

# Frequently Asked Questions (FAQs) | Special Rate Variation



## What is Rate Pegging?

Council's rating revenue is regulated under the NSW Government's 'rate pegging'. The Independent Pricing and Regulatory Tribunal (IPART) sets a rate peg which limits the amount by which councils can increase their total rate revenue from one year to the next. For many years, the rate peg limit has not kept pace with the increases in costs for councils to deliver services.

## What is a special rate variation?

After IPART announces the rate peg for the upcoming year, councils can then have a conversation with the community as to whether the increase is sufficient to continue to deliver the existing range and standard of services available, whilst also ensuring there is sufficient funds to maintain and renew infrastructure. If they feel the increase is insufficient, Council can request an increase above the rate peg limit. These increases are known as a Special Rate Variation (SRV).

Applications for increases above the rate peg limit are assessed by IPART. IPART has stringent criteria which a council must meet before approving any application.

## Why do we need a special rate variation?

Following the issue of the Performance Improvement Order 39 actions have been identified to address this order. The major reasons for the SRV is to build unrestricted cash, as currently Council has very limited financial capacity to meet ongoing commitments, to have sufficient resources to deliver current services and to increase asset maintenance and capital renewal expenditure to ensure assets are fit for purpose.

The proposed Special Rate Variation is an important step to help maintain and manage our current assets and ensure we deliver services in line with community expectations and remain financially sustainable.

## What is a Performance Improvement Order?

The Minister for Local Government has issued a Performance Improvement Order requiring Council to address a number of issues identified by the government. Details of the Order can be found on Council's website.

## What will the SRV be spent on?

The impact of the SRV on the Long Term Financial Plan of Balranald Shire Council will be an increase of \$950,000, excluding rate peg amount, after year 7, along with a \$14 million saving in depreciation that will be allocated to our assets backlog and maintenance issues and current service provision including:

- \$2.1 million on asset backlog;
- \$11.8 million to ensuring the General Fund remains in balance and all service levels across all Council's functions are maintained;
- \$1.05 million to additional maintenance of council infrastructure assets such as the road and drainage network

Visit our website [www.balranald.nsw.gov.au](http://www.balranald.nsw.gov.au) and click on the Special Rate Variation link for further details.

### How much will my rates go up?

The increase in rates (in terms of dollars) will vary for residents across the shire. The reason for this is that Council uses the land value of properties throughout the shire to determine the level of rates each property owner should pay.

In other words, land value determines how Council's total rate income will be collected from each property owner. To allow residents to understand the impact of the SRV the following table shows the proposed rate increases based on the average land value for each rating category and sub category.

Balranald Average Rates Table

Category	Ave Land Value	Average Rates per Property	Average Rates Year1 SRV	Average Rates Year 4 SRV	Average Rates Year 7 ARV
<b>Farmland General</b>	700,174	2,838	3,122	4155	5531
<b>Farmland - Other Rural</b>	72,489	363	399	531	707
<b>Farmland - Intense</b>	123,369	1,183	1301	1732	2305
Farmland - Average	<b>438,314</b>	<b>1,946</b>	<b>2140</b>	<b>2848</b>	<b>2791</b>
<b>Residential - Balranald</b>	40,536	299	329	438	583
<b>Residential - Euston</b>	51,740	293	322	429	570
<b>Residential - General</b>	20,488	189	208	277	368
Residential - Average	<b>41,238</b>	<b>283</b>	<b>311</b>	<b>414</b>	<b>551</b>
<b>Business - Balranald</b>	44,059	1,395	1534	2042	2718
<b>Business - Euston</b>	113,600	2,352	2587	3443	4583
<b>Business - Mining</b>	41,473	470	517	688	916
<b>Business - Rural</b>	8,706	288	317	422	562
Business – Average	<b>35,597</b>	<b>960</b>	<b>1056</b>	<b>1406</b>	<b>1871</b>
<b>Total</b>	<b>159,973</b>	<b>861</b>	<b>947</b>	<b>1260</b>	<b>1678</b>

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### Could some areas of Council become more efficient?

We continue to drive organisational efficiencies with the significant improvement being the reduction in depreciation costs as a result of the revaluation of council assets. This is currently saving ratepayers \$2million per year. We are committed to service review program to ensure we deliver services and facilities that meet our community's needs in the most efficient way. Council will also review its current rating structure, undertake service reviews and fees and charges income.

Despite these savings, we still do not have sufficient funds to meet the costs of providing the current service levels.

### **Can Council use grant funds to meet costs such as the infrastructure backlog?**

There are substantial legislative restrictions over Council's funds. The Local Government Act 1993 (Section 409) states that funding granted to / collected by Council for one purpose cannot then be utilised for another purpose. In other words, a grant secured for sporting fields cannot be spent on roads. Only limited grant funding opportunities exist and are available for road asset renewal and upgrades and these generally have to compete on a State or Federal basis.

### **Is there an opportunity for Council to change its mind about a special rate variation?**

Any council considering a rate increase must comply with the requirements set out in IPART guidelines, including a notification confirming their 'intention to apply' while they continue with consultation. Balranald Shire Council will consider whether to notify IPART after the community consultation has concluded in November 2017. The actual application (due in February 2018) cannot be submitted until Council makes a formal resolution to do so. Council will make this decision at a Council meeting in February 2018.

### **Why aren't the water and sewer services included in these documents?**

The Local Government Act requires councils to fund water and sewer as separate functions. This is the reason why water and sewer rates and user charges are shown separately on your Council rates notice.

The proposed Special Rate Variation is for General Operations only. As this does not apply to water and sewer rates and user charges, they have been excluded from these documents.

**How do our rates compare with others?** Many residents have asked us how we compare to other councils in terms of the average rate bill. The table below illustrates this comparison.

Category	Balranald	Hay Shire	Wentworth	Balranald Year 7 SRV
Farmland	1,946	4,131	1,581	2791
Residential	283	597	747	551
Business	960	1,679	1,137	1871

The last column in the table above is the average category rate for Balranald ratepayers at the conclusion of the SRV increases.

### **What is happening with the two proposed mineral sands mines?**

At this stage neither mine has commenced production and therefore Council is not able to charge rates. Council is preparing for when the mines commence operation by establishing a rationale to charge rates. It is also proposing to create a mineral sands mining rating category and make a rate for 2018/19. It should be noted that the mines have a defined life of 16 to 20 years and therefore the rates will only be charged for that period. The mineral sands rate burden will not be redistributed to ratepayers once the operations cease. Details of the rating rationale, costs to provide additional services and maintain assets and estimate rates can be found in the Long Term Financial Plan.