

Nambucca Shire Council



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Our Ref: SF1460

5 December 2011

The Local Government Team
Independent Pricing & Regulatory Tribunal
PO Box Q290
QVB PO NSW 1230



Dear Sir/Madam

INTENTION TO APPLY FOR A SECTION 508(2) SPECIAL VARIATION IN 2012/2013

Reference is made to the Independent Pricing & Regulatory Tribunal's email of 11 October 2011 advising councils of the need to formally notify IPART of their intention to apply for a special variation by 16 December 2011.

You are advised that Council considered the attached report at its meeting on 1 December 2011 and resolved to advise IPART of its intention to seek a permanent special rate variation of 10.04% in 2012/2013 under Section 508(2) of the Local Government Act comprised of the following:

- 1 3.0% being a provision for rate peg
- 2 5.04% for the permanent continuation of the expiring special variation for Council's Environmental Levy as well as loan financing for the replacement of the Deep Creek Bridge and the stabilisation of Riverside Drive at Nambucca Heads
- 3 2.0% being for additional revenue to fund a loan program to bring forward capital works identified in Council's Infrastructure (Asset) Management Plan.

Please find enclosed a rate variation fact sheet which was circulated to all ratepayers in mid September 2011.

Following our preliminary meeting with IPART staff on Monday 8 August 2011, Council is well advanced in preparing documentation in support of its application including:

- 1 A review of Council's rating strategy (completed)
- 2 A review of Council's organisation structure (scheduled for 15 December 2011)
- 3 Draft Community Strategic Plan (completed and scheduled for public exhibition after 15 December 2011)
- 4 Draft Asset Management Plans (completed and scheduled for public exhibition after 15 December 2011)
- 5 Draft Deliver Program (incomplete).

Should you require any further information please contact myself.

Yours faithfully

Michael Coulter
GENERAL MANAGER

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Enc Copy of report to Council's meeting on 1 December 2011 and Copy of 2012/2013 Rate Variation Fact Sheet

GENERAL MANAGER'S REPORT

ITEM 9.14 SF1460 011211 PROPOSED SPECIAL RATE VARIATION - OUTCOME OF COMMUNITY CONSULTATION

AUTHOR/ENQUIRIES: Michael Coulter, General Manager

SUMMARY:

A public consultation period on a proposed special rate variation of 10.04% concludes on 30 November 2011. Because 5.04% of the proposed special rate variation relates to the continuation of existing funding (mainly the Environmental Levy), the actual average dollar increase for rate payers would be 5%. The report indicates that feedback from the public consultation has been fairly evenly divided, mirroring the results of the 2010 Resident Satisfaction Survey.

RECOMMENDATION:

That Council advise the Independent Pricing and Regulatory Tribunal (IPART) of its intention to seek a permanent special rate variation of 10.04% in 2012/2013 under Section 508(2) of the Local Government Act comprising the following:

- 1 3.0% being a provision for the rate peg;
- 2 5.04% for the permanent continuation of the expiring special variation for the Environmental Levy and loan financing for the replacement of Deep Creek Bridge and the stabilisation of Riverside Drive;
- 3 2.0% being for additional revenue to fund a loan program to bring forward capital works identified in Council's Infrastructure (Asset) Management Plan.

OPTIONS:

Council can decide to seek a permanent special rate variation as resolved at Council's meeting on 4 August 2011 or seek a lesser increase or not lodge an application for a special rate variation in 2012. If Council resolves not to apply for a special variation it will need to reduce its general income for 2012/2013 by approximately \$392,000.

DISCUSSION:

The Independent Pricing and Regulatory Tribunal (IPART) announced that Council's wishing to apply for a special rate variation in 2012/2013 need to advise IPART of their intention no later than 16 December 2011. Council then needs to complete a very detailed application and collate supporting information for lodgement with IPART no later than 24 February 2012.

At Council's meeting of 4 August 2011 it was resolved:

- A That Council advertise its intention to seek a permanent special rate variation of 10.04% in 2012/2013 under Section 508(2) of the Local Government Act comprising the following:
- 1 3.0% being a provision for the rate peg;
 - 2 5.04% for the permanent continuation of the expiring special variation for the Environmental Levy and loan financing for the replacement of Deep Creek Bridge and the stabilisation of Riverside Drive;
 - 3 2.0% being for additional revenue to fund a loan program to bring forward capital works identified in Council's Infrastructure (Asset) Management Plan.

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B That Council undertake a review of its rating structure.

The report which provided the background and justification for Council's resolution is **attached**.

IPART require evidence that Council has undertaken an extensive and transparent consultation process with its community in any application for a special rate variation. Accordingly, the **attached** newsletter advising the community of the proposal was mailed to all ratepayers in mid September 2011. Feedback on the proposal was sought by 30 November 2011.

Feedback was provided to the General Manager by telephone, email, letter and in person. A summary of the feedback received is in the following table. All written responses have been **circularised** to Councillors only. This is because they contain personal information such as addresses. It is requested that this personal information not be disclosed.

Feedback on Special Variations Fact Sheet – as at 24 November 2011

Date	How	Who	What they think
19/9/11	Telephone	Jean, Nambucca Heads	Acknowledges that sealed roads are in a poor state of repair and supports rate increase
19/9/11	Email	Lewis	Believes the fact sheet was well done. Believes the rate increase is moderate and he supports it.
19/9/11	Telephone	Dawn, Nambucca Heads	Paid \$1,280 in rates this year. Agrees that the roads are in a poor state. Is a pensioner but can afford a 5% increase in rates to improve the standard of the Shire's sealed roads.
20/9/11	Email	Neil, Newee Creek	Fully supports rate increase
20/9/11	Telephone	Wade, Macksville	Wants more bang for his existing rates. Council staff not working hard enough.
20/9/11	Telephone	Darryl	Not in favour of an increase in rates. Doesn't believe the Council spends its existing rates wisely. For flood plain management he recommends that Council go back to cleaning gravel out of the river at Wia-Ora. Would reduce costs to Council and cause less siltation downstream.
20/9/11	Email	John	Supports rate increase
20/9/11	Email	John	A number of questions relating to how effectively Council is in spending its rate revenue and whether the Council is financially sustainable.
20/9/11	Email	Jason	Opposes rate increase
20/9/11	Email	Rob	Supportive
21/9/11	Telephone	Lesley, Eungai	Opposes rate increase because she has to pay more rates but Kesbie's road is not planned to be sealed. Wants the road sealed to control dust.
21/9/11	Telephone	Charles, Nambucca Heads	Wants to see mix placed in potholes compacted. Appreciates that rates have to go up but doesn't believe pensioners are getting full value for their rates.
21/9/11	Email	Dennis, Eungai	Opposes any rate increase over an inflationary percentage. Council should cut spending in other areas. Existing rates are far too high.

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21/9/11	Telephone	Des, Valla	Supports rate increase. Concerned about trucks from the quarry in Valla destroying Valla Road.
21/9/11	Telephone	Marion, Lower Buckra Bendinni	Opposes rate increase. Lives on a dusty road. Doesn't get anything for her rates. Believes rural people without a garbage service should get some free passes to the tip. People living in town get all the benefits.
21/9/11	Email	Margaret	Is an aged pensioner and finds it hard to keep up with rising costs. Pensioners need a bigger discount in their rates.
21/9/11	Telephone	Dr, Valla Beach	Believes that those who benefit from the increased expenditure should have to contribute more. Should be more user pay.
21/9/11	Email	Claudia, Taylors Arm	Opposes rate increases. Council is incompetent; Council does nothing for people in Taylors Arm; need to cut back on staffing; staff on workers comp.
21/9/11	Telephone	Graham	Not in favour of rate increase. Is a pensioner; pays more than the average rate; pays too much.
21/9/11	Email	Terrence, Talarm	Supports rate increase
21/9/11	Email	Susan, Bowraville	Objects to rate increases pertaining to farmland. Get no services. Should be user pay. Tired of funding town services.
21/9/11	Email	Margaret, Eungai Rail	Supports rate increase.
22/9/11	Email	David, Allgomera	Objects to rate increase. Will be looking for those Councillors who back a rate increase. Lives on a poorly maintained dirt road with dust a constant problem. Has a septic and just purchased a water tank. Has no rubbish to pick up. Wants a concessional rate reduction for all the services he is not getting.
22/9/11	Email	Paul, Valla Beach	No indication of support or opposition. Questions put concerning the funding of Deep Creek Bridge and a request that the Ranger enforce signage.
22/9/11	Email	Philippe	Completely rejects any rate increase. Already pays \$1,700, much more than the quoted average of \$826. It is unaffordable.
22/9/11	Email	Ross, Nambucca Heads	Strongly opposes a rate increase. Properties have fallen in value; a rate increase will deter further investment in real estate; not times of plenty; high unemployment; already facing hardships; Council should consider better work practices and making budget cuts instead of raising rates.
23/9/11	Email	Celia, Nambucca Heads	Fully support rate increase.
26/9/11	Email	Ken, Nambucca Heads	Accepts rate increases as long as it goes to helping maintain problem areas in the Shire.
26/9/11	Telephone	Des, Bowraville	Against paying more rates
26/9/11	Email	Matthew, Burrupine	Against paying more rates. Doesn't believe he gets any value for his existing rates. Has to spend his own money on providing access to his land.
26/9/11	Email	Tony, Bowraville	Is a pensioner and any increase in rates makes it very difficult to live.

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27/9/11	Email	Tony	Believes the proposals are justified. Has travelled extensively in countries where infrastructure has been allowed to deteriorate – firm believer that governments have a responsibility to leave a positive legacy through sound investment and prudent fiscal management.
27/9/11	Letter	Jim, Nambucca Heads	Supports proposed rate increase both for the environmental levy and also improving the sealed road network.
29/9/11	Email	Milan, Bowraville	Opposed. Rates shouldn't increase by more than the pegged amount. Why should ratepayers pay for wasted projects like the cemetery division of religion and also for the simple reason that council never has enough money.
29/9/11	Telephone	Paul, Macksville	Supports rate increase
29/9/11	Telephone	Diana, South Arm	Supports rate increase, great idea.
30/9/11	Email	David, Nambucca Heads	Lack of work in Lower Lee Street over past 20 years. No kerb and gutter, potholes. Against a rate increase as doesn't see any return from existing rates.
7/10/11	Counter	Mrs, Macksville	Has to live on a fixed income and generally does not use local roads. Would prefer to pay less rates, rather than more.
7/10/11	Letter	John, Scotts Head	Against any rate increase above the CPI. Doesn't believe Council pushed hard enough to get natural disaster funding from the State or Federal Government. Believes Council should use some of its invested funds.
10/10/11	Telephone	Judy, Hyland Park	Opposed to a rate increase. Doesn't use Council facilities.
12/10/11	Email	Ian	Strongly in favour of rate increase. For too long Councils have been subject to rate pegging. It has encouraged a cargo cult mentality.
13/10/11	Email	Barry	Against any rate increase; lost confidence in Council; roads have not been properly maintained; low socio-economic area and a rate increase at this time is unaffordable; rather than looking at easy ways to reduce financial burdens Council has to look deeper.
13/10/11	Letter	Nambucca Heads Chamber of Commerce & Industry Inc.	Support proposed rate increase. Recognised that Council needs extra income to repair and improve infrastructure.
17/10/11	Telephone	Garry, Nambucca Heads property owner	Supports proposed rate increase
17/10/11	Email	Graham, Nambucca Heads	Reported damage to a footpath which was repaired within 1 week. Happy with service provided by Council and fully supports proposed rate increase
20/10/11	Email	Pat, Nambucca Heads	Supports proposed rate increase. Identifies cost shifting by State Government as a problem for Councils.
31/10/11	Letter	Philip, Argents Hill	Unsealed road in poor conditions. Doesn't believe he receives any value for his rates – now water, no garbage, no road upkeep.
3/11/11	Email	Mrs A, Macksville	Supports a continuation of the environmental

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			levy as long as it is used to rehabilitate the natural environment.
4/11/11	Email	Darrell, Nambucca Heads	Does not oppose a rate increase if the funds are used to improve roads (and particularly this section of Loftus Street)
10/11/11	Email	Gavin, Newee Creek	Support a 5% increase with extra funds to be spent on roads but don't support a 10% increase.
17/11/11	Email	Deborah, Leichhardt	Owner of property at Burrupine. Has no building entitlement, no waste service, no sealed road, no street lights, wooden bridges, difficult access.
17/11/11	Telephone	Roger, Nambucca Heads	Has rate bill well in excess of the average. Believes that all ratepayers should pay the same amount for services. Objects to paying any more than an average increase.
24/11/11	Telephone	John, Nambucca Heads	Owens a holiday home on Wellington Drive. Is happy to pay the nominated average increase of \$41.32 per year but doesn't believe higher valued properties should have to pay more than the average. (listed as opposing the rate increase as the property will likely attract a higher than average increase).
Summary – 53 submissions - in support 22 – against 30 – don't know 1			

As indicated in the summary, opinion from the feedback is divided with 56% opposed to the proposed rate increase whilst 42% were in favour.

The feedback also provided some interesting insights into the community's perception of Council and local government finance.

As a general comment many people do not understand that their "rates" are only one of a number of charges which are levied. When the rating system was explained there were many comments in support of a flat user charge as being more equitable.

Not surprisingly ratepayers on fixed incomes such as aged pensions are very concerned about any increases in government charges which exceed the CPI.

Rural ratepayers often refer to the urban services which they don't receive or use, but often do not acknowledge or are unaware of the significant cost of maintaining rural roads and bridges.

Unsealed roads were a frequent source of complaint. This mirrors the outcome of the 2010 Resident Satisfaction Survey which found that out of 26 Council facilities and services, there was least satisfaction with unsealed roads. Dust and trafficability are the greatest reasons for complaint.

In general the feedback reinforces the outcome of the 2010 Resident Satisfaction Survey. Over 64 percent of those surveyed said they would be prepared to pay a small (50 cents to \$1.50 per week) levy to be spent specifically on improved roads and bridges. The proposed rate increase equates to an increase in the average residential rate of 79 cents per week, an increase in the average business rate of \$1.52 per week, and an increase in the average farmland rate of \$1.62 per week.

In summary, taking into account the Resident Satisfaction Survey as well as the feedback to the proposed special rate variation, opinion as to the proposed special rate variation is fairly evenly divided. The proposed special variation, if granted in full, would provide Council with additional revenue of approximately \$160,000 per annum (assuming a rate peg/CPI of 3%). Whilst this is not a significant sum, when used to finance borrowings of \$1.5m there will be an appreciable improvement to Council's sealed road network. There is majority support in the community for Council to improve its road network.

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CONSULTATION:

There has been consultation with approximately 8,000 ratepayers.

SUSTAINABILITY ASSESSMENT:**Environment**

There will be significant implications for the environment if the environmental levy is not renewed in 2012/2013. The environmental levy raised \$329,940 in 2011/2012 however it has been used to obtain contributory grant funding from the NSW and Federal Governments. Therefore the net benefit of the environmental levy well exceeds the \$329,940 which is contributed by the local community.

Social

There are social implications in increasing Council's rates and charges. Socio-economic indicators suggest that the Nambucca Valley is among the most disadvantaged in NSW and its residents, in general terms, have less capacity to meet increased funding requirements from utilities. There have already been substantial increases in the price of electricity and water.

Economic

There are unlikely to be significant economic impacts from the proposed special variation.

Risk

There are risks that Council will not receive any approval for a special variation which will mean that its environmental levy program will have to be wound up and expenditure reduced in other areas to meet a loan repayment schedule of \$66,000 per annum.

FINANCIAL IMPLICATIONS:**Direct and indirect impact on current and future budgets**

The report concerns a proposed special rate variation which will impact on Council's future budgets.

Source of fund and any variance to working funds

At this stage there is no impact on working funds.

ATTACHMENTS:

- 1 19521/2011 - Report to Council's meeting on 4 August 2011
- 2 33232/2011 - Rate variation fact sheet 2012/13
- 3 - Confidential Circularised Document - Written Responses -



2012/2013 Rate Variation Fact Sheet

What is the average rate payment in Nambucca Shire in 2011/2012?

The average residential rate is **\$826.23**

The average business rate is **\$1,579.89**

The average farmland rate is **\$1,682.04**

What rate increase is Council planning in 2012/2013?

Nambucca Shire Council is proposing to permanently increase its rate revenue in 2012/2013 by 10.04% comprised of:

- 3.0% provision for inflation (rate peg)
- 5.04% for the permanent continuation of the expiring approval for Council's Environmental Levy and the expiring approval for loan finance for the replacement of Deep Creek bridge and the stabilisation of Riverside Drive. The average environmental levy payment by ratepayers is **\$36.11** per year or 69 cents per week.
- 2.0% being for additional revenue to fund a loan program to improve Council's sealed road network.

Because 5.04% of the rate increase concerns the continuation of an existing component of Council's rates, the actual increase in the typical rate over that levied in 2011/2012 would be 5.0%.

How much extra would I have to pay?

The actual increase in the average rate over that levied in 2011/2012 would be 5.0% which equates to:

- An increase in the average residential rate of **\$41.32** per year or **79** cents per week
- An increase in the average business rate of **\$78.99** per year or **\$1.52** per week
- An increase in the average farmland rate of **\$84.10** per year or **\$1.62** per week

How much would I save if there was no rate increase?

If Council does not seek any rate increase in 2012/2013, average rates will decline by 5.04%. This means average rates would decline by about the same amount as the proposed increase.



South Arm Road, South Arm – a road requiring repair

What say does the community have in the proposed rate increase?

Council will be guided by the community. We are in the business of providing services which the community is prepared to pay for. The community can decide to reject all or part of the proposed rate increase and accept the outcome of reduced expenditure on our sealed road network or the termination of projects focused on improving our environment. Council has undertaken independent polling as to this community's attitude to rate increases.

A survey undertaken by Jetty Research in 2010 asked how much extra a resident would be prepared to pay in rates to fund improvements to Council roads and bridges. 21% said nothing; 64% were prepared to accept increases of between 50 cents and \$1.50 per week, with the balance saying they could not answer or felt it inappropriate as renters.

A survey undertaken by Jetty Research in 2009 found that 79% of respondents supported an extension of the environmental levy at its existing rate for a further 5 years. When asked to assess the importance of six projects funded by the environmental levy, flood management was deemed the most important; followed by stabilising the river banks with pollution control being the third highest priority.

However surveys are not a conclusive measure of current community attitudes and Council welcomes feedback on the proposed rate increase.

What will Council spend the additional funds on?

The continuation of Council's environmental levy will provide funding for a range of projects including floodplain management, controls to prevent pollution of the river, riverbank stabilisation, and

foreshore improvements. An important aspect of the levy is that Council uses the funds it raises, \$329,940 in 2011/2012, to obtain grants from the State and Federal Governments. Some of those grants will not be forthcoming without contributory funding.

The proposed 2% increase in rates to fund Council's sealed road network will be used to borrow \$1.5m to fund repairs to Council's sealed road network. This would include heavy patching for sections of failed pavement and for reseals where the pavement is in reasonable condition.

Other Utility Costs

Council understands it can't consider a proposed rate increase in isolation from other utility price increases. In 2011/2012 residential water charges increased by 28% or around \$122 for an average household. Residential access charges for sewerage increased by 17% or \$67 per household. Electricity prices also increased by 18.1%, an increase of around \$316 on an annual bill of \$1,747. The proposed rate increase would mean actual rates paid would increase by 5.0% in 2012/2013, an increase of \$41 for the average residential household.

How can I have my say?

Please write, email or telephone the General Manager, Mr Michael Coulter.

Please address letters to the General Manager, Nambucca Shire Council
PO Box 177, Macksville 2447

Please address emails to michael.coulter@nambucca.nsw.gov.au

Please telephone the General Manager on 65680200.

Council would like your feedback by 30 November.



Oyster lease, Nambucca River.