

Frequently Asked Questions (FAQs) | Special Rate Variation

What is Rate Pegging?

Council's rating revenue is regulated under the NSW Government's 'rate pegging'. The Independent Pricing and Regulatory Tribunal (IPART) sets a rate peg which limits the amount by which councils can increase their total rate revenue from one year to the next. For many years, the rate peg limit has not kept pace with the increases in costs for councils to deliver services.

What is a special rate variation?

After IPART announces the rate peg for the upcoming year, councils can then have a conversation with the community as to whether the increase is sufficient to continue to deliver the existing range and standard of services available, whilst also ensuring there is sufficient funds to maintain and renew infrastructure. If they feel the increase is insufficient, Council can request an increase above the rate peg limit. These increases are known as a Special Rate Variation (SRV).

Applications for increases above the rate peg limit are assessed by IPART. IPART has stringent criteria which a council must meet before approving any application.

Why do we need a special rate variation?

Our community has consistently told us that assets like roads, footpaths and drainage are important to them, but we need to improve their condition. In addition to this, in 2014 the NSW State Government initiated its Fit for the Future local government reform program that required all NSW councils to submit a proposal demonstrating plans to achieve long term financial sustainability and meet seven asset and financial benchmarks.

The proposed Special Rate Variation is an important step to help maintain and manage our current assets and ensure we deliver services in line with community expectations and remain financially sustainable.

What will the SRV be spent on?

The impact of the SRV on the Long Term Financial Plan of Inverell Shire Council will be an increase of \$13.66 million. Funds will be allocated to our regional and shire road network, including:

- \$5.1 million on roads infrastructure backlog;
- \$3.22 million to ensuring the General Fund remains in balance and all service levels across all Council's functions are maintained;
- \$2.33 million to additional maintenance of the rural road network (drainage, patching, roadside slashing, bitumen maintenance);

- \$1.47 million to bitumen reseals and gravel re-sheeting;
- \$0.99 million to road grading;
- \$0.30 million for urban asset renewals on urban streets; and
- \$0.25 million allocated to culverts, drainage and footpath renewals.

Visit our website www.inverell.nsw.gov.au and click on the Special Rate Variation link for further details.

How much will my rates go up?

The increase in rates (in terms of dollars) will vary for residents across the shire. The reason for this is that Council uses the land value of properties throughout the shire to determine the level of rates each property owner should pay.

In other words, land value determines how Council's total rate income will be collected from each property owner. To allow residents to understand the impact of each of these scenarios, a number of tables which show the proposed rate increases based on land value ranges have been provided in the Financial Information fact sheet which provides an overview of the impact of each option based on land value ranges.

Visit our website www.inverell.nsw.gov.au and click on the Special Rate Variation link for further details.

Could some areas of Council become more efficient?

We continue to drive organisational efficiencies and are committed to a long-term service review program to ensure we deliver services and facilities that meet our community's needs in the most efficient way.

In recent years, Council has focused on making significant savings and efficiencies, including initiatives such as:

- Improved operational efficiencies by 24.75% over the last 7 years as measured by the NSW Government's 'Real Operating Cost per Capita Benchmark';
- Reviewing Council's Internally Restricted Assets (cash) and repurposing \$6.0 million to road asset renewals and reducing the road infrastructure backlog;
- Utilised loans to fund long term community infrastructure. As noted by Council's auditor at the November 2016 meeting of Council, loan funds are not available to meet ongoing operational or maintenance needs and should only be considered for long life capital infrastructure assets;
- Installation of solar energy on all major Council assets and also LED street lighting in all Inverell streets, saving \$445,000 per annum on electricity costs;
- Using technology and systems to improve productivity e.g. online mapping enquiries and electronic payment portal;
- Reviewed fees and charges income to introduce new 'user-pay' charges where possible;
- Delivered substantial efficiencies in its road renewal activities including gravel re-sheeting, bitumen reseals, heavy patching and major road rehabilitation; and
- Where possible, gained grant income to deliver new community infrastructure.
- Focusing on Work Health and Safety to reduce incidences, return staff to work sooner and reduce insurance premiums. Council's Workers' Compensation Insurance premium is now 1.67% of total

wages paid, compared to the Local Government average of 3.6%, leading to a saving of \$400,000 on insurance costs.

Despite these savings, we still do not have sufficient funds to meet the costs of providing the current service levels.

Can Council use grant funds to meet costs such as the infrastructure backlog?

There are substantial legislative restrictions over Council's funds. The Local Government Act 1993 (Section 409) states that funding granted to / collected by Council for one purpose cannot then be utilised for another purpose. In other words, a grant secured for sporting fields cannot be spent on roads. Only limited grant funding opportunities exist and are available for road asset renewal and upgrades and these generally have to compete on a State or Federal basis.

Is there an opportunity for Council to change its mind about a special rate variation?

Any council considering a rate increase must comply with the requirements set out in IPART guidelines, including a notification confirming their 'intention to apply' while they continue with consultation. Inverell Shire Council has confirmed this intention and has now notified IPART. The actual application (due in February 2017) cannot be submitted until Council makes a formal resolution to do so. Council will make this decision at a Council meeting in February 2017.

Why is Council consulting over Christmas and the January holiday period?

Council is complying with timeframes as established by IPART.

Council has consulted with the community on its Long Term Financial Plan 2016-2026 and draft Strategic Asset Management Plan 2016-2026 earlier in the year, however, we are required to consult over this period on the SRV application in order to meet IPART's February 2017 deadline. To compensate we have extended this exhibition period to over 50 days (11 December 2016 to 1 February 2017).

Why aren't the water and sewer services included in these documents?

The Local Government Act requires councils to fund water and sewer as separate functions. This is the reason why water and sewer rates and user charges are shown separately on your Council rates notice.

The proposed Special Rate Variation is for General Operations only. As this does not apply to water and sewer rates and user charges, they have been excluded from these documents.

How do our rates compare with others?

Many residents have asked us how we compare to other councils in terms of the average residential rate bill. Since 2011, the average SRV in the region has been 27.09%. Glen Innes Severn has received a 26.82% SRV for three years commencing 2014-15, while Gwydir Shire has now received a 30% SRV. Narrabri Shire will be applying for a 15% SRV commencing next financial year.

While this is not necessarily always a good measure of “value” as the range and quality of services in each local government area varies, the following table provides a regional comparison:

	Farmland Rates	Residential Rates	Mining Rates	Business Rates	Total General Rate Income
Tamworth Regional Council	5,325,636	20,663,321	16,458	5,656,776	31,662,191
Moree Plains Shire Council	14,056,808	4,200,878	-	2,423,784	20,681,470
Armidale Dumaresq	2,570,910	9,190,362	23,798	2,250,900	14,035,970
Narrabri Shire Council	5,898,596	4,041,235	690,337	1,281,941	11,912,109
Inverell Shire Council	3,290,612	4,889,543	-	2,077,008	10,257,163
Gwydir Shire Council	4,818,253	755,808	-	130,010	5,704,071
Glen Innes Severn Council	2,361,290	2,640,433	290	47,421	5,549,434
Uralla Shire Council	1,938,781	1,475,831	-	98,989	3,513,601
Guyra Shire Council	874,328	705,611	2,949	98,778	2,681,666

Note: The above 2014-15 figures are the most recent available audited figures for all the councils. All of the councils’ rates have increased by at least the IPART determined Rate Peg since 2014-15.

What happens if IPART doesn’t approve a rate increase for Council?

Council is committed to implementing its Improvement Proposal, which includes the proposed Special Rate Variation, and meeting the benchmarks set by the NSW State Government under the Fit for the Future reform agenda.

If a special rate variation is not approved by IPART then Inverell Shire Council would not meet the criteria set by the NSW Government to be deemed ‘fit for the future’. Council would need to seek guidance from the NSW Government as to how they wish us to proceed.

Council has plenty of money invested, why don’t you use that instead of increasing rates?

Council's audited investments as at June 2016 was \$51.83 million. \$33.06 million relates to externally restricted assets such as developer contributions and unexpended grants. \$15.93 million relates to work Council has already committed to undertake, employee leave entitlements and replacement of major plant and equipment. Taking into account these restrictions, Council's unrestricted balance (working capital) was

\$2.84 million. Working Capital is required to ensure Council has sufficient liquidity to fund its operations and it also acts as a buffer for any unplanned emergency events which may need to be funded through the budget.

Why should I have to pay higher rates when I don't use many Council services?

A significant amount of Council's rate income is used to fund essential infrastructure services (maintenance and renewal) which are used by residents every day. This includes roads, footpaths, drainage and community facilities. The majority of residents use these services every day.

In addition to these infrastructure services, Council provides many community based programs and services to a wide range of users across the shire. These services are funded either through user charges, general rate income, or in some cases a combination of both user charges and general rate income. Where services are subsidised through general rate income, it is on the basis that Council plays an important role in ensuring access and participation to ALL residents for the use of these community based programs and services.

What other factors could impact on how much rates I have to pay?

Council rates are calculated based on the value of your land, as determined by the NSW Valuer General. Updated land values are provided to Council every three years. A general revaluation is due to effect land valuations to properties throughout the Shire from 1 July 2017. Any significant fluctuation in your land valuations will also have an impact on the amount of rates you pay.

Are there concessions for pensioners?

The mandatory \$250 rebate (set by the NSW State Government) is the level which Council currently offers. This rebate is not indexed in line with future rate increases.

Council has not factored in any additional increase in this rebate for pensioners within its proposed Special Rate Variation.

Is there any help for people who can't pay their rates?

Council acknowledges that any rate increase may adversely impact some community members. Council has mechanisms in place to assist ratepayers should they incur difficulty in keeping up with their rates payments. Contact Council for further information on 67288288.

What is the timeline for what happens next?

Council made a submission to the NSW State Government outlining how it will be 'Fit for the Future'. The submission can be read on [IPART's website](https://www.ipart.nsw.gov.au/Home/Industries/Local-Government/Special-Variations) <https://www.ipart.nsw.gov.au/Home/Industries/Local-Government/Special-Variations>.

December 2016 – Commencement of community engagement period, which will include static displays, information kiosks, launch of My Inverell My Say website and a newsletter distributed to all residents. Council engaged University of Technology Sydney who will conduct a telephone survey of a representative sample of local residents.

January 2017 – University of Technology Sydney will independently facilitate a workshop with local residents to conduct more in-depth community engagement.

February 2017 – Deadline for community members to submit feedback (1st February) on the SRV and also the deadline for Council to formally apply to IPART for a SRV.

What if I don't agree with my new land valuation?

You can find further Information about the NSW Valuer General valuation process and how to request a review at the following website www.valuergeneral.nsw.gov.au. You will receive your notice of valuation in January / February 2017. As valuations are provided by NSW Land & Property Information on behalf of the NSW Valuer General, all enquiries should be directed to NSW Land & Property Information:

Phone: 1800 110 038

Website: www.lpi.nsw.gov.au/land_valuation

If the value of my land increases does that mean Council's total rate income will also increase?

No it will not. Council's rate income in total can only increase by the percentage increase (known as the rate peg) which is set by The Independent Pricing and Regulatory Tribunal (IPART).

Council uses the land value of properties throughout the shire to determine the level of rates each property owner should pay. In other words, land value determines how Council's total rate income will be collected from each property owner.

Updated land valuations are provided to Council every three years. These valuations are determined by the NSW Valuer General. The valuation process is something Council cannot influence. Any significant fluctuation in your land valuation will impact on the amount of rates you pay.

However, it's important to remember this will not result in Council receiving any additional increase in income above the percentage increase approved by IPART.

If I lodge an objection to my land valuation and it is reduced, will that mean my rates will also decrease?

Once NSW Land & Property Information have advised Council of the adjustment to your land value, then yes, Council will amend your rates to reflect the new land value.