

Special Rates Variation – Public Forum

October 2023

We would like to acknowledge the
Gamilaroi/Kamilaroi people, who are the traditional
custodians of this land.

We would also like to pay respects to Elders past
and present and extend that respect to other
Aboriginal people present here tonight.

Objectives of today's forum:

Today's forum will:

- ✓ Provide you with information on:
 - The financial challenges facing the Council.
 - Special Rate Variations (SRV), what they are and the process councils must undertake to consider them.
- ✓ Outline the potential Special Rate Variation (SRV) being considered and the reasons for it.
- ✓ Provide you with an opportunity to ask questions to understand the challenges facing Council and the reasons for the proposal to apply for an SRV.

By the end of this session, you should be better informed and understand how to express your views on the SRV.

Agenda

This presentation will cover:

- Council's current financial position
- What is an SRV
- The proposed SRV and why it is needed
- Impact on average rates
- The SRV process and the next steps.

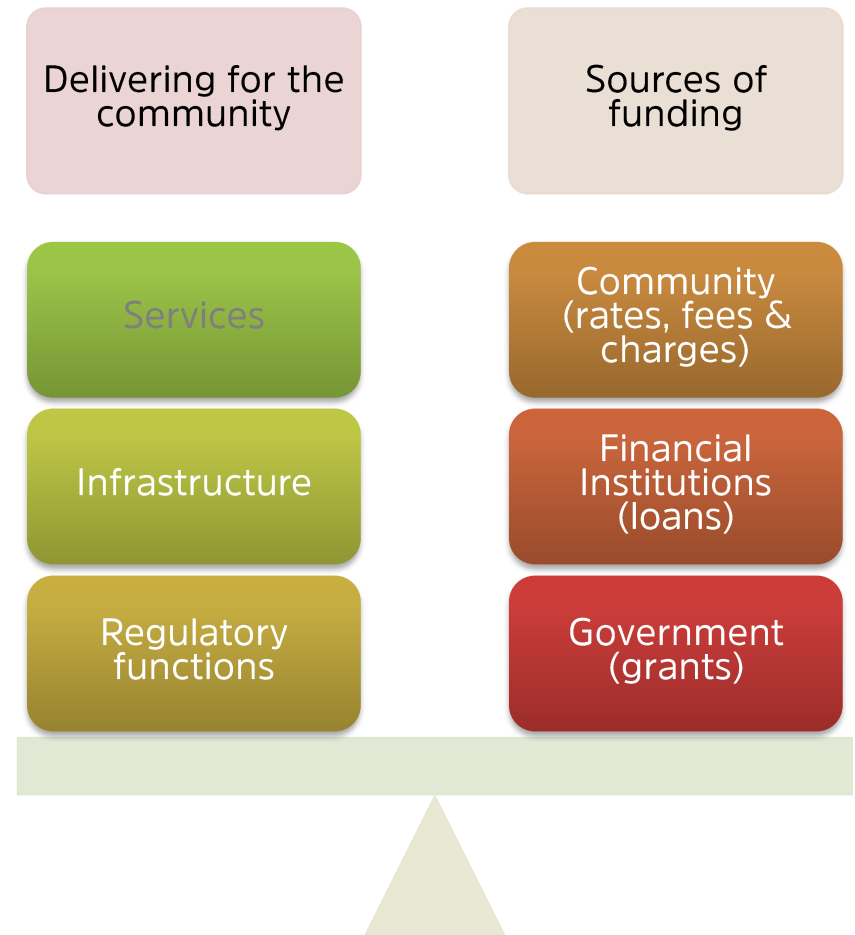
There will be opportunities to ask questions at the end of the presentation.

This forum is not intended to:

- Review Council's Delivery Program or Community Strategic Plan
- Make any decisions on whether to apply for the SRV

Councils Finance is a Balancing Act

- Councils must often make decisions to maintain the right balance between the services and infrastructure the Council delivers and the funding it receives from various sources.
- Councils must also consider **intergenerational equity** in making financial decisions – do we fund service/asset with current ratepayer funds or spread the cost burden across both current and future ratepayers?



Council must be financially responsible

Section 8(b) of the Local Government Act requires councils to apply sound financial management principles - Council spending should be responsible and sustainable, aligning general revenue and expenses.

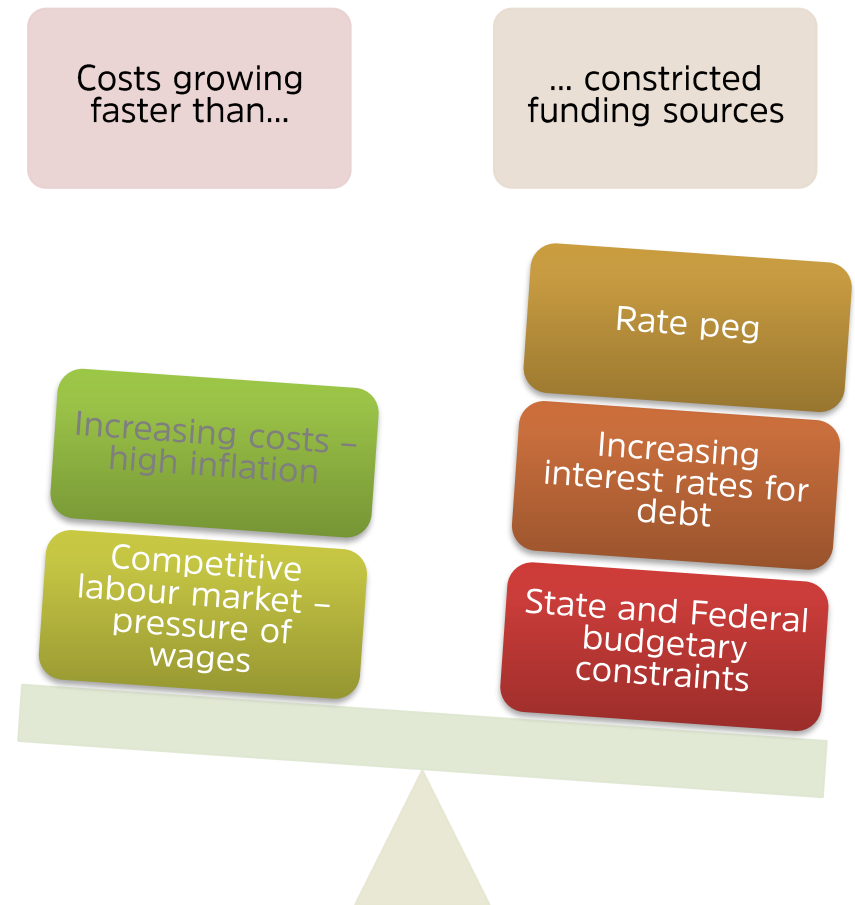
This includes:

- achieving a **fully funded operating position**
- **Maintaining a sufficient cash position**
- having an appropriately **funded capital program**
- **maintaining its asset base** 'fit for purpose'
- having adequate resources to meet ongoing **compliance obligations**.

Not negotiable - failure to meet these obligations can lead to NSW Office of Local Government intervention.

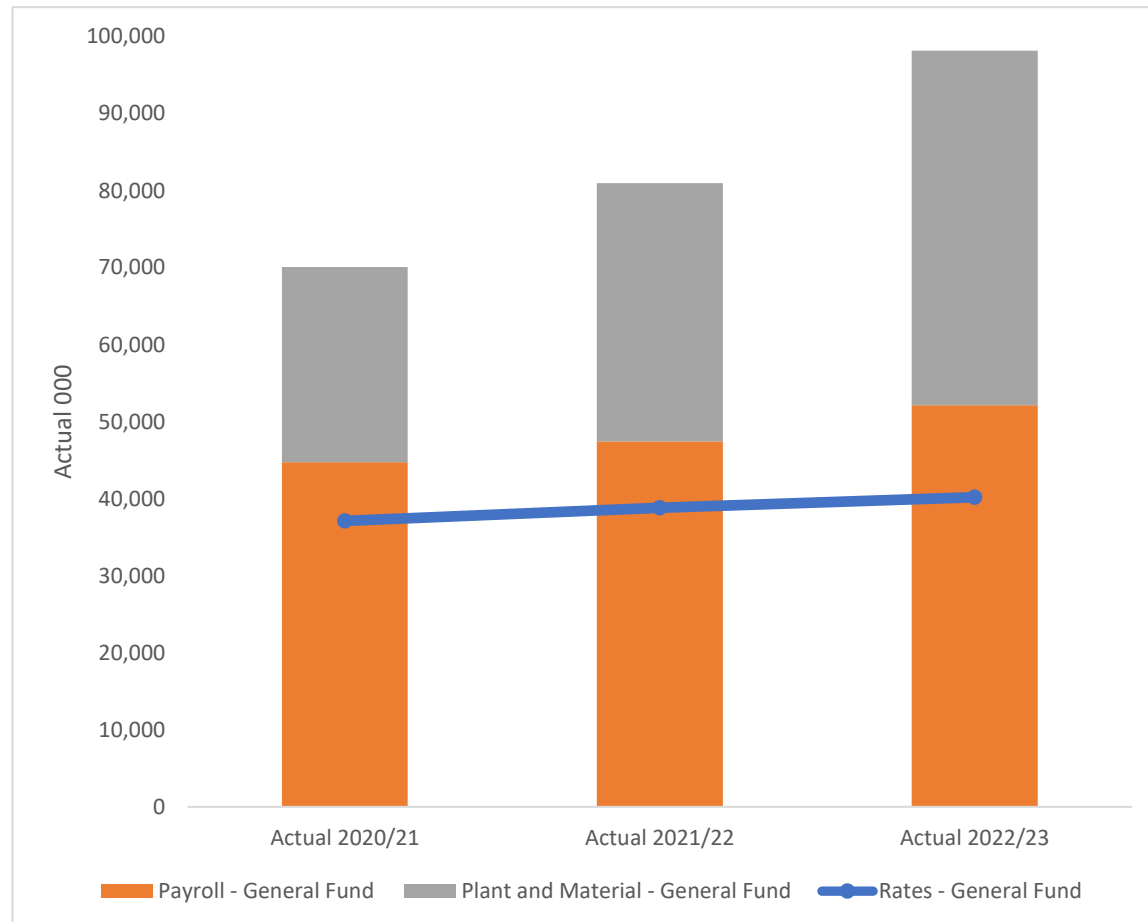
The Sustainability Challenge for Council

- Costs have been outstripping revenue for some time.
- Utilised cash reserves and reduced infrastructure spending to address shortfall.
- Impact of COVID, weather events and economic environment have further exacerbated the issues.
- Grants have supported to a degree – but can't rely on this into the future.



The Challenge in numbers

- In 3 years, rates increased by 8% whereas payroll and material increased by 17% and 81% respectively
- Roads maintenance witnessed major increases, for example: Bitumen resealing contract rates have increased by 50%.
- The cost of bridge replacement contracts have increased from \$6,000/m² in 2019 to \$18,000/m² for recent contracts



What has Council done to manage this?



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Initiatives
implemented



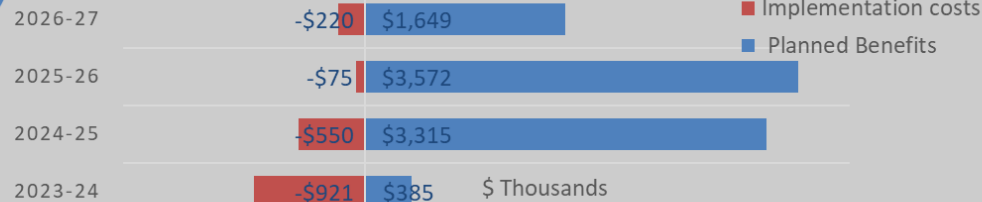
Savings realised
\$7.9 million p.a.
\$3.2 million one-off



Planned savings
\$1.6 million annually
\$2.2 million one-off



Summary of planned savings



Planned and future initiatives

24

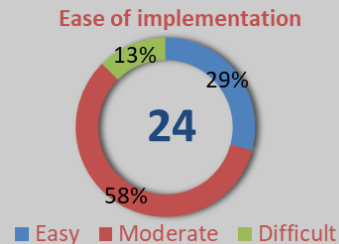
Costed
initiatives built
into the LTFP

14

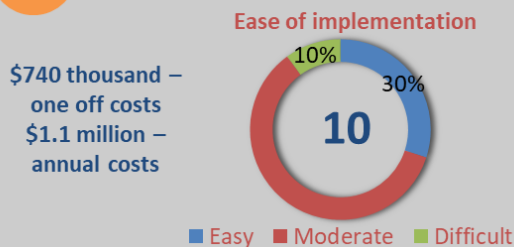
Initiatives
not yet in
the LTFP



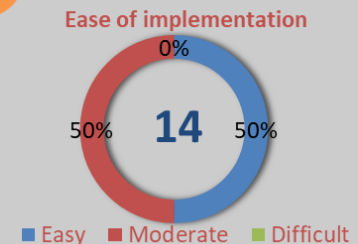
Initiatives in LTFP



Resource needs



Future initiatives



Other avenues Tamworth has considered

Council has also investigated several other avenues to keep costs in line with revenue, including:



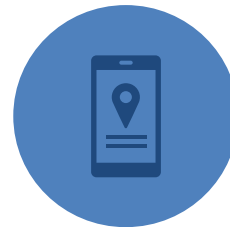
Land sales: land sales from the Tamworth Global Gateway Park is used to repay loans and build new assets.



Innovative service solutions: looking to deliver more with less by using volunteers, reviewing facilities' opening hours, etc.



Seeking support from State and Federal Government: optimising grant funding for new assets, not progress on new infrastructure without grant commitments (e.g. Ray Walsh House, Performing Arts Centre)

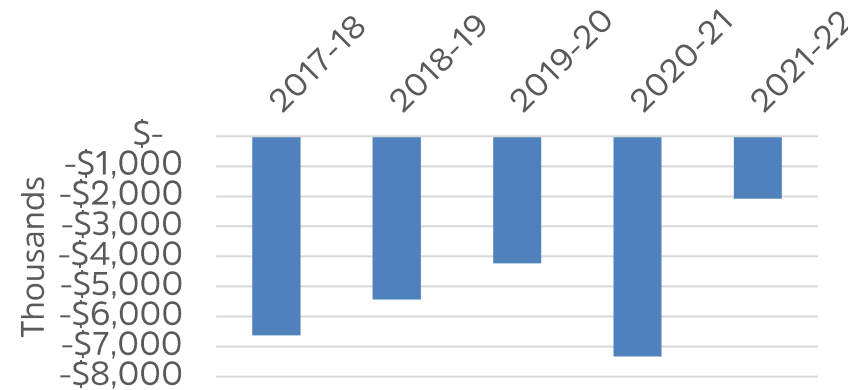


Investing in technology to improve staff productivity and customer experience.

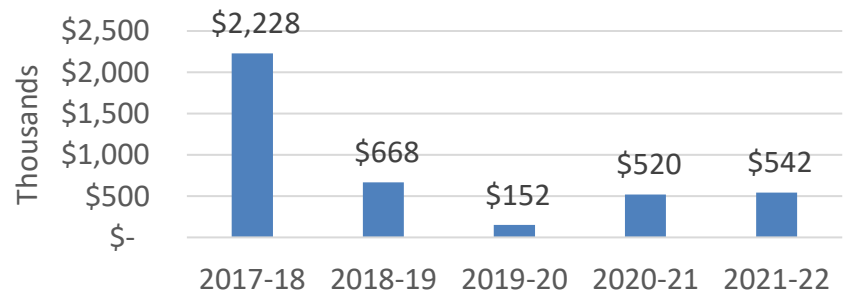
Historical trends in Council's financial position

This has not been and will not be sufficient alone for Council to continue to be financially sustainable. Council has been recording deficits in its general fund operating result for some time. Most of its cash reserves are restricted, unrestricted cash to fund the day-to-day operations of which Council has reduced over time.

Operating Result – General Fund



Unrestricted cash



Alternatives considered

Council looked at several different courses of action, including:

Do nothing: this the **base case**, where rates are subject to the rate peg and Council continues to deliver services and assets as planned.

Sustainability Scenario: this scenario includes all asset expenditure and projects Council needs to ensure ongoing sustainability. This can't be achieved without increasing rates by more than the set rate peg. A few alternatives were investigated within this scenario on potential rate increases:

One-year rate increase – not recommended due to impact on ratepayers.

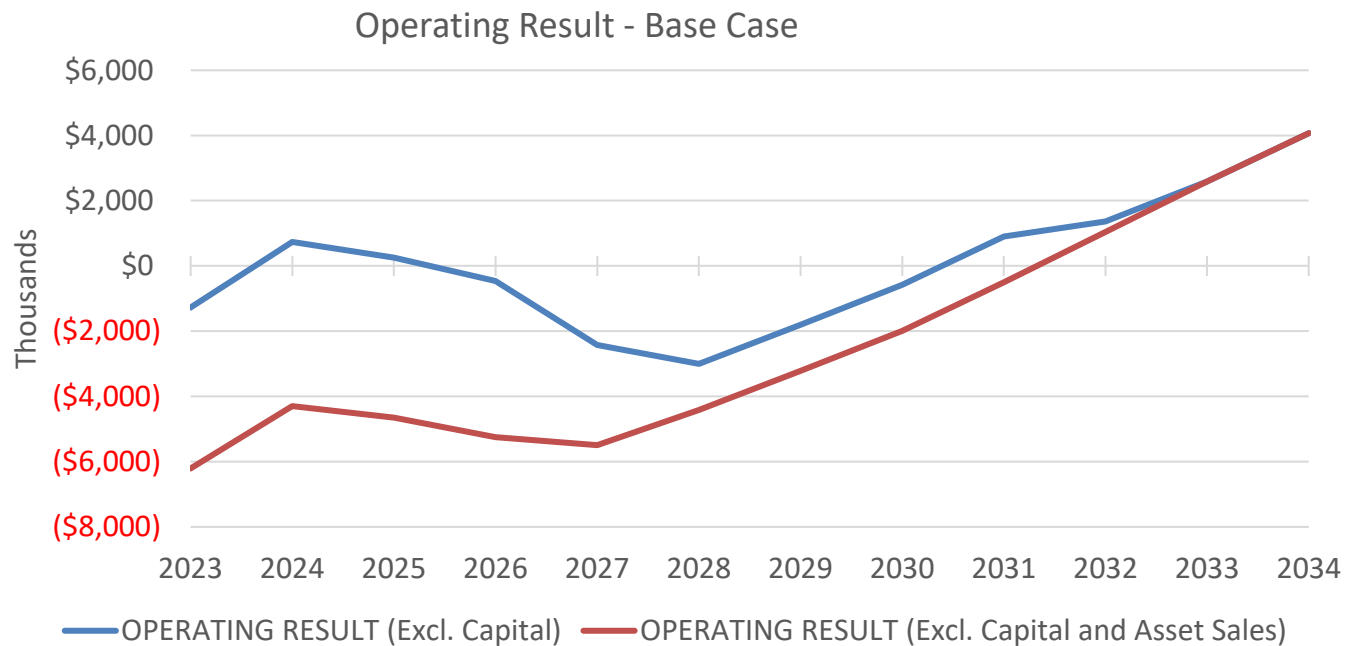
Two-year rate increase – recommended

More than two-year rate increase – not recommended due to rate peg unpredictability, particularly with recent IPART rate peg methodology review.

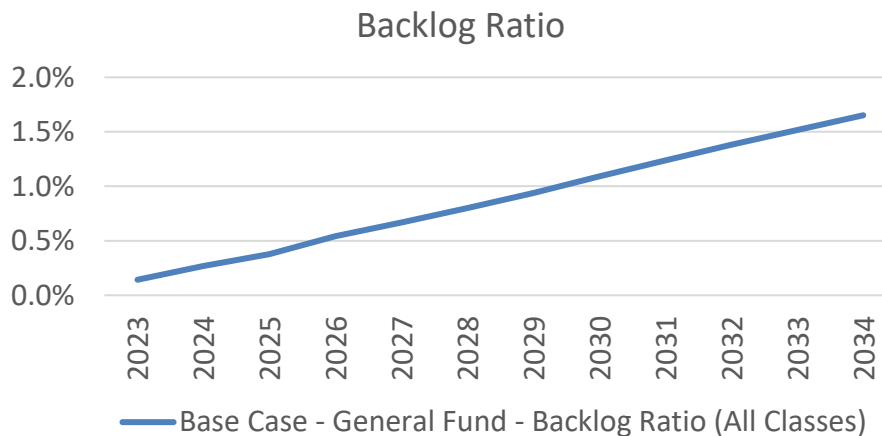
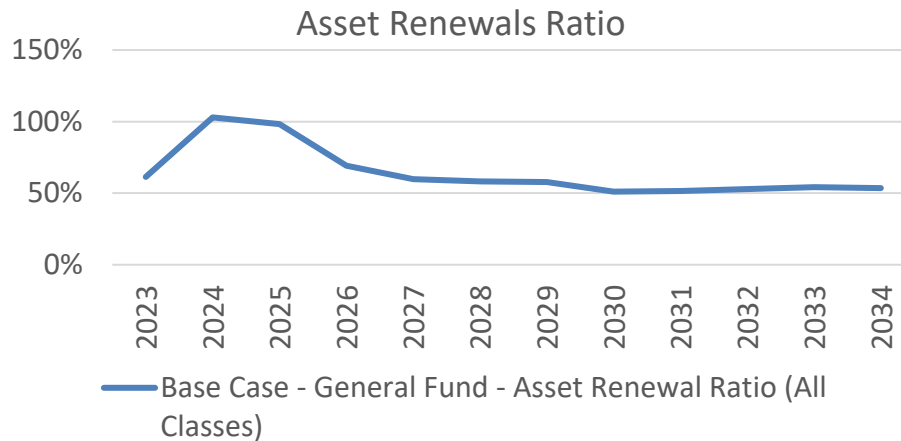
Growth scenario: this scenario included some growth projects, such as the Performing Art Centre and Ray Walsh House. This was not recommended as designs for these projects are not yet completed, funding commitment from State and Federal governments are not yet secured and the impact on ratepayers (without committed grants) was significant.

Base Case – Operations

Council is forecasting small surpluses and some deficits for the first six years of the forecast period, but land sales projections is having a positive impact on the operating result.



Base Case – Assets



- Land sales help, but further expenditure is required to maintain assets.
- Asset renewal averages 60.6% over the forecast period, 100% would keep assets at their current condition.
- As a result, the backlog ratio grows from 0.3% to 1.7% by 2033-34, although still within the 2% benchmark.

Sustainability Scenario

Same macro assumptions as base case. Removes asset funding gaps for all asset classes – assumes required renewal and maintenance, not planned.

In addition to base case projects, this scenario includes:

- Tamworth Regional Aquatic Centre and Northern Inland Centre of Sporting Excellence
- Tamworth Adventure Pool
- Delivery of sport and recreation strategies and masterplans (e.g. Victoria Park, Bicentennial Park and Chaffey Park)
- Backlog renewal works for Townhall, Community Centre, Peel House, TRECC and other buildings
- New rehoming pound
- Identified transport infrastructure upgrades (Jewry Street, Moore Creek Road, CBD Traffic)
- Backlog renewal works for Stormwater infrastructure.

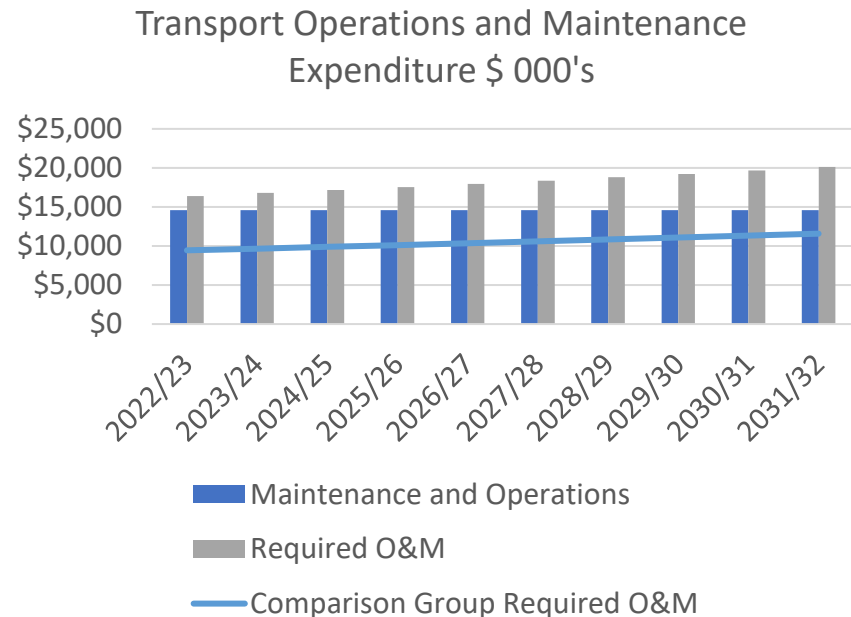
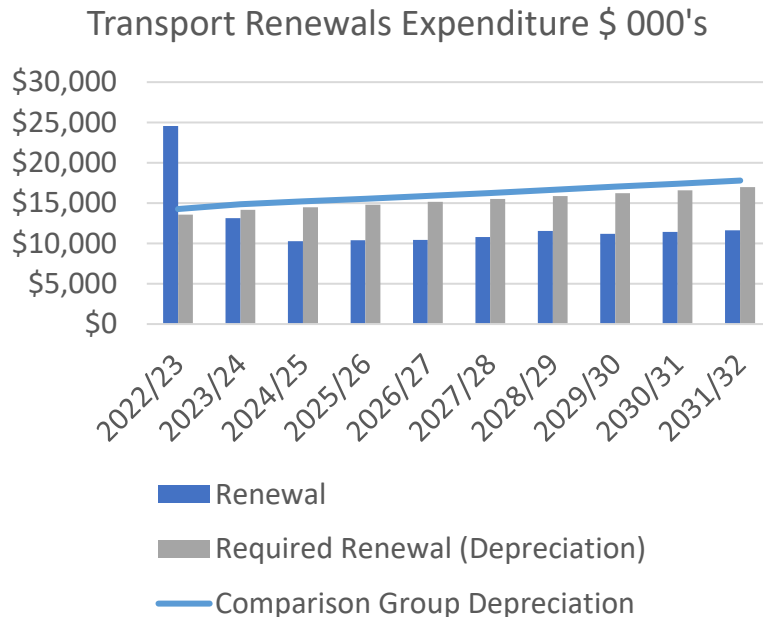
Includes the Improvement Plan initiatives and expected savings.

Sustainability Case, Asset Gaps

Most significant asset management gap is in roads.

The capital renewal gap averages \$4.7 million pa over the ten-year forecast period.

The operating expenditure gap for maintenances and operations averages \$4.0 million pa over the forecast period.

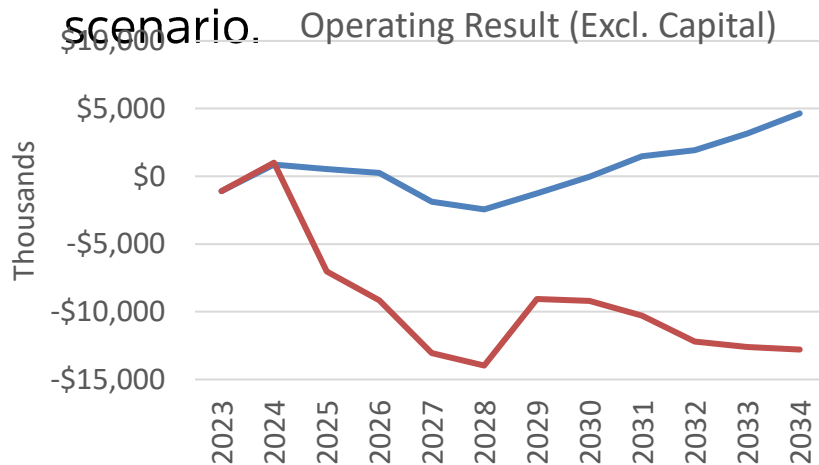


Sustainability Scenario is not viable without an SRV

The Sustainability Case without an SRV shows Council with significant Operating Deficits in the General Fund averaging \$10.9 million over the forecast period.

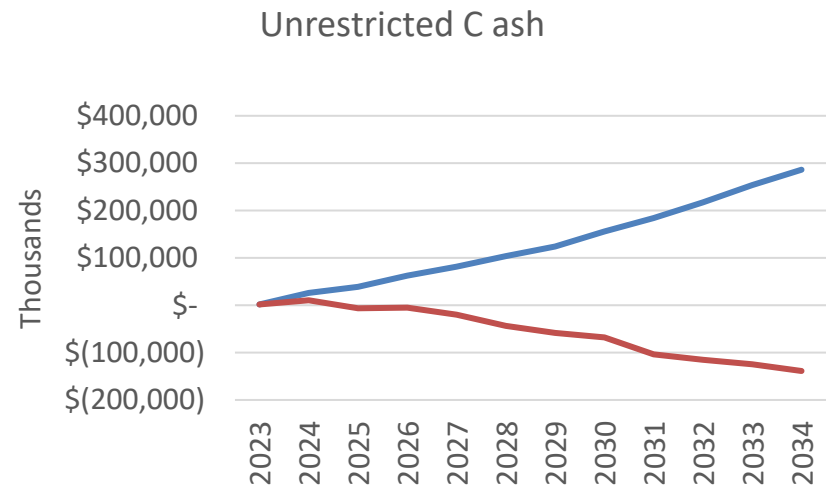
It also shows Council running out of unrestricted cash by 2024-25.

If Council doesn't apply for an SRV, it could not deliver the sustainable scenario.



— Base Case - General Fund - OPERATING RESULT (Excl. Capital)

— Sustainability Scenario - No SV - General Fund - OPERATING RESULT (Excl. Capital)



— Base Case - General Fund - Unrestricted Cash

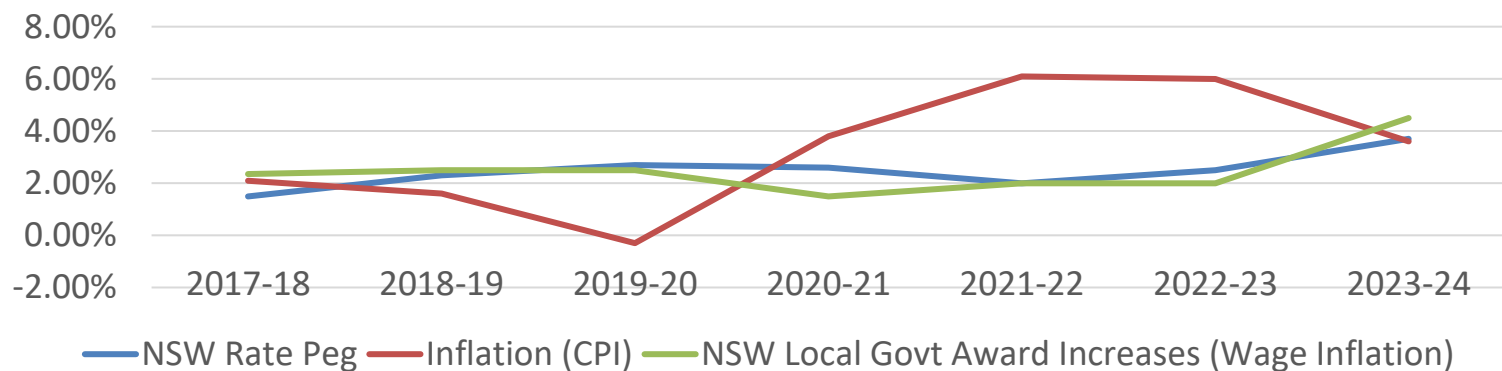
— Sustainability Scenario - No SV - General Fund - Unrestricted Cash

What is a Special Rate Variation?

NSW council general rate increases are restricted to the set **rate peg**, determined each year by the Independent Pricing and Regulatory Tribunal (IPART).

If councils need to increase their total general rates revenue by more than the rate peg, they must apply to IPART for a Special Variation (SV) to their rates.

As the rate peg doesn't keep pace with cost increases, an SRV is required at some point for nearly all councils.



Scenario Modelling

We have modelled a permanent SRV - implemented over two years.

The SRV is designed to ensure that Council:

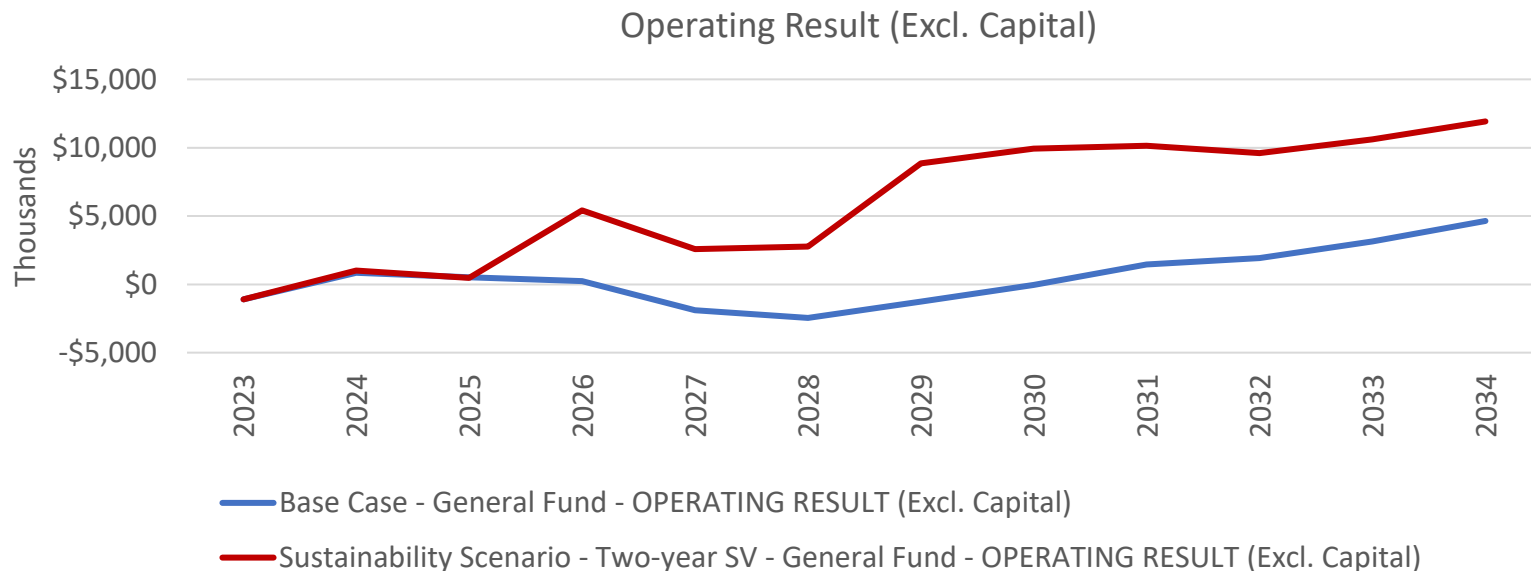
- generates an operating surplus, before capital income.
- fully funds its required renewal and maintenance.
- maintains a positive unrestricted cash position.

SRV rates quoted below are inclusive of the rate peg.

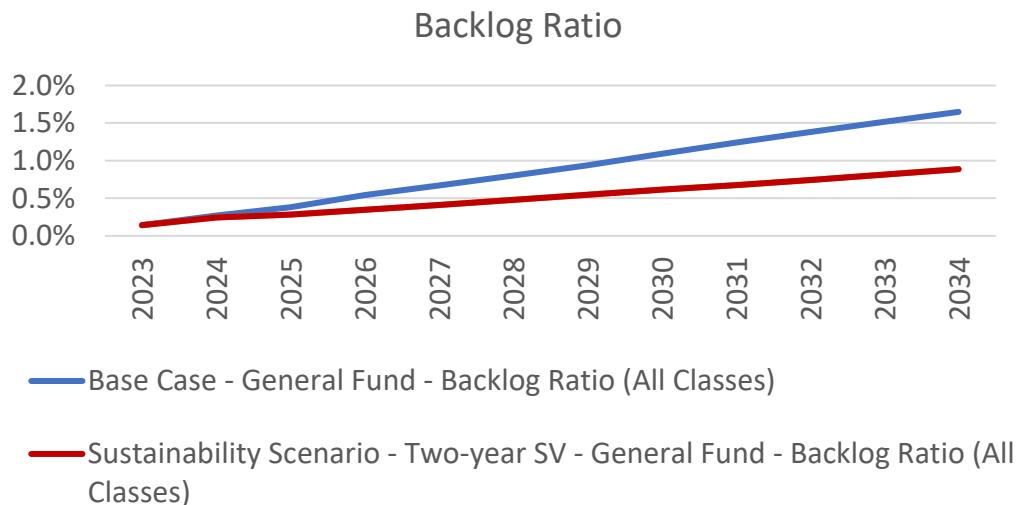
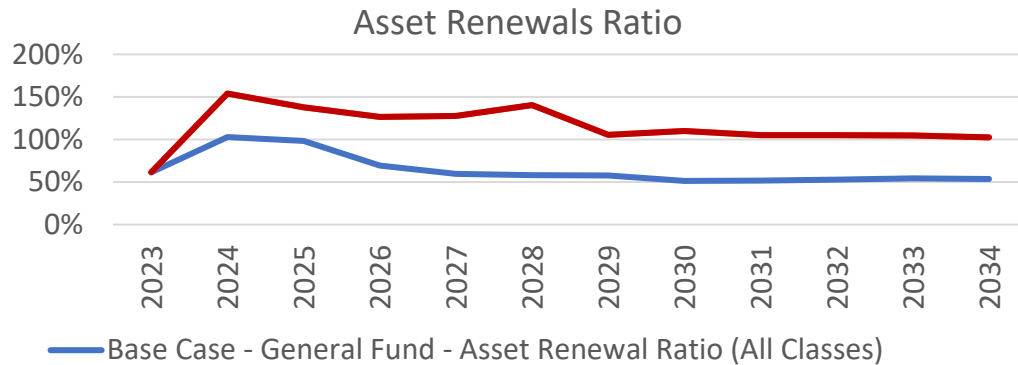
SV Options	2024-25	2025-26	Cumulative Rate over SV
Base Case – Rate Peg	3.5%	2.5%	n/a
Sustainability Scenario – Two-year SV	18.5%	15.0%	36.3%

SRV Option – Forecasting and Operating Result

- Operating result (before capital items) produces a surplus for the two-year SRV.
- Over the ten-year forecast, the average operating result for the sustainability scenario is \$7.2 million.
- Average operating performance ratio is 3.3%.



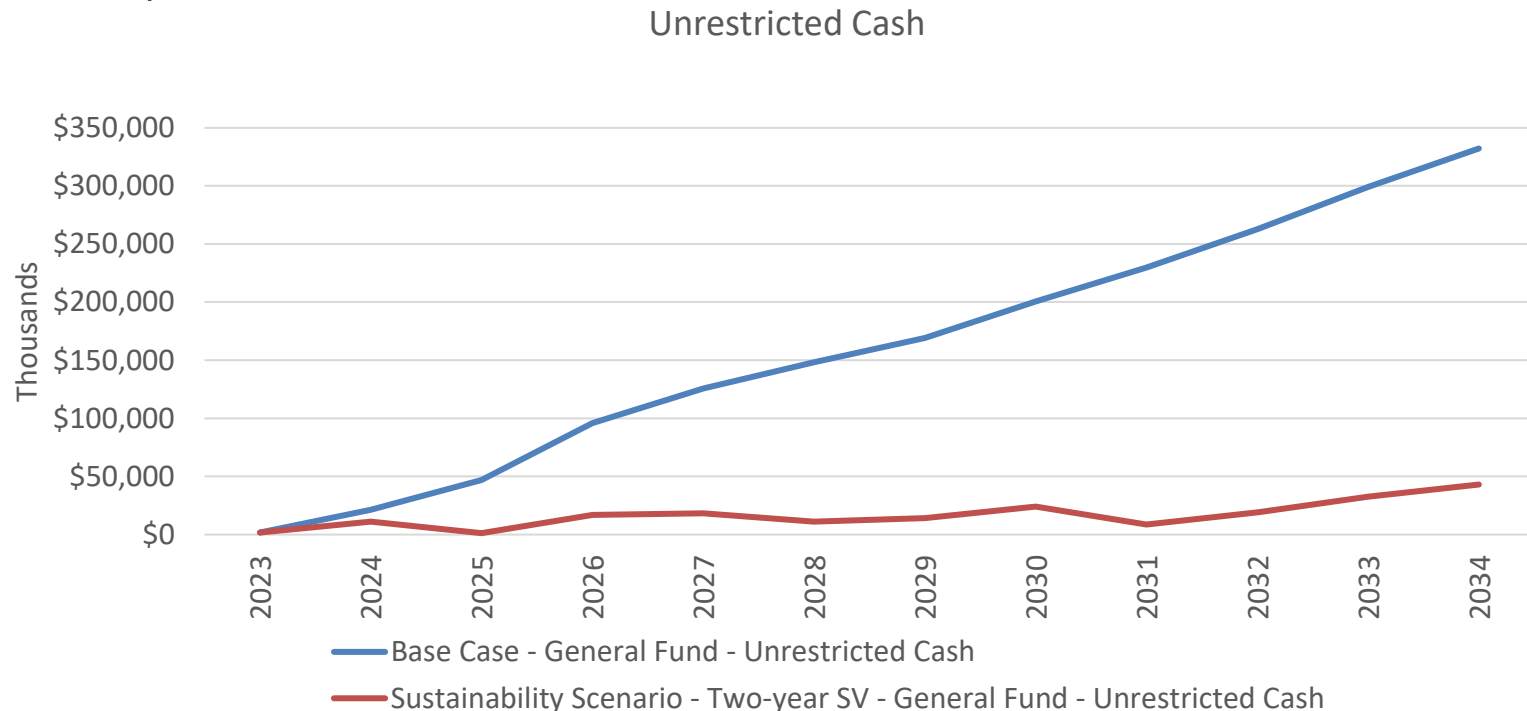
SRV option – asset renewal and backlog forecast



- The SRV addresses Council's asset renewal gap, producing a renewal ratio of above the 100% benchmark.
- As a result, the backlog ratio remains more stable under the SRV option averaging 0.6%.

SRV option - unrestricted cash

- The SRV option makes good use of Council cash reserves through investing in renewed, upgraded and new infrastructure, while ensuring sufficient unrestricted cash balances for ongoing operational needs.



**WHAT WILL BE
IMPACTED ON
YOUR RATES NOTICE?**

The 36.3% SRV will only impact the two items highlighted in red on your rates notice. This is made up of the base rate for your property and the land value

Tamworth Regional Council
PO Box 555
Tamworth NSW 2340

RATES & CHARGES NOTICE

Tamworth
REGIONAL COUNCIL

Mr J Citizen &
Mrs J Citizen
PO Box 123456
TAMWORTH NSW 2340

Tamworth Regional Council
ABN: 52 631 074 450
PO Box 555
TAMWORTH NSW 2340
General Enquiries (02) 6767 5555
Toll Free 1300 733 825
trc@tamworth.nsw.gov.au
www.tamworth.nsw.gov.au

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PARTICULARS OF RATES & CHARGES - 2023/2024

Property Details
Tamworth Street, TAMWORTH NSW 2340
1234 DP 123456789

DATE OF ISSUE: 26/07/2023
PROPERTY NO: 123456
DEDUCT PAYMENT SINCE: 19/07/2023
VALUATION BASE DATE: 01/07/2022

PARTICULARS OF RATES AND CHARGES	CENTS IN \$	RATEABLE VALUE	AMOUNT
Ordinary Residential - Tamworth	@ 0.627800 c in \$	181000	\$1,136.32
Ordinary Residential Base Amount - Tamworth	Base Amount	0	\$160.00
Sewer Availability - Residential Charge	Availability Charge	1	\$885.00
Stormwater Management Service - Residential	Charge @ \$25.00	1	\$25.00
Water Availability - 20mm or not Connected	Availability Charge	1	\$319.00
Domestic Waste Base Charge - Urban	\$244.00 per Service	1	\$244.00
Domestic Waste Collection Serv - Urban	\$188.00 per Service	1	\$188.00

Daily Interest Rate on Overdue Accounts is 9.0% per annum

Payment in Full Amount Due \$2,957.32

Instalment 1
Due 31/08/2023
\$740.32

Instalment 2
Due 30/11/2023
\$739.00

Instalment 3
Due 28/02/2024
\$739.00

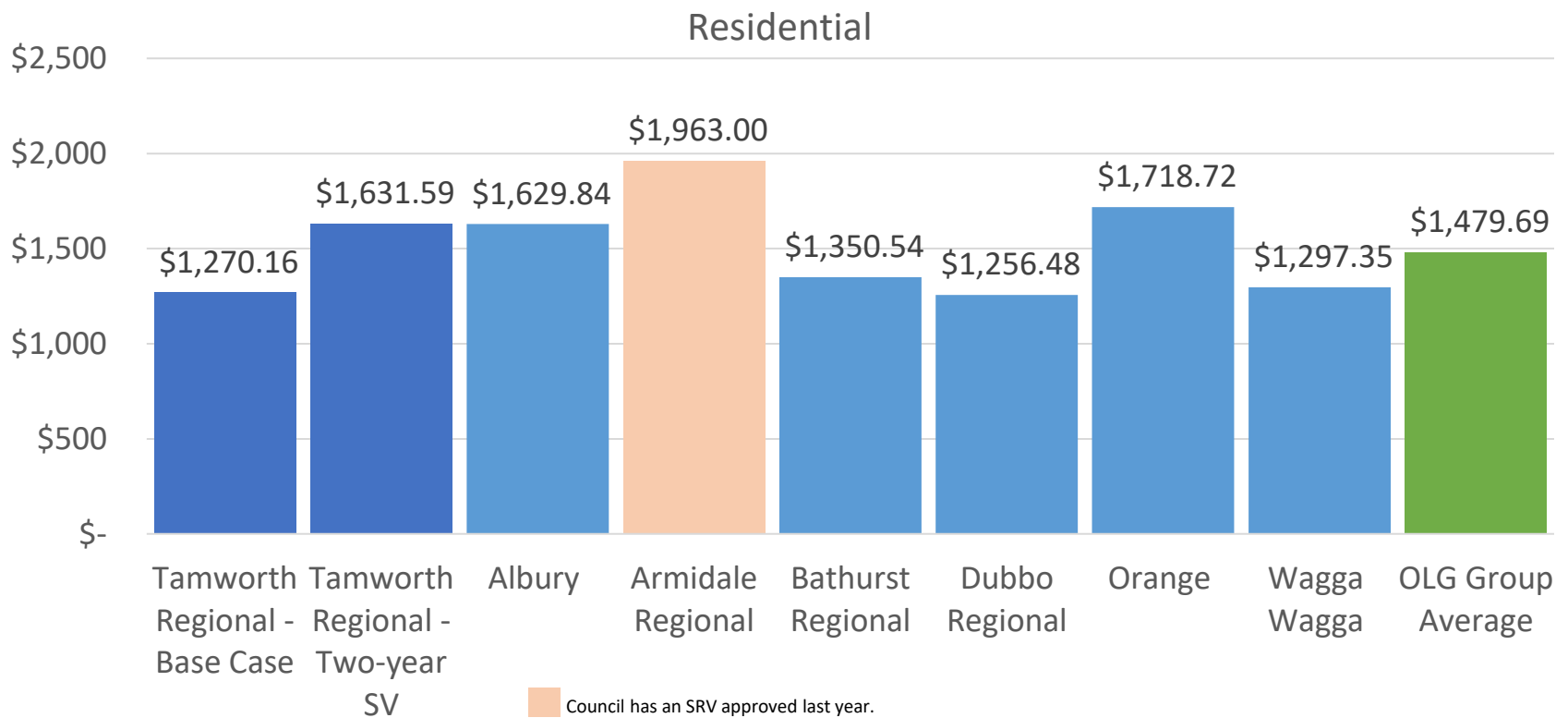
Instalment 4
Due 31/05/2024
\$739.00

SRV Calculator – Find out what the increase will be for you at haveyoursay.tamworth.nsw.gov.au

Average Proposed Increase

Residential	Total Increase	Total Weekly increase
Barraba	227.50	2.19
Manilla	223.98	2.15
Kootingal/Moonbi	187.09	1.80
Village (Attunga, Bendemeer & Nundle)	218.79	2.10
Tamworth (Urban Only)	485.21	4.67
Business	Total Increase	Total Weekly increase
Barraba	403.11	3.88
Manilla	582.17	5.60
Kootingal/Moonbi	334.20	3.21
Village (Attunga, Bendemeer & Nundle)	227.38	2.19
Tamworth (Urban Only)	1,720.01	16.54

Comparison Rates - Residential



Capacity to Pay Considerations

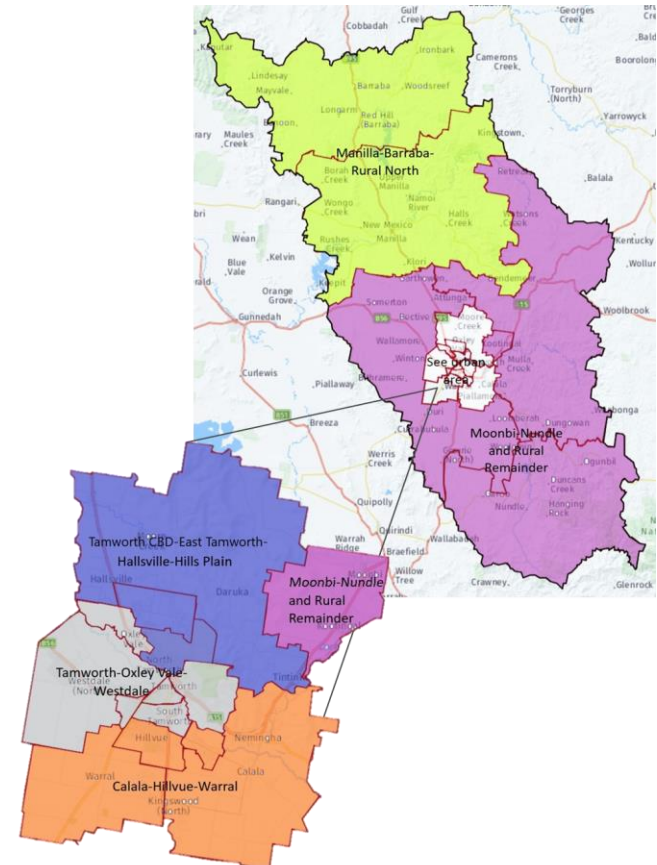
Capacity to pay group the LGA into five areas of relative consistent SEIFA rankings.

Lowest equalised household income and SEIFA index areas were Tamworth(part)-Oxley-Westdale and Manilla-Barraba-Rural North.

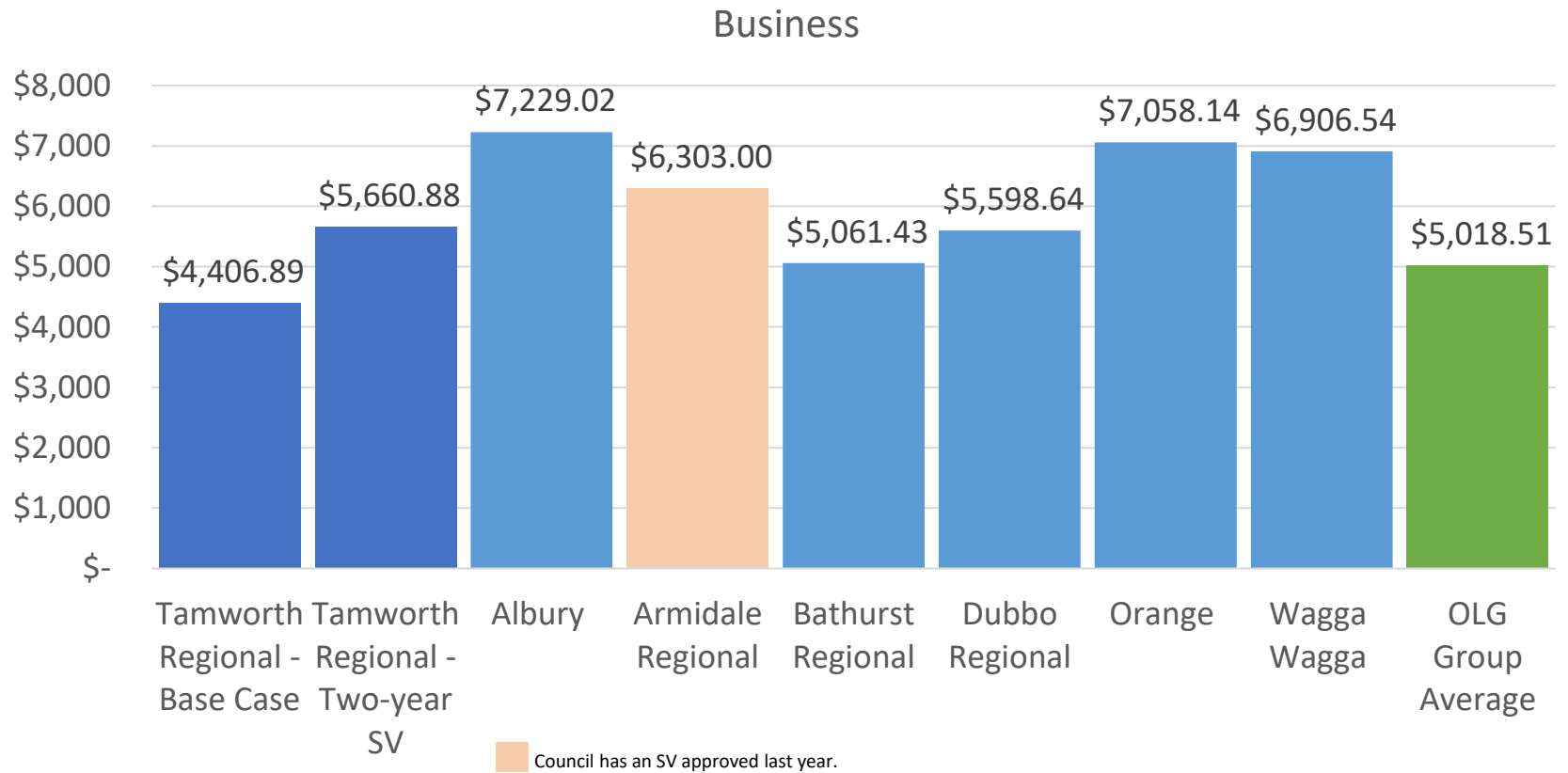
Localities with lowest SEIFA were South Tamworth and West Tamworth (Coledale).

These are also areas with lower land values.

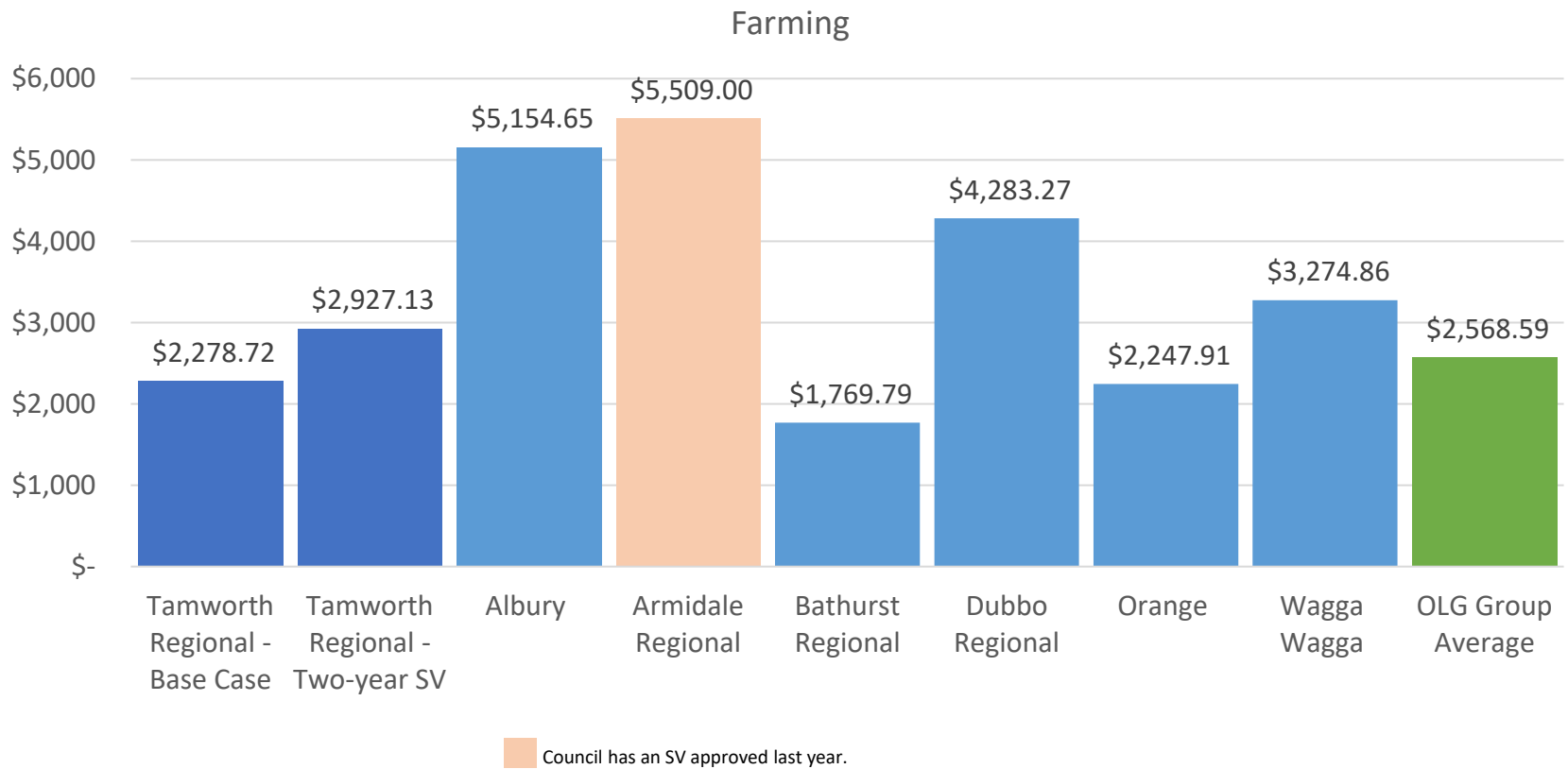
Tamworth(part)-Oxley-Westdale contained the lowest proportion of residential rate payers and the highest proportion of private renters.



Comparison Rates – Business



Comparison Rates – Farming



How to have your say

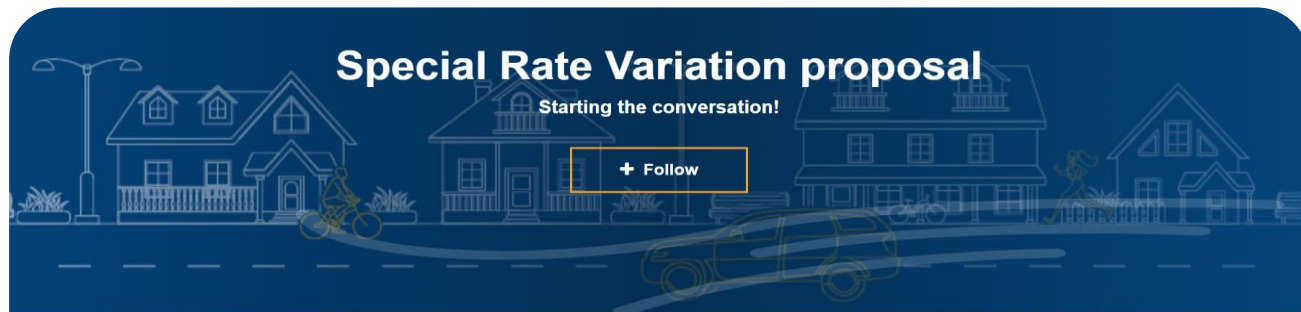
Visit Council's Have Your Say page

<https://haveyoursay.tamworth.nsw.gov.au/srv>:

read the supporting documentation and FAQs

take the short survey

provide a submission on the SRV and/or the updated Long Term Financial Plan



[Home](#) / [Special Rate Variation proposal](#)

Background

Tamworth Regional Councillors decided at the 12 September 2023 Ordinary Meeting to start a conversation with you about a potential Special Rate Variation (SRV).

Council identified in its 2023-24 Our Annual Plan and Budget, the need to investigate the viability of seeking a Special Rate Variation to ensure we remain financially resilient and are able to continue to deliver the services and facilities our community have told us they want and need.



What happens next

18 September to 31 October 2023: Community consultation on the SRV.

November 2023: Council will consider all submissions and decide on whether to proceed to apply for the SRV.

February 2024: Council lodges the SRV application (subject to above decision and IPART confirmation of dates).

Between March and April 2024: IPART invites submissions and evaluates the application.

May 2024: IPART makes its determination.

June 2024: Council determines if it will apply all or part of the approved SRV.

How the SRV will be assessed

IPART assesses the SRV applications using the following criteria:

1. The **need and purpose** of a different rate path for the council's General Fund is clearly articulated and identified in the council's IP&R documents.
2. Evidence that the **community is aware** of the need for and the extent of a rate rise.
3. The **impact on affected ratepayers** must be reasonable.
4. The relevant **IP&R documents** must be exhibited, approved and adopted by the council.
5. The IP&R documents or the council's application must explain and quantify the **productivity improvements and cost containment strategies**.
6. Any other matter that IPART considers relevant.

Questions