PART B
ITEM 1.2

PART B

SUPPORTING DOCUMENTS

RELEVANT EXTRACTS FROM THE COMMUNITY STRATEGIC PLAN

EXACT FROM

DELIVERY PROGRAM

2013/14 – 2016/17

Funding the Delivery Program and Operational Plan

Council's main sources of revenue are rates, government grants, investments, fees and other charges. This is the income we use to provide a range of services. The budget is comprised of the operating budget and the capital budget. The operating budget provides resources for the day-to-day service delivery of Council while the capital budget funds infrastructure works as well as equipment such as plant, vehicles and computer equipment.

To put the budget in context, the NSW Treasury Corporation recently assessed Nambucca Shire Council as having a WEAK Financial Sustainability Rating (FSR) and a NEGATIVE outlook. This reflects findings about the general financial wellbeing of NSW Councils going back to the "Allan" Inquiry in 2006 which estimated the infrastructure backlog in local government at over $6 billion and concluded that councils would need to spend at least an extra $900 million per annum.

The main message from the NSW Treasury Corporation is that most councils are reporting operating deficits and a continuation of this trend is unsustainable. In 2012 only one third (50) of the councils in NSW reported an operating surplus. The assessment by TCorp is consistent with advice which has been provided to this Council by its Auditors and previous to that by the Promoting Better Practice Review conducted by the Division of Local Government.

It is apparent that the underlying weakness in the financial position of this Council and NSW local government generally has been allowed to build up for far too long. The 100 councils in NSW with an operating deficit, including Nambucca Shire Council, need to confront this financial reality.

The independent reviews of the council's financial sustainability and asset management demonstrates the need for further investment in local roads and bridges. An independent Community Satisfaction Survey, conducted in June 2013, also highlighted that roads and bridges require the greatest attention and resources. The survey also indicated that an increasing number of ratepayers were prepared to pay more to fix the problem.

In September 2013 Council resolved to undertake a community engagement program on plans to apply for a Special Rate Variation for 2014/15. Phase One of the community engagement focused on informing our community of council's current financial position, the initiatives undertaken so far to improve the position, the challenges faced in terms of maintaining and renewing infrastructure and the three rate funding scenarios identified to specifically target the road and bridge infrastructure backlog.

In December 2013 Council resolved to consult further with our community on the special variation scenario to increase rates by 5.3% in 2014/15 and 6.0% in 2015/16, which if approved by IPART, would enable council to invest an additional $580,000 annually to improve the condition of the assets.

A 'do nothing' (baseline) scenario and leave next year's rate increase to the 2.3% rate pegging amount is also an option, however this does not address council's long term financial sustainability.

In February 2014 Council considered the impact of the recent general revaluation of properties in the Nambucca Valley which resulted in a reduction in residential land values of $90m from the previous valuation conducted in 2010. This reduction has in turn affected the impacts of the rate increase which Council had proposed and advertised, being to increase general rate revenue by 5.3% in 2014/2015 and 6% in 2015/2016.

A revaluation of properties doesn't change the amount of rate income the Shire will levy, but it does impact on the amount contributed by each individual rate notice. It changes the balance of "who pays what". Ratepayers can potentially pay more or less each time their property is revalued.

This revaluation had the effect of moving 75% of residential assessments to the minimum rate. The minimum rate will increase by the rate pegged amount of 2.3% which is less than the proposed special rate variation of 5.3%. The flow on effect has been that some residential properties not levied at the minimum rate have had a disproportionately large increase in rates. The proposed special rate variation compounds this effect.

Because of this the Council is now considering spreading the proposed rate increase over three years instead of two years. Assuming an inflation index of 3% (the rate peg) in 2015/2016 and 2016/2017, the three year option will ultimately provide a similar real increase in the Council's permanent revenue of $570,000 per annum (in 2014 dollars) compared to bringing in the rate increase over two years.

The three year proposal would increase general rate revenue by:
3.8% in 2014/2015
5.0% in 2015/2016
5.5% in 2016/2017

The additional rate revenue will be used to fund the renewal of local roads and bridges.