan for 10 years at 5.8% interest and quarterly payments of \$331,200 accrues a total of \$3.25m in interest payments, ie about 32.5% of the loan amount. At 2.8% interest the total interest paid on the same loan is \$1.5m. In our case, if a LIRS subsidy was approved the amount of the loan would be increased to match repayments of \$331,200, ie to around \$11,500,000. The end result is that with a LIRS subsidy we can obtain about 15% more capital funding than without.

**13. What options is Council actively looking to partner with other Shires to affect cost savings? There are many comments saying this work is being done but there is no comprehensive published list for ratepayers to know all the sharing arrangements currently in place (eg waste collection) and with whom, plus what is being considered, and how much has been saved as a result of those arrangements.**

Please see the response to question 6. In addition Bellingen Shire Council currently participates in a number of partnerships with other councils, such as:

- **Regional Procurement Initiative:** Regional Procurement Initiative, a division of Hunter Councils Inc. was established in response to a need for a collaborative approach to regional tendering and contracting. It is the purpose of the Regional Procurement Initiative to reduce the administrative impost on member councils caused by their respective annual or bi-annual tender processes. It is estimated the Regional Procurement Initiative members contribute upwards of 200 million dollars to the economy through their tenders and contracts.
- **Statewide Mutual Limited:** Statewide Mutual is a NSW Local Government mutual which commenced operation on 31 December 1993 with a membership of 96 Councils. The Scheme is not insurance. Rather it is a "self-insurance mutual" which is backed by reinsurance placed through the local and London markets. As at 2011, membership consists of 134 General purpose Councils and 17 County Councils & associated entities.
- **StateCover:** StateCover Mutual Limited has been operating since 2001 as a Specialised Workers Compensation insurer of NSW Local Government organisations. As at May 2011 StateCover insured 90% of eligible Councils with a combined workforce of approximately 30,000.
- **Coffs Coast Regional Waste Services:** In July 2004 Council resolved to participate in the Coffs Coast Regional Resource Recovery Scheme with Coffs Harbour City Council and Nambucca Shire Council. The project involves the full recovery and treatment of waste from the three Council areas including collection, recycling and disposal. Putrescible waste from the region is collected and processed at a waste processing facility at Englands Road, Coffs Harbour. The strategy, although maintaining each Council as a separate entity, enables a consistent, sustainable and economical approach to waste management in the area.

For further details please visit Council at [www.bellingen.nsw.gov.au](http://www.bellingen.nsw.gov.au) or telephone Council on 6655 7300.