

The temporary 6% special rate variation for 2018/19 will expire in June 2019. Therefore, Council will need to apply again for the 2019-20 and 2020-21 financial years. The net effect of this will be 6% rate variation each year for 3 years.

What is a Special Rate Variation?

A Special Rate Variation (SRV) allows a Council to increase its general income above the rate peg.

What is rate pegging?

The NSW Government (through IPART) sets a limit (peg) which determines how much councils can increase rates overall each year.

The rate peg for 2018-19 is 2.3% and 2019-20 is 2.7%

What is IPART?

IPART is the Independent Pricing and Regulatory Tribunal, which sets water, electricity, gas and transport prices as well as the rate pegging limit for local Councils.

What is the proposed SRV?

6% in 2018-19 (including a rate peg of 2.3%) – temporarily approved by IPART.

9.83% in 2019-20 which is the net effect of 6% above 2018-2019 rates in 2019-20 (including rate peg of 2.7%)

6% in 2020-21 (including an estimated rate peg of 2.5%)

The total increase in rates at the end of the three years will be 19.1%, made up of 7.47% in normal rate pegging and 11.63% of SRV.

If the actual rate peg differs from the estimated 2.5%, the SRV will vary to ensure the combined figure is still 6% per annum.

When will rates rise?

If approved, rates will rise from 1 July 2018.

Why does Council need an SRV?

The SRV is part of the Long Term Financial Plan developed to meet the NSW Government's Fit for the Future requirements and remain independent.

To be Fit for the Future councils need (among other things) be able to 'effectively manage infrastructure'.

The Long Term Financial Plan includes asset management plans which ensure Council has sufficient money to renew and maintain public assets such as libraries, pools and cycle ways.

Kiama municipality has a significant range of assets and infrastructure. In fact, Council provides 25% more infrastructure per property than Shellharbour City Council.

The community expects these assets and facilities to be maintained at a high standard, especially roads, footpaths, toilets, parks and playing fields.

Developing the asset management plans for the Long Term Financial Plan showed a need for additional revenue to fund maintenance and renewal.

The SRV is being sought to fund that need.

Another significant reason for the SRV is the long term decline in revenue from major income sources such as Financial Assistance Grants (FAGs).

FAGs have been provided by the Australian Government to councils since 1974 to help fund local projects, especially for maintaining local roads.

However, the level of grants has been frozen since 2014, meaning councils across Australia have missed out on an estimated \$1 billion in extra funding, and Kiama Council missed out on approximately \$750,000.

Further the NSW Government, through IPART, has set a rate peg in recent years that has prevented councils from meeting annual increases in costs.

For example, the 2017-2018 rate peg was 1.5%, which is below Council's general cost increases.

Are there alternatives to an SRV?

Council has spent two years considering and implementing a range of ways to fund its asset management plans. These have reduced the size of the SRV required, but an SRV is still required to meet the ongoing costs of asset renewal and maintenance.

Council has set an efficiency target of 2.5% each year to reduce costs and improve efficiencies. It met this target in 2016-2017, and is on track to meet the target again this financial year. This has been made possible by improvements in procurement, streamlining of processes and reviewing the way services are delivered.

Council did consider increasing user pay fees. However, many of our customers are pensioners and community organisations with limited ability to afford price increases.

Other services and facilities have limited demand.

Council will continue to investigate other sources of revenue, including land development.

Where will the money from a rate increase be spent?

The funds raised by the SRV will be used for the financial sustainability of Council and maintaining or renewing current assets and infrastructure.

How much additional money will be raised through the SRV by the end of the third year (2020-21)?

By the end of 2020-21 the SRV will raise \$1,821,294.

In the first year (2018-19) the SRV will raise \$579,957, and in the second year (2019-20) this will rise to \$1,175,740.

What options are available to those that can't pay a rate increase?

Council can help ratepayers with payment schedules that make paying their rates more manageable. Ratepayers are encouraged to contact Council to discuss these options.

Council has a hardship policy whereby Council may, in certain circumstances, be able to assist by agreeing to alternative payment plans or writing off interest on unpaid rates.

What is Council doing to reduce the effect of the SRV on pensioners?

There will be an additional pensioner rebate in 2019-20 of \$17 which will increase over the three years of the SRV to \$25, and remain in place afterwards.

This will be funded from the SRV. Based on current pensioner numbers in the residential category the cost of the rebate will be \$16,570 (2018-2019), \$28,169 (2019-20) and then \$41,425 from each year forward.

What else is Council doing to minimise the impact of the Special Rate Variation on ratepayers?

Council is limiting planned increases in the Domestic Waste Management Charges (DWM), which funds residential waste collection services. The DWM will increase 2.5% each year of the SRV, rather than the planned 5%.

While the DWM is a separate charge to rates, this will offset some of the cost of the SRV for residential ratepayers. This has been made possible thanks to the success of the OK Organics Kiama program, and the efficiencies it has produced.

What will the actual weekly impact be on me?

The majority of residential ratepayers (63%) will pay less than \$5.19 a week in additional rates by the end of the third year. A majority (61%) of rural residential ratepayers will pay less than \$9.99 a week extra. The vast majority of business/commercial/industrial ratepayers (91%) will pay less than \$7.88 a week extra, while 78% of business ordinary ratepayers will pay less than \$3.40 a week more. Finally, 55% of farm ratepayers will pay less than \$8.98 a week more.

Rate Type	Average Land Value	% of Assessments under Average	Year	Rate Peg impact/ week	SRV Impact/ week	Combined Impact/ week
Residential	\$418,274	63%	2018-2019	\$0.68	\$0.95	\$1.63
			2019-2020	\$1.38	\$1.98	\$3.36
			2020-2021	\$2.09	\$3.10	\$5.19
Rural Residential	\$1,056,740	61%	2018-2019	\$1.31	\$1.83	\$3.14
			2019-2020	\$2.65	\$3.82	\$6.47
			2020-2021	\$4.02	\$5.97	\$9.99
Business Commercial Industrial	\$429,798	91%	2018-2019	\$1.03	\$1.44	\$2.47
			2019-2020	\$2.09	\$3.01	\$5.10
			2020-2021	\$3.17	\$4.71	\$7.88
Business Ordinary	\$268,512	78%	2018-2019	\$0.44	\$0.62	\$1.06
			2019-2020	\$0.90	\$1.30	\$2.20
			2020-2021	\$1.37	\$2.03	\$3.40
Farmland	\$1,394,638	55%	2018-2019	\$1.17	\$1.64	\$2.81
			2019-2020	\$2.38	\$3.43	\$5.81
			2020-2021	\$3.61	\$5.36	\$8.98

How do my rates compare to other Councils?

If we use the average residential land value in Kiama of \$418,274, residential rates will remain the lower than nearby councils, until 2020-21 when they will be the second lowest in the region.

Residential Rate Comparison - Neighbouring Council's					
Council	Value	2017-2018 Rates	2018-2019 Rates	2019-2020 Rates	2020-2021 Rates
Wingecarribee Shire Council *	\$418,274	\$1,614.08	\$1,763.38	\$1,977.63	\$2,027.07
Wollongong City Council	\$418,274	\$1,765.16	\$1,809.29	\$1,854.52	\$1,900.89
Shellharbour City Council	\$418,274	\$1,844.49	\$1,890.60	\$1,937.87	\$1,986.31
Shoalhaven City Council **	\$418,274	\$1,486.99	\$1,561.33	\$1,639.40	\$1,721.37
Kiama Council	\$418,274	\$1,412.65	\$1,497.41	\$1,587.26	\$1,682.49

*Includes SRV increases of 2017-18 - 9.25%, 2018-19 - 9.25%, 2019-20 - 12.15%, 2020-21 - 2.5%

**Applying for an SRV increase of 5% for three years and is included in this table

For businesses, using the average commercial land value of \$429,798, rates will remain substantially lower than other councils.

Business Rate Comparison - Neighbouring Council's					
Council	Value	2017-2018 Rates	2018-2019 Rates	2019-2020 Rates	2020-2021 Rates
Wingecarribee Shire Council *	\$429,798	\$3,371.28	\$3,683.12	\$4,130.62	\$4,233.89
Wollongong City Council	\$429,798	\$6,526.22	\$6,689.38	\$6,856.61	\$7,028.03
Shellharbour City Council	\$429,798	\$4,662.24	\$4,778.80	\$4,898.27	\$5,020.72
Shoalhaven City Council **	\$429,798	\$3,439.34	\$3,611.31	\$3,791.87	\$3,981.47
Kiama Council	\$429,798	\$2,147.24	\$2,276.07	\$2,412.64	\$2,557.40

* Includes SRV increases of 2017-18 - 9.25%, 2018-19 - 9.25%, 2019-20 - 12.15%, 2020-21 - 2.5%

**Applying for an SRV increase of 5% for three years and is included in this table

Why don't developers contribute?

Developers contribute to new infrastructure or the upgrade of existing infrastructure that is required as a result of their development. However, the funds generated cannot be spent on unrelated assets or infrastructure.

What happens if Council's application for an SRV is unsuccessful?

The condition of facilities will decline over time. Assets will deteriorate, making the eventual maintenance costs even higher. Service levels may be cut.

Importantly, Council will be unable to meet several Fit for the Future financial benchmarks, and put the long term future of the Council and community at risk.