

enquiries refer

Special Rate Variation

in reply please quote



18 September 2017

Dear Ratepayer

Re: Proposed Special Rate Variation for 2018/19 and 2019/20

In December 2016 I wrote to all Ballina Shire ratepayers advising that Council was proposing to apply for a permanent increase, above the normal rate peg, in our general rate income. This process is called a Special Rate Variation (SRV) application. The proposed increase was over a three year period as follows:

- 4.9% in 2017/18 (1.5% actual rate peg plus 3.4% special rate variation)
- 5.9% in 2018/19 (2.5% estimated rate peg plus 3.4% special rate variation) and
- 5.9% in 2019/20 (2.5% estimated rate peg plus 3.4% special rate variation).

This represented a cumulative increase of 17.6% for the three years.

The Independent Pricing and Regulatory Tribunal (IPART), which is the State Government body that determines SRV applications, subsequently approved a **temporary** increase to our total rate income of 4.9% for 2017/18, with the additional 3.4% special variation approved for one year only. The extra revenue generated from the 3.4% is being expended on improving the health of our waterways and increased road reconstruction works.

In approving the additional 3.4% for one year only, IPART asked Council to ensure that our key corporate documents, such as the Delivery Program and Operational Plan, reflect the proposed SRV, otherwise a permanent increase cannot be granted. To respond to IPART's request, we are now proposing to apply for a two year permanent increase, as follows:

- 9.3% in 2018/19 and
- 5.9% in 2019/20.

The 9.3% in 2018/19 represents the 5.9% originally planned, plus the 3.4% from 2017/18 that has only been approved for one year. This proposal represents a cumulative rate increase of 15.7%, when looking at the 2018/19 and 2019/20 years in isolation. Importantly this still represents a cumulative increase of approximately 17.6% for the three year period from 2017/18 to 2019/20, as per my December 2016 correspondence; i.e.

- 1.5% for 2017/18 (actual rate peg)
- 9.3% for 2018/19 (2.5% estimated rate peg plus 6.8% special variation) and
- 5.9% for 2019/20 (2.5% estimated rate peg plus 3.4% special variation).

Why is Council doing this?

There are two main reasons why Council is seeking additional rate income. The first is that approximately 1.5% of the total special rate variation is being allocated to our Healthy Waterways Program. This program is focused on Council being more proactive in implementing initiatives to improve the health of our key waterbodies such as the Richmond River and its tributaries, Shaws Bay and Lake Ainsworth, as well as the Ballina Shire coastline.

Each of these waterbodies is supported by a management plan that identifies a variety of works that aim to improve the water quality and in certain instances, such as Shaws Bay and Lake Ainsworth, the recreational opportunities and amenity of the land surrounding the waterbodies.

Council's existing rate revenue is insufficient to fund the actions in these management plans, which means we are almost totally reliant on government grants to undertake works. By generating additional rate income we are in better position to secure grants as many grant programs require a matching commitment from Council.

Please refer to the attached SRV Factsheet for further information concerning our Healthy Waterways Program.

The second reason is to ensure that Council is Fit for the Future. The NSW State Government established its Fit for the Future Program in 2014, where it asked all councils in NSW to identify how they would comply with a range of financial criteria to demonstrate that the council was financially sustainable.

Ballina Shire, in responding to this program, as well as identifying a range of efficiency measures, included a proposal to increase our general rate income by 2.9% each year, on top of the standard rate pegging limit, for the three year period from 2017/18 to 2019/20, with this income being a permanent increase.

The extra rate income is to be expended on increased infrastructure renewal works for items such as road and drainage reconstruction, the replacement of playground equipment and sports ground facilities, and building maintenance. Council has an extensive asset renewal program and the additional income means that our existing infrastructure will be renewed in a timelier manner and there is less likelihood of those assets deteriorating over time.

This proposal was submitted to IPART and Council was confirmed as a Fit for the Future Council by the State Government. Information on the State Government's Fit for the Future Program is available at the following website: **fitforthefuture.nsw.gov.au**

Being Fit for the Future means that a council is adequately funding its asset renewal program and from an operating result perspective, (operating revenues less operating expenses) we should at least be achieving a break even financial result. Our long term financial plan and our asset modelling have confirmed we need this additional funding to achieve these outcomes.

Importantly, the State Government is no longer seeking to amalgamate councils which are not Fit for Future, however it is still important that Ballina Shire Council is financially sustainable in the long term. We do not want to see our core infrastructure assets deteriorate, as this then leads to increased maintenance costs and poorer levels of service to our community.

Please refer to the attached SRV Factsheet for further information concerning our Asset Renewal Program.

What is the financial impact on ratepayers?

The combination of the additional 1.5% increase for our Healthy Waterways Program, and the additional 2.9% increase per annum for three years for extra Asset Renewal works, represents an average special variation of 3.4% each year for the three year period from 2017/18 to 2019/20. As outlined in the first page of this letter, this represents a 17.6% cumulative increase for the three year period (including factoring in the anticipated rate peg amounts of 2.5%).

However, as we now need to apply again for the temporary 3.4% approved for 2017/18, the actual cumulative percentage increase in Council's total rate income for the remaining two years (i.e. 2018/19 and 2019/20) is 15.7%.

When we talk about rates or rate income, we don't mean increases to your water, wastewater (sewer), stormwater and domestic waste collection charges. These are separate charges and they only apply to properties that receive, or can receive those services. Income collected from water, wastewater, stormwater and domestic waste charges must be spent on the provision of those services.

Income from rates is spent on the numerous remaining services delivered by Council, such as roads and bridges, footpaths, foreshore and canal maintenance, street signage, street lighting, parks and playground equipment, stormwater drainage, swimming pools, libraries, sporting fields, halls, public amenities, surf lifesaving, environmental projects, tourism, economic development and strategic planning. Rate income is a critical part of any council's income.

There are a number of ways we can look at the financial impact on ratepayers and the following tables help to explain this proposal. Table One is based on the standard rate pegging increase without any special variations. A rate peg is the maximum allowable percentage a council can increase its general income, and is set by the NSW Government each year.

Table One – Rate peg only

Item	2017/18	2018/19	2019/20	Cumulative change
Rate Peg Percentage Increase (1)	1.5%	2.5%	2.5%	5.06%
Average Residential Rate Levy (\$)	953 (2)	976	1,000	47
Average Business Rate Levy (\$)	3,191 (2)	3,281	3,363	172
Average Farmland Rate Levy (\$)	1,465 (2)	1,498	1,535	70

(1) The 1.5% rate peg increase for 2017/18 is the actual rate peg figure determined by IPART for that year. The 2.5% for 2018/19 and 2019/20 is an estimated rate peg based on verbal advice provided by IPART.

(2) For 2017/18 we have had to reduce the average rate figures actually levied by Council as the additional 3.4% increase IPART approved for 2017/18 is a temporary approval only.

As per point (2) the figures for 2017/18 are less than the actual average rates levied by Council, as the additional 3.4% is a temporary one year approval only. This means any increases approved for 2018/19 onwards are applied to the 2017/18 figures without the 3.4% included.

Table Two outlines the proposed changes for 2018/19 and 2019/20, assuming the Council's proposed special rate variation is approved by IPART, with the 3.4% temporary increase for 2017/18 removed, as per Table One.

Table Two - Proposed SRV increase based on 9.3% for 2018/19 and 5.9% for 2019/20

Item	2017/18 rate peg	2018/19 with SRV	2019/20 with SRV	Cumulative change
Percentage Increase	1.5%	9.3%	5.9%	15.7%
Average Residential Rate Levy (\$)	953	1,043	1,105	152
Average Business Rate Levy (\$)	3,191	3,506	3,713	522
Average Farmland Rate Levy (\$)	1,465	1,601	1,695	230

Table Three helps to highlight that Council levied the 3.4% approved as a temporary increase for 2017/18. A comparison of the actual increase in the average rates levied, and proposed to be levied, between 2017/18, 2018/19 and 2019/20 is as follows.

Table Three - Proposed SRV (for 2018/19 and 2019/20) increase compared to 2017/18 levy

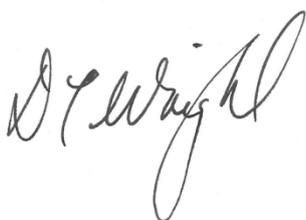
Item	2017/18 actual	2018/19 proposed	2019/20 proposed	Cumulative change
Average Residential Rate Levy (\$)	985	1,043	1,105	120
Average Business Rate Levy (\$)	3,298	3,506	3,713	415
Average Farmland Rate Levy (\$)	1,514	1,601	1,695	181

In this Table, the 2018/19 and 2019/20 figures are the same as Table Two, however the difference with Table Two is that they are compared to the actual average rates levied for 2017/18.

Our SRV Factsheet

There is a significant amount of information associated with this proposal and the attached SRV Factsheet provides an overview of the benefits of the proposed SRV along with the process being followed. If you require any additional information or wish to discuss this further, please telephone Council staff on 1300 864 444 or contact your local Councillor. Councillor contact details are located on our website ballina.nsw.gov.au/councillors.

Yours faithfully



Cr. David Wright
Mayor

Enc.