

This addendum relates to the Imagine Lismore Revised Delivery Program 2017-2021 Rating Strategy – Special Rate Variation which appears on pages 22 to 26 of that document.

The addendum aims to ensure that the criteria set by the Independent Pricing and Regulatory Tribunal (IPART) for Special Rate Variations are being met.

The addendum details an additional option which was developed as a response to community feedback and was put forward to the community during Round 2 of the community consultation. Round 2 took place during September 2019.

Rating Strategy – Special Rate Variation

Introduction

The phrase ‘roads, rates and rubbish’ unfortunately does local government a great disservice. Yes, the three Rs are a core part of our service, but they are just a fraction of what councils actually do.

Local government is the playgrounds and sportsgrounds your kids use, the events and festivals you enjoy, the books you borrow from the library, the pools you swim in. It’s the footpaths and walking trails where you enjoy a morning walk, the park where you take your dog, and the outdoor dining area where you enjoy a morning coffee.

Councils also undertake hundreds of activities that are behind-the-scenes, from the protection of heritage buildings and the management of public facilities like City Hall to the maintenance of stormwater drains to protect our river from pollution.

All of this and much more contributes to our quality of life – and it all comes at a cost.

Council’s Long-Term Financial Plan shows that our costs now exceed our income. As anyone who runs a household budget knows, this is not sustainable.

As a result, Council is proposing a Special Rate Variation (SRV) to increase our revenue, which would be introduced progressively over three to five years.

Context

Lismore is a regional city with a total population of 43,135, making it the second largest population in the region after Tweed Shire.

Our city offers a wide variety of professional and retail services, arts and cultural activities, sporting and entertainment facilities, and community events.

Our city is home to major public and private hospitals, tertiary education services and a regional airport. We are the heart of the Northern Rivers and Council provides all the necessary services and infrastructure to support our region’s needs.

The additional income generated by a proposed SRV would place Council’s rating structure in line with that of other regional cities in NSW. The comparison table below shows how Lismore measures up against other regional centres. This is more relevant than comparing ourselves with surrounding councils in the Northern Rivers.

Table 1. City Council Rating Comparison

Council	Average Residential Rate	Average Business Rate	Population
Lismore City Council	\$1,150	\$4,365	43,125
Albury City Council	\$1,242	\$5,281	51,000
Orange City Council	\$1,770	\$5,767	41,809
Tamworth Regional Council	\$1,840	\$5,705	61,121
Port Macquarie-Hastings Council	\$2,267	\$7,267	78,000

The Proposed SRV

In mid-2019 Council undertook community consultation with the broader community as well as targeted focus groups to have a genuine and detailed discussion about the proposed SRV.

Council has resolved to apply to the NSW Independent Pricing and Regulatory Tribunal (IPART) for a permanent SRV. This would be introduced progressively over four years.

The staged increase would enable Council to achieve the following:

- Improved roads in urban and rural areas;
- Economic growth within the city via support for new business growth and investment

Like many NSW councils, Lismore City Council is facing the challenge of balancing community expectations with future financial sustainability.

Our local roads require ongoing upgrades and replacement over and above available funding to meet community needs. If we do not raise more revenue to upgrade these assets, they will deteriorate over time, costing us more to repair and replace in the long term.

As things currently stand, Council's revenue is regulated under rate pegging. IPART sets a rate peg which limits the amount that councils can increase rates from one year to the next. For many years, the rate peg has not kept pace with the cost to maintain infrastructure and provide services to the community. Without a rate increase, infrastructure would deteriorate further in coming years and Council would need to cut services in order to ensure income meets expenditure.

Community benefits

The proposed SRV would provide a range of benefits to the community in two key areas:

Roads

Maintain roads adequately and continue to increase sealed road repairs. Over a 10-year period, this would see an improvement in our entire road network and a decrease in our infrastructure backlog.

Improving the local economy

Option 1 - Average Farmland rate under rate pegging only	414,000	\$ 2,471	\$ 2,533	\$ 2,596	\$ 2,661	\$ 2,728	10.4%
Annual increase (%) - rate peg only		2.7%	2.5%	2.5%	2.5%	2.5%	
Cumulative Impact (\$) - of rate peg above base year levels			\$ 62	\$ 63	\$ 65	\$ 67	
Option 2 - Average Farmland rate under SRV commencing 2020/21	414,000	\$ 2,471	\$ 2,655	\$ 2,904	\$ 3,017	\$ 3,124	26.4%
Annual increase (%) - rate peg and SRV		2.7%	7.4%	9.4%	3.9%	3.5%	
Cumulative Impact (\$) - of SRV above base year levels			\$ 184	\$ 433	\$ 362	\$ 220	
Option 3 - Average Farmland rate under SRV commencing 2020/21	414,000	\$ 2,471	\$ 2,890	\$ 3,090			25.1%
Annual increase (%) - rate peg and SRV		2.7%	17.0%	6.9%			
Cumulative Impact (\$) - of SRV above base year levels			\$ 419	\$ 619			

RESIDENTIAL - URBAN/VILLAGE	Average Valuation	2019/20	2020/21	2021/22	2022/23	2023/24	Cumulative Increase
Option 1 - Average Residential - Urban/Village rate under rate pegging only	133,000	\$ 1,229	\$ 1,260	\$ 1,291	\$ 1,323	\$ 1,357	10.4%
Annual increase (%) - rate peg only		2.7%	2.5%	2.5%	2.5%	2.5%	
Cumulative Impact (\$) - of rate peg above base year levels			\$ 31	\$ 31	\$ 32	\$ 33	
Option 2 - Average Residential - Urban/Village rate under SRV commencing 2020/21	133,000	\$ 1,229	\$ 1,321	\$ 1,445	\$ 1,501	\$ 1,555	26.5%
Annual increase (%) - rate peg and SRV		2.7%	7.5%	9.4%	3.9%	3.6%	
Cumulative Impact (\$) - of SRV above base year levels			\$ 92	\$ 216	\$ 180	\$ 110	
Option 3 - Average Residential - Urban/Village rate under SRV commencing 2020/21	133,000	\$ 1,229	\$ 1,438	\$ 1,537			25.1%
Annual increase (%) - rate peg and SRV		2.7%	17.0%	6.9%			
Cumulative Impact (\$) - of SRV above base year levels			\$ 209	\$ 308			

RESIDENTIAL - RURAL	Average Valuation	2019/20	2020/21	2021/22	2022/23	2023/24	Cumulative Increase
Option 1 - Average Residential - Rural rate under rate pegging only	226,000	\$ 1,544	\$ 1,583	\$ 1,622	\$ 1,663	\$ 1,704	10.4%
Annual increase (%) - rate peg only		2.7%	2.5%	2.5%	2.5%	2.5%	
Cumulative Impact (\$) - of rate peg above base year levels			\$ 39	\$ 40	\$ 41	\$ 42	
Option 2 - Average Residential - Rural rate under SRV commencing 2020/21	226,000	\$ 1,544	\$ 1,659	\$ 1,815	\$ 1,885	\$ 1,952	26.4%
Annual increase (%) - rate peg and SRV		2.7%	7.4%	9.4%	3.9%	3.6%	
Cumulative Impact (\$) - of SRV above base year levels			\$ 115	\$ 271	\$ 226	\$ 137	
Option 3 - Average Residential - Rural rate under SRV commencing 2020/21	226,000	\$ 1,544	\$ 1,806	\$ 1,931			25.1%
Annual increase (%) - rate peg and SRV		2.7%	17.0%	6.9%			
Cumulative Impact (\$) - of SRV above base year levels			\$ 262	\$ 387			

BUSINESS - URBAN	Average Valuation	2019/20	2020/21	2021/22	2022/23	2023/24	Cumulative Increase
Option 1 - Average Business - Urban rate under rate pegging only	265,000	\$ 4,647	\$ 4,763	\$ 4,882	\$ 5,004	\$ 5,129	10.4%
Annual increase (%) - rate peg only		2.7%	2.5%	2.5%	2.5%	2.5%	
Cumulative Impact (\$) - of rate peg above base year levels			\$ 116	\$ 119	\$ 122	\$ 125	
Option 2 - Average Business - Urban rate under SRV commencing 2020/21	265,000	\$ 4,647	\$ 4,994	\$ 5,463	\$ 5,674	\$ 5,772	24.2%
Annual increase (%) - rate peg and SRV		2.7%	7.5%	9.4%	3.9%	1.7%	
Cumulative Impact (\$) - of SRV above base year levels			\$ 347	\$ 816	\$ 680	\$ 309	
Option 3 - Average Business - Urban rate under SRV commencing 2020/21	265,000	\$ 4,647	\$ 5,437	\$ 5,812			25.1%
Annual increase (%) - rate peg and SRV		2.7%	17.0%	6.9%			
Cumulative Impact (\$) - of SRV above base year levels			\$ 790	\$ 1,165			

BUSINESS - INNER CBD	Average Valuation	2019/20	2020/21	2021/22	2022/23	2023/24	Cumulative Increase
Option 1 - Average Business - Inner CBD rate under rate pegging only	146,000	\$ 8,647	\$ 8,863	\$ 9,085	\$ 9,312	\$ 9,545	10.4%
Annual increase (%) - rate peg only		2.7%	2.5%	2.5%	2.5%	2.5%	
Cumulative Impact (\$) - of rate peg above base year levels			\$ 216	\$ 222	\$ 227	\$ 233	
Option 2 - Average Business - Inner CBD rate under SRV commencing 2020/21	146,000	\$ 8,647	\$ 9,292	\$ 10,165	\$ 10,558	\$ 10,739	24.2%
Annual increase (%) - rate peg and SRV		2.7%	7.5%	9.4%	3.9%	1.7%	
Cumulative Impact (\$) - of SRV above base year levels			\$ 645	\$ 1,518	\$ 1,266	\$ 574	
Option 3 - Average Business - Inner CBD rate under SRV commencing 2020/21	146,000	\$ 8,647	\$ 10,116	\$ 10,815			25.1%
Annual increase (%) - rate peg and SRV		2.7%	17.0%	6.9%			
Cumulative Impact (\$) - of SRV above base year levels			\$ 1,469	\$ 2,168			

BUSINESS - OTHER	Average Valuation	2019/20	2020/21	2021/22	2022/23	2023/24	Cumulative Increase
Option 1 - Average Business - Other rate under rate pegging only	156,000	\$ 1,784	\$ 1,829	\$ 1,874	\$ 1,921	\$ 1,969	10.4%
Annual increase (%) - rate peg only		2.7%	2.5%	2.5%	2.5%	2.5%	
Cumulative Impact (\$) - of rate peg above base year levels			\$ 45	\$ 46	\$ 47	\$ 48	
Option 2 - Average Business - Other rate under SRV commencing 2020/21	156,000	\$ 1,784	\$ 1,917	\$ 2,097	\$ 2,178	\$ 2,256	26.5%
Annual increase (%) - rate peg and SRV		2.7%	7.5%	9.4%	3.9%	3.6%	
Cumulative Impact (\$) - of SRV above base year levels			\$ 133	\$ 313	\$ 261	\$ 159	
Option 3 - Average Business - Other rate under SRV commencing 2020/21	156,000	\$ 1,784	\$ 2,087	\$ 2,231			25.1%
Annual increase (%) - rate peg and SRV		2.7%	17.0%	6.9%			
Cumulative Impact (\$) - of SRV above base year levels			\$ 303	\$ 447			

NIMBIN BUSINESS	Average Valuation	2019/20	2020/21	2021/22	2022/23	2023/24	Cumulative Increase
Option 1 - Average Business - Nimbin rate under rate pegging only	184,000	\$ 2,451	\$ 2,512	\$ 2,575	\$ 2,639	\$ 2,705	10.4%
Annual increase (%) - rate peg only		2.7%	2.5%	2.5%	2.5%	2.5%	
Cumulative Impact (\$) - of rate peg above base year levels			\$ 61	\$ 63	\$ 64	\$ 66	
Option 2 - Average Business - Nimbin rate under SRV commencing 2020/21	184,000	\$ 2,451	\$ 2,634	\$ 2,881	\$ 2,992	\$ 3,099	26.4%
Annual increase (%) - rate peg and SRV		2.7%	7.5%	9.4%	3.9%	3.6%	
Cumulative Impact (\$) - of SRV above base year levels			\$ 183	\$ 430	\$ 358	\$ 218	
Option 3 - Average Business - Nimbin rate under SRV commencing 2020/21	184,000	\$ 2,451	\$ 2,867	\$ 3,065			25.1%
Annual increase (%) - rate peg and SRV		2.7%	17.0%	6.9%			
Cumulative Impact (\$) - of SRV above base year levels			\$ 416	\$ 614			

Note: SBRVL expiry occurs in 2023/24

What alternatives were investigated?

Before considering the SRV, Council explored and implemented a number of strategies in an attempt to avoid or minimise any rate rise. These included:

1. Funding the required increase from general revenue – this would require substantial cuts or even elimination of services in other areas.
2. User fees and charges – User fees and charges are updated annually; large increases were not considered feasible and would be impracticable to implement. For example, Council does not have authority to implement road tolls nor would it be practical to implement entry fees for public parks.
3. Borrowings – applications were made to TCorp for additional borrowing in 2018 and this was declined. Large, one-off borrowings would further exacerbate backlog ratios and our financial sustainability challenge. Loans would need to be repaid thus further impacting annual programs.
4. Reserves – there are no available funds in reserve to redirect to annual operating expenditure.
5. Grant funds – Council could seek to rely on grant funds, however, there are no grant programs that deliver ongoing funding to the level required to address these issues.

Consultation

There has been direct consultation with the community to obtain a clear indication of support or otherwise for the proposed SRV. The consultation process be included.

- A dedicated consultation page on Your Say Lismore, Council's online engagement hub, including information about the SRV and how you can provide feedback, e.g. through an online community-wide survey with clear options for people to choose from.
- Promotion of the consultation process via media coverage, articles in our fortnightly newsletter Local Matters and specific pages on our website.
- Face-to-face workshops with a demographically representative, random selection of community members.
- Information kiosks at local events and other workshops.

Timelines and next steps

Council undertook a community consultation from 1 August 2019. This allowed community feedback to be sought and a report provided to Council by November 2019.

An application would be made to IPART in February 2020. If successful, the first stage of the SRV would take effect from 1 July 2020.