

Bega Valley Shire Council

Community Meeting
November 2022





- Welcome
- Format- 30-40min presentation followed by Q+A session
- Purpose
 - You leave here more informed to form and express your views on the challenges ahead
 - To discuss the multistep decision-making process involved in a Special Rate Variation
 - To hear your feedback and enable participation in some key decisions Council is facing



Where do your rates and charges go? At Council we provide...







Obligations to remain financially sustainable



In providing the vast range of services to the community, Council has an obligation to remain financially sustainable. The *Local Government Act* requires councils to apply sound financial management principles, including:

- Achieve a fully funded operating position
- Maintain sufficient cash reserves
- Have an appropriately funded capital program
- Maintain its asset base 'fit for purpose'
- Have adequate resources to meet ongoing compliance obligations

These are NOT NEGOTIABLE - failure to meet these obligations will lead to NSW Office of Local Government intervention.





- Special Rate Variations allow a council to increase its income from rates above the 'rate peg'
 (the annual increase set by the Independent Pricing and Regulatory Tribunal each year), under
 the provisions of the Local Government Act 1993 (NSW).
- SRVs can be for one or several years and can be temporary or permanently retained in the rates base.
- Council has a range of existing special variations in place to supplement the cost of existing services provided to the community including biosecurity, tourism, lifeguards, the regional gallery and the airport. The last SRV Council applied for was in 2013 to provide funding for collector roads, recreation facilities, public halls and buildings.





- The gap between the increasing cost to support our assets and deliver services, and the fixed amount of income we collect is widening, so applying for an SRV now is a financially responsible decision.
- If we don't improve our financial position over the longer term, services will have to be reduced and assets will not be renewed when needed. The value of our cash and investments will continue to decline.



Financial challenges Council faces



- Receiving significant grant funding for new and upgraded assets which increases the cost per year to maintain and renew these assets over their lifetime (maintenance and depreciation costs).
- Cost shifting of NSW Government to deliver services to the community without appropriate resourcing e.g Emergency Services Levy
- Delivering on community expectations to provide consistent assets and service levels across the towns and villages across the Bega Valley
- Our shire is vast in relation to our low population and as a result we have high infrastructure costs, relative to a small rate base
- Increasing frequency and severity of weather events impacting infrastructure
- Council's reliance on volunteers for a range of service provision is going to change as volunteerism declines nationally
- Limited asset andservice consolidation opportunities due to the geography and size of the Bega Valley Shire.

Financial challenges Council faces



- Breadth of services provided by Council places increased pressure on Council finances
- Maintaining the current level of spending on asset renewal to ensure continuing good condition of Council's asset base
- In the next 10-year period there is a need to replace several large value assets that are at the end of their lives and have not yet been replaced, assets such as pools and bridges that have 50-70 year lives. Many of our assets were built in the 1940s, 50s and 60s and are now nearing the end of their service lives and if they are not replaced, risk failure and closure
- Restricted opportunity for revenue generation
- Gradual reduction in Federal Government funding to Local Government. In the past, local Council's received close to 1% of federal taxation revenue through the Financial Assistance Grants and over time, this has reduced to 0.55%
- High inflation, rising costs and material and labour shortages impacting project delivery
- Government spending contraction and shift of focus impacting asset renewal



If an SRV is applied for and approved how will the additional funds be spent?



The SRV will ensure Council remains financially sustainable, with the additional income used to:

- maintain service levels as close as possible to current levels
- fund the ongoing operation, maintenance and renewal of existing assets
- reduce the reliance on external grant funding for asset renewals
- manage a range of financial impacts including additional costs for maintenance and renewal of grant-funded new assets, impact of natural disasters, and rising material costs and inflation.

Council has a range of existing special variations in place to supplement the cost of existing services provided to the community including biosecurity, tourism, lifeguards, the regional gallery and the airport. The last SRV Council applied for was in 2013 to provide funding for collector roads, recreation facilities, public halls and buildings.



What are general rates?

Your general rates consist of a BASE RATE that each ratepayer contributes, and an AD VALOREM RATE based on your LAND VALUATION determined by the Valuer General, and the CATEGORY of your property.

CATEGORY There are three categories in the Bega Valley Shire: residential, farmland and business.

BASE CHARGE This is an amount all landowners pay irrespective of land value.



AD VALOREM RATE

This is an amount used to calculate your general rates above the base charge using the land valuation of your property.



LAND VALUATION

This is the unimproved valuation of your land, assessed every three years by the Valuer General.

* Updated land valuations are expected to be received by landowners and Council in early 2023.





RATES NOTICE for the period 1 July 2021 - 30 June 2022 **ASSESSMENT NUMBER**

Issue Date: 06/07/2022

Rateable Value: \$190,000 Base Year: 2019

Rate Category: Residential Interest Rate: 6%

John Citizen 1002 Bega Street BEGA NSW 2550

rates - this is the amount that a SRV would apply to.

This is your general

Property Location and Description 1002 Bega Street BEGA NSW 2550 Lot 0 DP 000000

Residential FOGO 240L Weekly

Balance Brought Forward			\$0.00	
Residential Residential Base Rate	190,000 1 @	0.003252 \$536.00	\$617.88 \$536.00)
Residential Sewerage Charge	1@	\$1,318.00	\$1,318.00	
Stormwater Levy Residential	1@	\$25.00	\$25.00	Th
20mm Water Access Residential	1@	\$260.00	\$260.00	These amounts are
Waste Management Charge Res (S.501)	1@	\$297.00	\$297.00	NOT impaced by th
Res Landfill Waste 140L Fortnightly	1@	\$101.00	\$101.00	
Res Recycling Waste 2401 Fortnightly	1@	\$57.00	\$57.00	

1@

\$105.00

\$105.00



What do general rates pay for?



General rates provide income to look after our assets into the future – things like roads, footpaths, bridges, stormwater drains, parks, libraries, community buildings and swimming pools – and the vital services we provide to the community, including:

- managing our sporting fields, parks, playgrounds, swimming pools, community halls and cemeteries
- ensuring our road, bridge and footpath networks are safe and accessible
- operating our libraries, Regional Gallery, Civic Centre, Regional Learning Centre and childcare services
- processing development applications
- conserving and rehabilitating our natural environment
- keeping our community healthy and safe by providing rangers, building inspectors and health inspectors
- supporting our community and repair infrastructure when impacted by disasters.

What your general rates pay for

Council uses your general rates to look after (among other assets and services we provide):

1451 km of sealed and unsealed roads	127 km of urban stormwater infrastructure
83 parkland reserves	14 cemeteries
43 playgrounds	25 sports fields
227 bridges	51 public toilets



How do property valuations affect general rates



- The value of each property is used as the basis for calculating what each property owner will
 pay. Land value is based on the unimproved value to make it fair for all our ratepayers
- The Valuer General oversees the valuation system and values all parcels of land in NSW and is currently undertaking a revaluation across the Bega Valley
- Council will not be in receipt of the updated land valuations data from the Valuer General
 until early 2023. We have been advised by the Valuer General that mailout of the new
 valuations for residents in the Bega Valley won't commence until April 2023

IMPORTANT TO NOTE

• Council does not receive any extra income when property values increase, it just changes how the total general rates income we can collect is distributed across all ratepayers



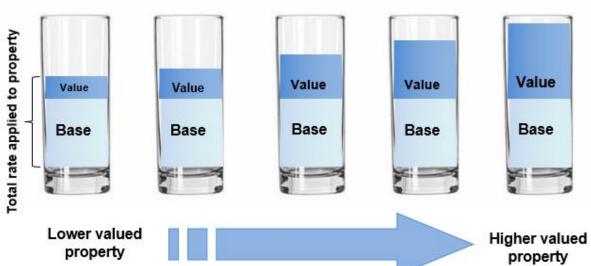














Where we are at in the SRV process?

on escalating costs.

- Council has notified the Independent Pricing and Regulatory Tribunal (IPART) we intend to apply for a Special Rate Variation (SRV) on the shire's general rates so we can increase the shire's financial sustainability and close the gap
- This does not mean we have decided on an amount to increase rates by; only that we have advised IPART we are going to discuss with our community the need to increase rates, reduce services or a combination of both.
- Council's updated Long Term Financial Plan 2023-32 has been placed on public exhibition, with four options modelled for discussion with the community.



Timeline of events

- November 2022 Council notified IPART of our intent to apply for an SRV
- November 2022 to January 2023
 Community engagement
- February 2023 Decision to apply to IPART
- May 2023 IPART determination
- July 2023 If approved, SRV commences



Long Term Financial Plan Options





	Option A	Option B	Option C	Option D
	SRV with no service level changes - single year.	SRV with no service level changes - phased over 2 years.	SRV with service level changes - single year.	No SRV. Rate peg only with significant service level changes.
Special Rate Variation	90% increase permanently applied. Cumulative increase 94.75% by 2024-25.	45% in 2024 and 37.2% in 2025 permanently applied. Cumulative increase 98.94% by 2024-25.	43% increase permanently applied. Cumulative increase 46.58% by 2024-25.	No SRV. Cumulative increase 6.60% by 2024-25.
Service Changes	This option will allow Council to meet current asset management and operational needs and financial sustainability ratios.	This option will allow Council to meet current asset management and operational needs; however the rate increase will be introduced over 2 years.	Council will need to significantly reduce current levels of service by an average of \$13.9 million each year. This option prioritises catching up on our infrastructure backlog and reducing our capital program below recommended levels.	Council will need to significantly reduce current levels of service by an average of \$25.9 million each year. This option continues the unsustainable financial trajectory and will mean we are not able to manage core assets such as roads and bridges.

These options all include the rate peg for 2023-24 of 4.1%. Option B includes an assumed rate peg of 2.5% in 2024-25.



Long Term Financial Plan Assumptions





Assumptions Table

Assumptions Table	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
Rates and Annual Charges	4.1%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
User Charges and Fees	4.1%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Grants and Contributions Operating and Capital	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Asset and Land Sales	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Interest and Investment Income	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Other Revenues	4.1%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Employee Costs	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Materials and Contracts	4.1%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Borrowing Costs	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Depreciation	4.1%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Other Expenses	4.1%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Insurance	15.0%	15.0%	15.0%	15.0%	15.0%	12.0%	12.0%	12.0%	12.0%	12.0%

Residential Rate Category Impact



How will an SRV impact you?



We have a **rates calculator** on our website. Below is the impact of the SRV options on a residential property with an average land value.

| SRV Calculator 2023/2024
| Your land value | Vour rating value | Category | SRV | SRV | Category | Category | SRV | Category | C

An SRV is calculated on general rates only. It does not apply to water, sewer or waste charges.

RESIDENTIAL Average land value \$199,900	Current Year 2022-23	2023-24 (incl. 4.1% rate peg)	\$ Increase/ year	\$ Increase/ week	2024-25 (incl. 2.5% rate peg)	\$ Increase/ year	\$ Increase/ week
OPTION A - 90% increase permanently applied	\$1,186	\$2,253	\$1,067	\$20.50	\$2,309	\$56.00	\$1.10
OPTION A - Difference between rate peg year option	g only increase an	d 90% single	\$1,018	\$19.60	\$1,043		
OPTION B - 45% in 2024 and 37.2% in 2025, permanently applied	\$1,186	\$1,720	\$534	\$10.30	\$2,360	\$640.00	\$12.30
OPTION B - Difference between rate peg and 37.2% in 2025	only increase an	id 45% in 2024	\$485	\$9.30	\$1,094		
OPTION C - 43% increase permanently applied	\$1,186	\$1,696	\$510	\$9.80	\$1,738	\$42.00	\$0.80
OPTION C - Difference between rate peg year option	only increase an	d 43% single	\$461	\$8.90	\$472		
OPTION D - Average residential rate under rate peg increase only (4.1%)	\$1,186	\$1,235	\$49	\$0.95	\$1,266	\$31.00	\$0.60

These options all include the rate peg for 2023-24 of 4.1%. Option B includes a rate peg of 2.5% in 2024-25.

Option A is a cumulative increase of 94.75% at the end of 2024-25. Option B is a cumulative increase of 98.94% at the end of 2024-25.

Option C is a cumulative increase of 46.58% at the end of 2024-25. Option D is a cumulative increase of 6.60% at the end of 2024-25.

Farmland Rate Category Impact



FARMLAND Average land value \$734,040	Current Year – 2022-23	2023-24 (incl. 4.1% rate peg)	\$ Increase/ year	\$ Increase/ week	2024-25 (incl. 2.5% rate peg)	\$ Increase/ year	\$ Increase/ week
OPTION A - 90% increase permanently applied	\$2,923	\$5,554	\$2,631	\$50.60	\$5,693	\$139.00	\$2.65
OPTION A - Difference between rate peg year option	only increase an	d 90% single	\$2,511	\$48.30	\$2,574		
OPTION B - 45% in 2024 and 37.2% in 2025, permanently applied	\$2,923	\$4,238	\$1,315	\$25.30	\$5,815	\$1,577.00	\$30.35
OPTION B - Difference between rate peg and 37.2% in 2025	only increase an	d 45% in 2024	\$1,195	\$23.00	\$2,696		
OPTION C - 43% increase permanently applied	\$2,923	\$4,180	\$1,257	\$24.20	\$4,285	\$105.00	\$2.00
OPTION C - Difference between rate peg year option	only increase an	d 43% single	\$1,137	\$21.85	\$1,166		
OPTION D - Average residential rate under rate peg increase only (4.1%)	\$2,923	\$3,043	\$120	\$2.30	\$3,119	\$76.00	\$1.45

These options all include the rate peg for 2023-24 of 4.1%. Option B includes a rate peg of 2.5% in 2024-25.

Option A is a cumulative increase of 94.75% at the end of 2024-25. Option B is a cumulative increase of 98.94% at the end of 2024-25.

Option C is a cumulative increase of 46.58% at the end of 2024-25. Option D is a cumulative increase of 6.60% at the end of 2024-25.



Business Rate Category Impact



Average land value \$340,000	Current Year - 2022-23	2023-24 (incl. 4.1% rate peg)	\$ Increase/ year	\$ Increase/ week	2024-25 (incl. 2.5% rate peg)	\$ Increase/ year	\$ Increase/ week
OPTION A - 90% increase permanently applied	\$2,858	\$5,430	\$2,572	\$49.45	\$5,566	\$136.00	\$2.60
OPTION A - Difference between rate peg year option	only increase an	d 90% single	\$2,455	\$47.20	\$2,517		
OPTION B - 45% in 2024 and 37.2% in 2025, permanently applied	\$2,858	\$4,144	\$1,286	\$24.75	\$5,686	\$1,542.00	\$29.65
OPTION B - Difference between rate peg and 37.2% in 2025	only increase an	d 45% in 2024	\$1,169	\$22.50	\$2,637		
OPTION C - 43% increase permanently applied	\$2,858	\$4,087	\$1,229	\$23.65	\$4,189	\$102.00	\$1.95
OPTION C - Difference between rate peg year option	only increase an	d 43% single	\$1,112	\$21.40	\$1,140		
OPTION D - Average residential rate under rate peg increase only (4.1%)	\$2,858	\$2,975	\$117	\$2.25	\$3,049	\$74.00	\$1.40

These options all include the rate peg for 2023-24 of 4.1%. Option B includes a rate peg of 2.5% in 2024-25.

Option A is a cumulative increase of 94.75% at the end of 2024-25. Option B is a cumulative increase of 98.94% at the end of 2024-25.

Option C is a cumulative increase of 46.58% at the end of 2024-25. Option D is a cumulative increase of 6.60% at the end of 2024-25.



What has Council done to reduce the need for an SRV?



- Council has been working through a financial improvement program for many years now and while we have made significant improvements, the reality is that escalating costs – such as materials and contractors – are fast outstripping any cost reductions we can make.
- Over the past few years we have concentrated on making Council efficient and resilient following multiple natural disasters. We have saved money where possible through:
 - Staffing restructures
 - zero-based budgeting
 - divesting land
 - joint regionalisation of services and planning
 - efficiencies in procurement; and
 - better management and maintenance of assets.



Scale of impact across Local Government sector



- For 2020-21, 74 NSW Councils (of 128) reported operating deficits in General Fund
- 5 years to 2020-21, the average operating performance ratio of NSW councils (measures a council's achievement in containing operating expenditure within operating income) has steadily declined from 9.8% in 2016-17 to -1.5%
- Ongoing core costs outpacing revenue growth fundamental flaw in Local Government operating income and cost structure



Rates Compared



Your Council's Rates & Charges	Result	Group Avg.
Avg Ordinary Residential Rate (\$)	1,110.90	1,170.60
Avg Ordinary Business Rate (\$)	2,564.20	3,831.30
Avg Ordinary Farmland Rate (\$)	2,150.40	2,444.50
Avg Ordinary Mining Rate (\$)	0.00	304,710.00
Total Land Value / Total Rate Revenue (\$)	138.00	145.00
Typical Residential Water Bill (\$)	731.00	630.40

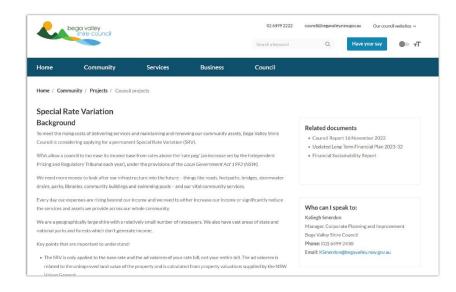
Based on 2019/20 Data. Group 4 Councils comparison. Source: https://www.yourcouncil.nsw.gov.au/wp-admin/admin-ajax.php



Community engagement









Councillors to consider Special Rate Variation at next Council meeting

0 November 202:

Councillors will consider applying to the Independent Pricing and Regulatory Tribunal (IPART) for a Special Rate Variation at its Council meeting nest week, to meet the rising costs of delivering services and maintaining and resewing the shire's assets.

Council's Chief Executive Officer, Amthory McMahon said the Long Term Financial Plan 2023-32 had been updated and included three options that call for an additional increase to the shire's rate base through a Special Rate Variation (SW).

"Over the last 50 years or so our expenses have been rising well beyond our income due to reductions in federal grants, significant cost escalations in materials and the compounding effect of multiple natural disasters," Mr McMahon said.

"To remain financially sustainable info the future, we either need to increase our income or significantly reduce the services and assets we provide across our whole community.

"If endorsed by Councillors next week, the updated 10-year Long Term Financial Plan, which includes options to address these challenges, will go on public exhibition from 16 November.

"An endorsement of the plan does not mean we have decided to increase rates, only that we will advise IPART we are going to discuss this with our community.

"As it stands, we do not have the funds needed to continue maintaining the community's assets or to continue providing the vast range of services the community relies on."

Mr McMahon said before any application is made to IPART, Council will connect with the community over the coming months to discoss the options.

"The community will be able to provide feedback via an online survey on Council's website from 15 November, talkte Councillors and senior Council staff at local markets, town hall information sessions and

Its November, talk to Councillors and senior Council staff at local markets, town half information session an online meeting. *Mr. Mokhlon said.

"To ensure everyone builting opportunity to provide feedback on a proposed SRV, the community

consultation will continue through to 16 January 2023.

When we have a full picture of how the community feets about a processed rate increase. Councillors will

"When we have a full picture of how the community feels about a proposed rate increase, Councillors will meet again in February to decide on how we proceed."

meet again in February to decide on how we proceed."

More information about the options and consultation opportunities will be available on Council's website on
16 November 2022.





Bega Valley Shire Special Rate Variation

Council is faced with the challenge of making sure we have enough money to continue to deliver the large range of services we provide and to look after the shire's infrastructure into the future including things like roads, footpaths, bridges, stormwater drains, parks, libraries, community buildings and swimming pools. We know our community values the services we provide and places high priority on the maintenance and renewal of our infrastructure when it is needed, so the current trend of our service delivery and asset costs exceeding our income needs to change.

An increase in rates through a special rate variation (SRV) is one way we can increase the income we need to meet your expectations and remain financially responsible.

More information is available on Council's website. (link to SRV page)

We want to hear from you.

This survey should take 5 minutes to complete.

Next

SRV Calculator 2023/2024							
Your land value	Your rating category	SRV	Total net change for 23/24 SRV		Your weekly cost for SRV	Your monthly cost for SRV	
\$ 125,000.00	Residential	90%	\$888.90	\$2.44	\$17.09	\$74.08	











Timeline of events

- November 2022 Council notified IPART of our intent to apply for an SRV
- November 2022 to January 2023
 Community engagement
- February 2023 Decision to apply to IPART
- May 2023 IPART determination
- July 2023 If approved, SRV commences

SRV Community Engagement - HYS, Workshops, Popups	16/11/22- 16/01/23
Councillor Workshop - SRV Engagement Feedback	25/01/23
Council Meeting - Resolution to submit application to IPART	01/02/23
SRV Application due to IPART	03/02/23
Council Meeting- Draft 2023-24 Delivery Program/Operational Plan and Fees and Charges on public exhibition	19/04/23
IPART - Notification of outcome	01/05/23
Council Meeting - Determine if SRV to be applied post IPART notification and adjust IPR docs for adoption	24/05/23
Council Meeting - Adopt Draft 2023-24 Delivery Program/Operational Plan and Fees and Charges	14/06/23



Questions and Answers



To have your say

- Join the online meeting Monday 5 December 2022 6pm—8pm.
- Complete our survey at begavalley.nsw.gov.au/srv
- Email us at council@begavalley.nsw.gov.au

Feedback closes on 16 January 2023

If we decide to submit an SRV application to IPART in February 2023, you can then make a formal submission directly to IPART.

