

Councillor Workshop
Proposed Special Rate
Variation 2016/17
Securing our Future

Fit for the Future (FFTF)

- Singleton Council was assessed by the Independent Local Government Review Panel (ILGRP) having sufficient scale and capacity with out any structural change.
- Council was required by 30 June 2015 to lodge a Council Improvement Plan (CIP) focusing on how it meets the other three FFTF criteria – ‘sustainability’, ‘effective infrastructure and service management’ and ‘efficiency’.
- Council was required to report its projected performance to 2019-20 against each of the criteria measures.

Becoming Fit for the Future

Criteria and benchmarks for being Fit

Fit for the Future



SUSTAINABILITY

- Operating Performance Ratio (greater or equal to break-even average over 3 years)
- Own Source Revenue Ratio (greater than 60% average over 3 years)
- Building and Infrastructure Asset Renewal Ratio (greater than 100% average over 3 years)



EFFECTIVE INFRASTRUCTURE AND SERVICE MANAGEMENT

- Infrastructure Backlog Ratio (less than 2%)
- Asset Maintenance Ratio (greater than 100% average over 3 years)
- Debt Service Ratio (greater than 0 and less than or equal to 20% average over 3 years)



EFFICIENCY

- Real Operating Expenditure per capita over time

Fit for the Future (FFTF)

Government indicator	Definition	Benchmark to meet	Now	2020
Sustainability				
Operating Performance Ratio	$\frac{\text{Total continuing operating revenue (exc. capital grants and contributions) less operating expenses}}{\text{Total continuing operating revenue (exc. capital grants and contributions)}}$	Greater than or equal to break-even -average over 3 years		
Own Source Revenue Ratio	$\frac{\text{Total continuing operating revenue less all grants and contributions}}{\text{Total continuing operating revenue inclusive of capital grants and contributions}}$	Greater than 60% - average over 3 years		
Building and Asset Renewal Ratio	$\frac{\text{Asset renewals (building and infrastructure)}}{\text{Depreciation, amortisation and impairment (building and infrastructure)}}$	Greater than 100% - average over 3 years		
Infrastructure and Service Management				
Infrastructure Backlog Ratio	$\frac{\text{Estimated cost to bring assets to a satisfactory condition}}{\text{Total (WDV) of infrastructure, buildings, other structures and depreciable land improvement assets}}$	Less than 2%		
Asset Maintenance Ratio	$\frac{\text{Actual asset maintenance}}{\text{Required asset maintenance}}$	Greater than 100% - average over 3 years		
Debt Service Ratio	$\frac{\text{Cost of debt service (interest expense \& principal repayments)}}{\text{Total continuing operating revenue (exc. capital grants and contributions)}}$	Greater than 0% and less than or equal to 20% - average over 3 years		
Efficiency				
Real Operating Expenditure	$\frac{\text{Operating expenditure}}{\text{Population}}$	A decrease in Real Operating Expenditure per capita over time		



Does not meet indicator



Meets indicator



Trending to meet indicator

Fit for the Future (FFTF)

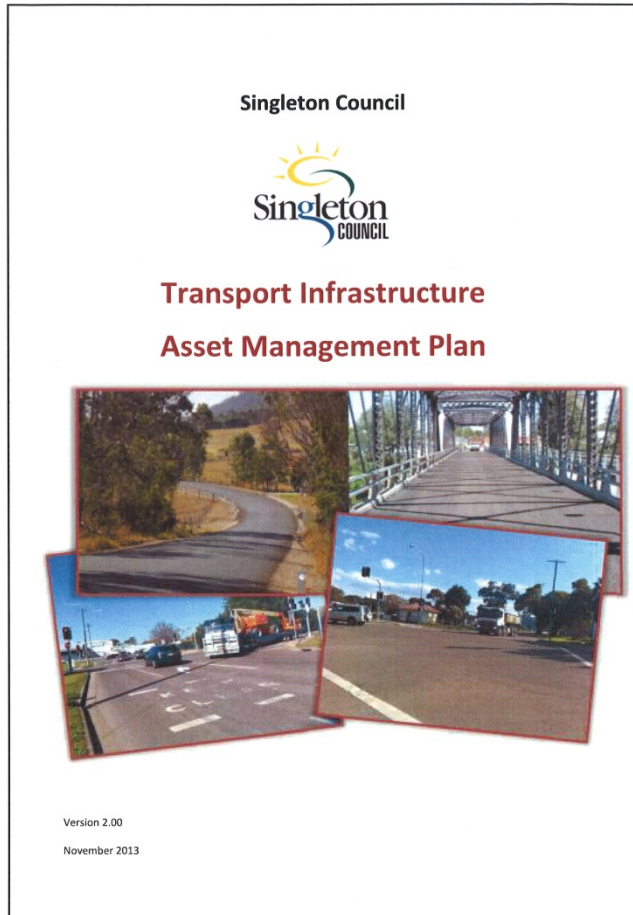
- The Independent Pricing and Regulatory Tribunal (IPART) presented its final assessment of councils' Fit for the Future proposals to the NSW Government on Friday 16 October.
- Singleton Council was one of 32 non-metropolitan councils assessed as being 'fit'.
- Council must now deliver on it's CIP to meet the seven financial indicators within five years to ensure that Singleton Council remains a fit Council.



Fit for the Future (FFTF)

- At the time of the release of the ILGRP final report, Singleton Council was part way through a 3 year focus on reviews of its key strategies, policies and services with a view to identifying future needs.
- Council has also undertaken extensive work to develop new Asset Management Plans.
- A major focus on gaining external funding.
- Taken on extra debt via the Local Government Infrastructure Renewal Scheme.
- A new Special Rate Variation (SRV) to address backlog for roads and culverts and also identified the need for a further SRV to address financial sustainability.

Asset Management Plans (AMPs)



Council's Asset Management Plans (AMPs) have all been reviewed and updated to inform Council's Long Term Financial Plan.

AMPs' includes:
Transport Infrastructure
Urban Stormwater Drainage
Buildings
Parks and other Structures

Transport Infrastructure AMP

The Transport Infrastructure network comprises of:

- 655.62km sealed roads,
- 81.3km unsealed roads,
- 83.03km regional roads,
- 60 bridges, 54 major culverts and 66 causeways,
- 21.93km minor culverts and drainage structures,
- 38,077 sqm. of footpaths & other paved areas,
- 180.0km kerb & gutter,
- 16 bus shelters, and
- 6 sealed car parks
- 14.72km guardrail

Total replacement value of \$535.599 million as at 30 June 2015

Local Government Financial

To improve Council's position TCorp recommended Council:

1. DEVISE programs and strategies to contain rising costs and improve efficiencies
2. USE debt funding (loan borrowings)
3. SOURCE additional revenue, such as Special Rate Variations (SRV) to improve financial flexibility and to assist in reducing the infrastructure backlog

1. Singleton's productivity & efficiency improvements

- Revised organisation structure and reduced number of staff resulting in savings of up over \$2 million.
- New recycling contract saving \$4 million over 10 years.
- Extended life of waste landfill by increasing recycling and diversion rates. Saving \$6 to \$12 million in closure costs and \$15 million in new site establishment
- New technology eg. website, e-planning, tablets devices.
- Rationalisation of assets including land disposal and plant and equipment.
- Sharing services with other Hunter Councils, including outsourcing of services.

1. Singleton's productivity & efficiency improvements

- A significant focus on gaining external funding including \$31.92 million from Resources to Regions, \$5.71 million from Hunter Infrastructure Investment Funds and new loan borrowings of \$6.2 million under the Local Infrastructure Renewal Scheme.
- LED street lighting
- Service levels review
- Appropriateness of services, identify service gaps and opportunities for improvements
- Review of and increases in User Fees and Charges to recovery the true costs of services being provided.

2. NSW Government initiatives to reduce infrastructure backlog

NSW Local Infrastructure Renewal Scheme (LIRS)

Provides interest subsidies on council borrowings over a 10 year period.

Round One 2012/13

\$2.2 million loan for the replacement of Bourkes Crossing Bridge @ 5.35%.

Round Two 2013/14

\$4.0 million loan for road and culvert works @ 5.06%.

3. What is a Special Rate Variation

- A special rate variation allows councils to increase general income above the rate peg
- There are two types of special rate variations that a council may apply for:
 - a single year variation or
 - a multi-year variation for between two to seven years

Example rate notice



12-14 Queen Street
PO Box 314
SINGLETON NSW 2330
Phone: 02 6578 7290
Fax: 02 6572 4197
Email: sco@singleton.nsw.gov.au
Website: www.singleton.nsw.gov.au
ABN: 52 877 492 396

RATES AND CHARGES NOTICE 01 July 2015 to 30 June 2016

ASSESSMENT NO 910820
POSTING DATE 17/07/2015
DUE DATE 31/08/2015
VALUATION BASE DATE 01/07/2013
CLASSIFICATION
Residential Singleton



Mr A Ratepayer
33 Nowhere Inparticular
SINGLETON NSW 2330

PROPERTY LOCATION AND DESCRIPTION
33 Nowhere Inparticular
SINGLETON NSW 2330
Lot 33 DP 8269633

Please deduct
payments made after: 08/07/2015

Particulars of Rates and Charges	Rate in \$	Rateable Value	Amount
Residential Singleton - Ad Valorem Rate	0.41650000	208000.00	\$866.32
Singleton Residential Sewerage Charge	495.00	1.00	\$495.00
DWM Urban Occ Res 240lt waste/recycling	387.00	1.00	\$387.00
Hunter Catchment Contribution	0.01310000	208000.00	\$27.25
Residential Singleton - Base Amount	205.14	1.00	\$205.14
Stormwater Management Chg - Res	25.00	1.00	\$25.00
S/ton Residential Water Charge - 20mm	153.50	1.00	\$153.50

Please note, payment will be deducted from your nominated bank account as arranged via Direct Debit on 31/08/2015
Interest accrues daily at 8.5% per annum on arrears balances until paid.

ARREARS PAYABLE IMMEDIATELY	1ST INSTALMENT	2ND INSTALMENT	3RD INSTALMENT	4TH INSTALMENT	TOTAL AMOUNT DUE
	\$542.21	\$539.00	\$539.00	\$539.00	\$2,159.21
	31/08/2015	30/11/2015	28/02/2016	31/05/2016	



RATE PAYMENT ADVICE

RATEPAYER Mr A Ratepayer

ASSESSMENT NO 910820

TOTAL DUE \$2,159.21

AMOUNT PAID



Billor Code: 39933
Ref: 109108206

BPAY® this payment via internet or phone banking.
BPAY View® - View and pay this bill using internet banking.
BPAY View Registration No.: 109108206



Billpay Code: 0578
Ref: 1091 08206

Pay in person at any Post Office, by
phone 13 18 16 or go to postbillpay.com.au

*578 109108206



SRV only applies to the
General Rate (Ad Valorem
Rate and Base Amount)

Singleton Council

What is the impact of the Proposed Special Rate Variation on your rate assessment?

Assessment No:	910820			
<small>(The assessment no. appears on the top right hand side of the Rates/Instalment Notice)</small>				
Property Address:	33 Nowhere Inparticular			
Rateable Land Valuation (Base dated 1 July 2013):	\$	208,000		
Rate Classification:	Residential Singleton			
2015/16 General Rate (Ad Valorem + Base Amount)	\$	1,071.46		
Proposed General Rate		Annual	Annual Impact	Weekly Impact
	2016/17	\$ 1,125.57	\$ 54.11	\$ 1.04
	2017/18	\$ 1,196.40	\$ 70.83	\$ 1.36
	2018/19	\$ 1,213.05	\$ 116.65	\$ 2.24
2019/20	\$ 1,441.20	\$ 128.15	\$ 2.46	
Cumulative Increase (between 2015/16 and 2019/20 General Rate)	\$	369.74	34.51%	

Please note that these are indicative estimates based upon current information utilising Land Valuations base dated 1 July 2013. The actual rate amount will be dependent upon future valuation changes, categorisation changes and land value movements. The special rate variation is applicable to the general rate only and does not include annual charges for Council services such as stormwater, water supply, sewer supply waste services or government levies.

The proposed special rate variation includes an estimated 2.50% rate peg limit increase per year which equates to a cumulative increase of 10.38% over the four year period, which is included in the calculations above.

Council's notional rate income will be reduced by an estimated \$501,000 from 1 July 2017 due to the expiration of an existing Special Rate Variation.

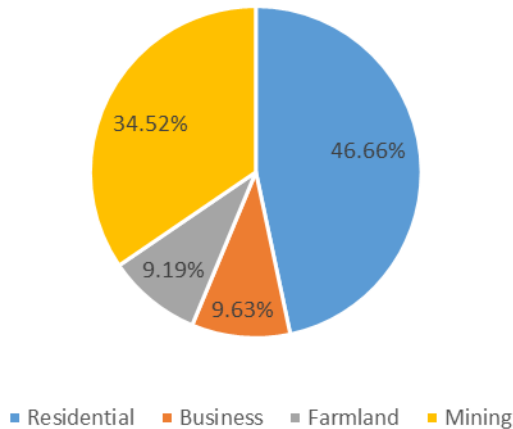
Rate income calculation

PERMISSIBLE GENERAL INCOME CALCULATION

Prior year Notional General Income		15,574,458
Less:	Decrease from expiry of a prior special variation	<input type="text" value="-"/>
Adjusted first year Notional General Income		\$ 15,574,458
Plus:	Rate-peg % increase	<input type="text" value="2.50%"/> 389,361
Plus:	Additional special variation % increase	<input type="text" value="7.25%"/> 1,129,148
Plus:	Crown Land adjustment	<input type="text" value="0.00%"/>
	Total special variation %	<input type="text" value="9.75%"/>
<u>Other First Year Adjustments:</u>		1,518,509
(If known - Refer to advice from the Office of Local Government)		
Plus/Minus:	Prior year Catchup/Excess	<input type="text" value="-"/>
Minus:	Prior year Valuation Objections	<input type="text" value="-"/>
	Total Adjustments (excluding Crown land adjustments)	-
2016/17 Permissible General Income		\$ 17,092,967

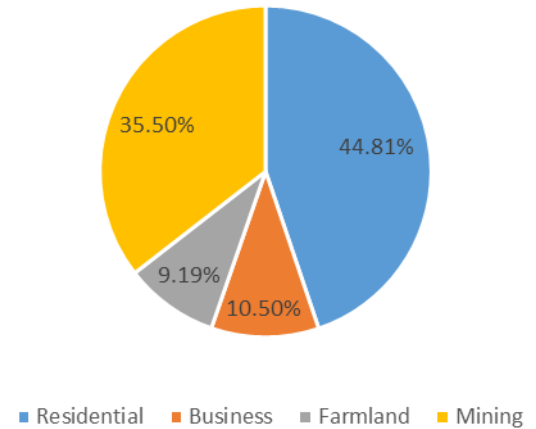
General rate income mix

2015/16 Rate Structure



Council has revised the rate mix which changes the way that the total rate income is distributed between the rate categories.

2016/17 Rate Structure



The Breakdown of the SRV

Year	Rate Peg Limit	Proposed SRV	Expiring SRV	Total Increase Proposed
2016/2017	2.50%	7.25%	0.00%	9.75%
2017/2018	2.50%	7.25%	-3.10%	6.65%
2018/2019	2.50%	7.25%	0.00%	9.75%
2019/2020	2.50%	7.25%	0.00%	9.75%
Total Movement	10.00%	29.00%	-3.10%	35.90%
Cumulative Movement	10.38%	32.31%	-3.10%	39.59%

Movement over the current future rate movements

	2016/2017	2017/2018	2018/2019	2019/2020
Residential Urban	\$ 56.54	\$ 93.08	\$ 161.58	\$ 238.27
Residential Village	\$ 37.98	\$ 62.58	\$ 108.73	\$ 160.42
Farmland Ordinary	\$ 109.86	\$ 180.86	\$ 313.98	\$ 462.94

Average rate comparison 2015/16 – neighbouring councils

Council	Average Residential Rate	Average Farmland Rate	Average Business Rate
Cessnock City	\$1,131.00	\$2,080.81	\$3,468.09
Maitland City	\$1,186.71	\$3,027.60	\$5,812.02
Muswellbrook Shire	\$752.18	\$2,811.04	\$2,369.58
Singleton	\$833.51	\$1,516.37	\$1,704.66
Upper Hunter	\$763.22	\$3,225.81	\$1,061.32

Impact of SRV on ratepayers

Rate Category	2015/16 Financial Year	2016/17 Financial Year	2017/18 Financial Year	2018/19 Financial Year	2019/20 Financial Year	Cumulative Increase %
Residential Urban	\$ 811.95	\$ 855.84	\$ 912.03	\$ 1,000.95	\$ 1,098.84	35.31%
Residential Rural Residential	\$ 1,125.82	\$ 1,181.64	\$ 1,255.08	\$ 1,377.48	\$ 1,511.79	34.28%
Residential Village	\$ 541.76	\$ 574.51	\$ 615.04	\$ 675.01	\$ 740.86	36.75%
Residential Ordinary	\$ 810.78	\$ 854.97	\$ 911.41	\$ 1,000.45	\$ 1,098.00	35.43%
Percentage of Rate Income	46.66%	44.81%	44.81%	44.81%	44.81%	
Rate Yield	\$ 7,266,742.45	\$ 7,656,988.75	\$ 8,157,538.77	\$ 8,953,310.80	\$ 9,826,775.24	
Business Singleton	\$ 1,934.92	\$ 2,318.45	\$ 2,468.69	\$ 2,709.42	\$ 2,973.61	53.68%
Business Mount Thorley	\$ 2,404.25	\$ 2,887.11	\$ 3,071.96	\$ 3,371.52	\$ 3,700.27	53.91%
Business Village	\$ 918.22	\$ 1,086.59	\$ 1,161.86	\$ 1,275.15	\$ 1,399.49	52.41%
Business Ordinary	\$ 1,017.26	\$ 1,206.61	\$ 1,289.12	\$ 1,414.83	\$ 1,552.80	52.65%
Percentage of Rate Income	9.63%	10.50%	10.50%	10.50%	10.50%	
Rate Yield	\$ 1,499,676.77	\$ 1,794,227.85	\$ 1,911,449.09	\$ 2,097,843.71	\$ 2,302,403.59	
Farmland Ordinary	\$ 1,516.37	\$ 1,663.56	\$ 1,772.09	\$ 1,945.14	\$ 2,134.72	40.78%
Percentage of Rate Income	9.19%	9.19%	9.19%	9.19%	9.19%	
Rate Yield	\$ 1,431,457.39	\$ 1,570,402.57	\$ 1,672,851.54	\$ 1,836,212.44	\$ 2,015,177.83	
Coal Mine	\$ 97,753.67	\$ 110,298.10	\$ 117,509.64	\$ 128,975.37	\$ 141,552.13	44.80%
Coal Rights	\$ 1.70	\$ 1.78	\$ 1.84	\$ 1.93	\$ 2.03	19.41%
Percentage of Rate Income	34.52%	35.50%	35.50%	35.50%	35.50%	
Rate Yield	\$ 5,376,581.03	\$ 6,066,531.08	\$ 6,463,169.72	\$ 7,093,792.32	\$ 7,785,521.75	
	100.00%	100.00%	100.00%	100.00%	100.00%	
Total Rate Yield	\$ 15,574,457.64	\$ 17,088,150.24	\$ 18,205,009.12	\$ 19,981,159.26	\$ 21,929,878.40	

Includes an allowance for a rate peg increase of 2.50% pa which equates to a 10.38% over the 4 years.

Impact of SRV on ratepayers

- Number of rate assessments – 10,673
- The new rate structure will benefit 81.69% of rate assessments with an lower increase in rates compared with the existing rate structure
- Number of pensioner concessions – 1,069
- Pensioner rebates
- Hardship Relief Policy
- Council engaged The Western Research Institute (WRI) to analyse the proposed rate increase with other costs and prices, impact on households, farms and non-farm businesses.

Impact of SRV on Residential ratepayers

- The proposed rate increase will be **below** experienced and forecast price changes in childcare, electricity and gas prices. The rate increase will exceed experienced and forecast price changes in all other cost categories. However, when examining the impact of the SRV only (***without*** a notional rate mix change) on price changes, the planned SRV will be **below** experienced and forecast changes for only 1 out of the 19 cost categories.

Impact of SRV on Residential ratepayers

- The proposed increase of residential rates in Singleton is likely to have a negligible impact, because under the proposed SRV, rates as a percentage of total household expenditure will not change, remaining constant at 0.01% between 2016/17 and 2019/20 in the 'All households' category. Therefore, the proposed SRV will not unduly compromise residents overall expenditure and the reasonableness criterion is satisfied.

Impact of SRV on Residential ratepayers

- Singleton residential rates have been rising in accordance with its peer Group 4 LGAs' rates, Singleton Council ranks favourably, having rates well below the respective peer group median. This indicates that Singleton residents are likely to be able to continue to pay their rates under the SRV.

Impact of SRV on Residential ratepayers

- Regarding the affordability of the increase across socio-economic indicators, Singleton is ranked favourably against its peers and within NSW LGAs. Socio-Economic Indexes for Areas (SEIFA) rankings suggest Singleton is less disadvantaged relative to its peers. In addition, Singleton Council has a Rates Hardship Policy in place that provides assistance to ratepayers who are experiencing genuine difficulties with the payment of their rates and charges.

Impact of SRV on farmland business ratepayers

- The rates increase under the SRV will be above assumed changes in all input and output prices and wage costs. Under the SRV, the proposed farm rate increases will exceed experienced and forecast price changes in all categories.
- In terms of impact, the rates/value added ratio is above 1%, however the change in this ratio is less than 1%.

Impact of SRV on farmland business ratepayers

- Singleton rates have been rising steadily along with those of Group 4 LGAs and neighbouring LGAs. When comparing Singleton farmland businesses to other farmland rates in peer LGAs, it is considered to have relatively lower rates. Its position is expected to remain unchanged throughout the SRV period.

Impact of SRV on non-farm business ratepayers

- The rates increase under the SRV will be above assumed changes in all input and output prices and wage costs. Under the SRV the proposed business rates increase will exceed experienced and forecast price changes in all other non-farm cost categories. Therefore, the reasonableness test for input and output prices and wages is not satisfied.

Impact of SRV on non-farm business ratepayers

- The proposed rates increases under the SRV are considered serviceable for non-farm businesses and will not have a significant impact on their financial bottom line.
- Singleton rates have been rising in line with those of Group 4 LGAs and neighbouring LGAs. When comparing Singleton non-farm businesses to other non-farm business rates they remain well below their peer LGAs. It is expected that Singleton's non-farm business rates position is expected to remain unchanged throughout the SRV period.

Community consultation

- Community Engagement Strategy adopted 21 September 2015
- Consultation period 1 November to the 30 November 2015
- Instinct and Reason was engaged undertake quantitative and qualitative research

Community consultation undertaken

What we've done to consult with the Community:

- Website information (306 page views)
- Facebook (23 posts)
- Twitter (34 tweets)
- Youtube video (12,363)
- Media releases and interviews
- Paid advertisements (6 advertisements)
- Unpaid articles in local media
- Information brochure mail out to all ratepayers (8,600 copies)

Community consultation undertaken

What we've done to consult with the Community :

- Copies also available online, at Council's Customer Service Centre, Singleton Public Library, Singleton Youth Venue, Singleton Out of School Hours (OOSH) and Colleen Gale Children's Service.
- Online Survey (over 100 participants)
- Community Information sessions (4 sessions held with 11 participants)

Community consultation undertaken

What we've done to consult with the Community :

- Random phone survey undertaken of 465 residential ratepayers and 101 business ratepayers, carried out between 1-11 November 2015.
- Invited written submissions
- Qualitative follow-up of survey data
- Rates calculator (174 downloads)

Telephone Survey

- The respective rate rises were clarified, with Option A being the rate peg only increase of around 2.5% pa and Option B being a 9.75% pa increase for the next 4 years, including the rate peg. The total increases over the 4 year period were clarified. The implications were also outlined, with Option B enabling asset renewal and maintenance of current service levels, and Option A having potentially adverse impacts on service levels.

Telephone Survey

- Residential ratepayers split 65% Option A and 35% Option B. Business ratepayers split 60% Option A and 40% Option B.
- There is a clear relationship between the preferences expressed and the amount that ratepayers (say they) currently pay in general rates.
- Among business ratepayers who currently pay less than \$1,500, a majority favour Option B (43% A, 57% B). Among those who pay \$2,000 or more, fewer than one in three favour Option B (70% A, 30% B).
- Among residential ratepayers who pay less than \$1,000, there is an even split in preferences between Option A (48%) and Option B (52%). Among those who currently pay \$2,000 or more, there is a clear preference for Option A (75% A, 25% B).

Telephone Survey

- Income and other socio-economic factors are not key drivers of preferences, but the survey suggests two other factors are key – affordability and perceptions of value from what ratepayers currently pay.
- Among those who perceive good value, 51% favour Option B; among those who perceive poor value, 83% favour Option A.
- 72% of those who can afford to pay more favour Option A; 71% of those who can't afford to pay more favour Option B.

Telephone Survey

- Most ratepayers think that Singleton Council needs to provide more services and facilities but there is a reluctance to pay more, so the notion of paying significantly more simply to maintain current service levels is difficult to comprehend.
- Many residential ratepayers (29%) and business ratepayers (37%) are not prepared to pay any more *'to maintain local facilities and services at a satisfactory level'*.

Telephone Survey

- The proportions of business ratepayers prepared to pay more are 28% for \$10 per week more, 6% for \$15 per week more, 19% for \$20 per week more, 2% for \$30 per week more, and 1% for \$40 per week more.
- The proportions of residential ratepayers prepared to pay more are 23% for \$3 per week more, 29% for \$5 per week more, 5% for \$8 per week more and 6% for \$10 per week more.

Common themes

- Need to demonstrate internal savings first (cost reduction strategies).
- Reduce council staff numbers like the mines do.
- Council is not being fiscally responsible/reasonable with the SRV in the face of Singleton's economy. (Culture of spending).

Common themes

- Information booklet was misleading with average rate figures.
- Not everyone is a miner and on mining salaries making the SRV unreasonable.
- Unreasonable on young/single parent families.
- Seek further funding from mining companies before you ask residents to pay more. i.e VPAs

Common themes

- Spend Council reserves before asking residents to pay more.
- Need a balanced model with a smaller increases.
- Reduce capital expenditure and services such as place making, childcare, library, livestock saleyards.
- Inefficient and wasteful spending on projects i.e Town Centre & Glass Parade.

Common themes

- Reduce services in all other areas than roads, waste removal and water supply.
- Rates are already too high making them higher is unaffordable.
- Decreasing house prices are making it harder to maintain and pay rates on multiple properties.

Where to next?

- 30th November – Community Consultation closes.
- 21st December – Council meeting to consider community feedback and to determine whether to proceed with an application for a Special Rate Variation.
- 11th February 2016 – Application to IPART (Pending Council resolution)