

YOUR LOCAL news



29 AUGUST 2022

SPECIAL EDITION PROPOSED RATE RISE

MAYORAL MESSAGE

Mayor Bronwyn Petrie



This special newsletter is being sent to all Shire Residents to provide key information on the proposal for a substantial increase in rates (top two lines of the Rates and Charges notice only).

An increase has been needed for some years but has been put off because of record drought, extensive bushfires, COVID and flooding events.

Increasing rates is part of the solution to ensure long-term financial sustainability of Council and provision of important community services.

I urge all residents to read this edition and get the facts. Should you have further questions, please make an appointment to meet with us or attend a public Information Session. You can contact Council on 02 6736 6000 or by email on council@tenterfield.nsw.gov.au

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WHERE CAN I FIND MORE INFORMATION?

Tenterfield Shire Council Website
www.tenterfield.nsw.gov.au/tenterfield-shire-council-proposed-rate-rise-information

Tenterfield Shire Council Facebook Page
www.facebook.com/TenterfieldShireCouncil

Book an appointment with Senior Staff and Councillors to discuss your questions
Call (02) 6736 6000 or email e.melling@tenterfield.nsw.gov.au to book

Attend a Public Information Session
Check for upcoming Public Information Sessions throughout the Tenterfield Shire on our website www.tenterfield.nsw.gov.au

Try the Rates Calculator
Calculate your proposed rate rise amount using our Rates Calculator at www.tenterfield.nsw.gov.au/srv-rates-calculator

TENTERFIELD PUBLIC INFORMATION SESSION

Saturday, 3rd September 2022
2pm - 4pm

Memorial Hall, Molesworth Street

Join Councillors and Senior Staff and ask your questions regarding the potential rate rise.

Submit your questions to council@tenterfield.nsw.gov.au by the 1st September - submitted questions will be answered first, before taking questions from the floor (time permitting).

Details of Rates, Charges & Rebates

| | | |
|--|-----------------|-------------------|
| Ordinary Rates | | |
| 01 Residential Tenterfield | 26200 @ 0.59957 | \$157.09 |
| Base Amount | | \$329.00 |
| Service Charges | | |
| S01 Residential Water Service Availability | | \$818.00 |
| S14 Water Infrastructure Charge | | \$77.00 |
| S15 Residential Sewerage Availability | | \$1,320.00 |
| S28 Waste Collection - Domestic 240L Bin | | \$675.00 |
| S27 Waste Management Facility Charge | | \$288.50 |
| S40 Stormwater Management Charge - Res | | \$25.00 |
| S50 Waste Recycling Collection - Res | | \$88.50 |
| Pension Rebate | | -\$425.00 |
| NET AMOUNT DUE | | \$3,051.09 |

Please Note:
Increase applies to the total of Rates Category and Base Rate.

Payment by Instalments

| | |
|-------------------|-------------------|
| First Due | \$762.72 |
| 31/08/2022 | |
| Second Due | \$762.79 |
| 30/11/2022 | |
| Third Due | \$762.79 |
| 28/02/2023 | |
| Fourth Due | \$762.79 |
| 31/05/2023 | |
| TOTAL DUE | \$3,051.09 |

Image: The proposed rate rise will only apply to the first two lines of your Rates notice

FREQUENTLY ASKED QUESTIONS

regarding the potential rate rise.

WHY IS COUNCIL CONCERNED ABOUT ITS FINANCIAL POSITION?

Over the past decade, Tenterfield Shire Council has maintained high levels of service; maintaining roads, re-building bridges, running libraries, parks and gardens. However, in the past four years, prolonged drought, bushfires, COVID-19 and floods have all impacted Council's finances. At the same time, cost-shifting from the State Government and significant reduction of the Financial Assistant Grants (FAGs) by the Federal Government have had a significant impact on our bottom line.

While service levels have been maintained, Council's income has remained fairly static while input costs have soared with significant cost increases attributed to renewal and maintenance of assets. Council has also seen a significant cost increase in legislative compliance, (e.g. audit and risk, grant applications, reporting and acquittal) insurance and workers compensation. As Councils operating expenses are exceeding our operating revenue a deficit shortfall is generated which accumulates each year impacting Council service delivery to the community.

Council acknowledges that its cash reserves within the General Fund is of high concern and despite implementing effective short-term strategies to cut costs, including a freeze on staff hiring, Council's financial position is unsustainable without rate rises.

The proposed rate rise is critical because the gap between what we receive in rates into the General Fund and what we need to spend maintaining and upgrading Council owned assets (Shire buildings, 495km of sealed and 1107km of unsealed roads and bridges etc.) is currently \$4.5m per year.

Like most businesses, the impacts of the past three years have forced Council to stop and reset. With a new Council in place, we need to look at how we do business, where we can improve our revenues, create efficiencies, find savings and how we can ensure financial sustainability for the residents of Tenterfield Shire well into the future.

It should be noted that Council has separate funds for waste, water and sewerage. These funds are self sustaining and include asset management, maintenance and renewal costs. These funds cannot be used for any other purpose.

The remainder of services are financed through the General Fund.

Loans as at 30/06/22 are \$18,848,630.12 across the following Funds.
Water Fund \$5,969,574.77
Waste Fund \$3,379,854.08
Sewer Fund \$1,669,783.32
General Fund \$7,829,417.95 (plus approval for \$3.1 million if required and \$5 million as a draw down facility particularly for progress payments for grant works - neither of these have been accessed).

WHAT HAS COUNCIL DONE SO FAR TO SAVE MONEY?

We are focused on improving our productivity, streamlining services, containing our costs, and increasing own source revenue.

Even prior to being hit by the drought, bushfires, COVID-19 and the floods, it was recognised that Council had some budgetary challenges despite continuing to deliver a broad range of services, invest in local infrastructure, grow our economy and make Tenterfield Shire a great place to live, work and visit.

Council's Long-Term Financial Plan (LTFP) is the tool used to effectively plan for and deliver long-term sustainability. For some time, the LTFP has identified this year and next as being tough with operational costs associated across all operational areas negatively affecting the budget.

Like many other businesses around the world, the past two years have also impacted Council's budget. Costs associated with construction and transport have significantly increased. Major storms and flooding have increased our maintenance costs, insurance and diverted funds away from planned projects.

Despite our efforts, our financial forecast has shown that if we keep going this way, we'll spend more on our services than we can afford. We need to make real changes.

We know COVID-19 isn't over and other economic factors such as inflation and indicators of a global recession are biting, so it's important we take steps now to ensure Council is financially sustainable in the long-term.

In addition to the above, Council has continued to implement efficiency measures and reductions in operational expenses. Council currently has 24 vacancies within its current organisational structure and is disposing of non-essential Council assets.

Without a rate rise, Council services will be greatly reduced.

WHAT DOES IT MEAN TO REDUCE SERVICES?

Reducing services does not mean we stop delivering services, our role is to look after Tenterfield Shire and deliver on the community's vision for our place.

What you will see is a further reduction in service level delivery, this means reduced road maintenance, reduced maintenance on parks and buildings or not replacing older failing assets. Other services that could be impacted include opening times of our community libraries, our Visitor Information Centre or other facilities.

In order to weather the financial storm of the past couple of years Council has already curtailed many areas of spending, reduced services and delayed projects. This was a necessary measure to ensure we stayed within our means. Further long-term cuts to resourcing and service delivery will have a visible impact on the community.

As the elected Council look for savings, further engagement will be undertaken with the community to ensure Council, where possible, can continue to meet expectations while reducing services.

WHAT IS A RATE CAP AND RATE PEG?

Each year, the NSW Government sets the percentage Councils can increase their total rate income by for the following year. This income amount is known as the rate cap.

The rate peg is the annual percentage the cap can increase by.

The rate peg is based on the Local Government Cost Index (LGCI) which looks at last year's cost increases for items typically purchased by Councils. Sometimes, the rate peg is lower than LGCI to ensure Councils focus on finding savings and operating productively. When forecasting their budgets Councils are advised by the Independent Pricing and Regulatory Tribunal (IPART) to assume a 2.5% rate peg. However, historically, the rate peg does not meet all increasing costs and is not enough to meet new infrastructure and additional service needs. The rate peg only applies to rates, being the top two lines on your rate notice.

This year the rate peg for Tenterfield Shire was set at 0.7% - significantly lower (1.8%) than the budgeted 2.5%. The NSW Government recognised the lower-than-expected rate peg was a problem for Councils across NSW and introduced the Additional Special Variation (ASV) process to bring the rate peg for 2022-2023 financial year back up to 2.5%. However, Council

FREQUENTLY ASKED QUESTIONS

regarding the potential rate rise.

through resolution decided not to proceed with the extra increase of 1.8% after undertaking a cost benefit exercise and assessing the impact on community considering special rate variation discussion was already underway.

WHAT IS A SPECIAL RATE VARIATION?

The Independent Pricing and Regulatory Tribunal (IPART) sets the rate peg each year. It also assesses Council requests for a rate rise more than the rate peg which is called a special variation.

Special Rate Variations can be either for a single year or for multiple years and can be temporary or permanently retained in the rate base. Council needs to follow IPART's guidelines and make a formal application showing how they have demonstrated each criteria in the guidelines.

HOW DO OUR RATES COMPARE WITH OTHER COUNCILS?

Tenterfield Shire has the lowest average residential and farmland rates compared with other Shires in our region.

Contrary to claims made by some people during our community meetings, figures from the Office of Local Government show Tenterfield Shire's ordinary residential rates are the lowest in the region and our average ordinary farmland rate is well below the average for other Shires.

You can view the Rates Comparison Table and other documents on our website at www.tenterfield.nsw.gov.au/tenterfield-shire-council-proposed-rate-rise-information

HAVE OTHER COUNCILS APPLIED FOR A RATE VARIATION?

Yes. It is unfortunate that all councils at some point will face periods of challenging financial sustainability caused by the constraints and influences on Local Government. A Special Rate Variation is becoming a more common tool that Councils use to adjust their fixed income when reducing operating expenses alone does not balance the budget.

Already, Armidale Regional Council has announced they intend to apply for a 50% rate rise; Snowy Monaro Regional Council for a 100% rate rise and Port Stephens Council for between a 25%-50% rate rise.

HOW ARE MY RATES CALCULATED?

Rates are calculated according to the property land value, determined by the NSW Valuer General.

Rates are charged to property owners and will vary according to:

- Your land category and sub-category (e.g. residential, farmland, business)
- Your unimproved land value (not including the value of your home or other structures)
- Councils rating policy (e.g. business rates are higher than residential rates)

There are other charges that may appear on your rate notice that are not subject to the rate cap, such as waste management charges, waste service charges and sewage management fees.

To see how this proposed rate rise may impact you, please use our Rates Calculator at www.tenterfield.nsw.gov.au/srv-rates-calculator

HOW DID COUNCIL WORK OUT WHAT THE PROPOSED RATE INCREASE SHOULD BE?

When determining rate increases, Council considers its Long-Term Asset Management Strategy (over 10 years) and calculates the costs associated with renewal, maintenance, upgrade and acquisition of new assets within the asset classes Council controls.

Based on current service levels, asset data and Council's forecast operating result, the gap in the General Fund and what Council should be spending on assets is currently \$4.5m per annum (conservative estimate).

The proposed 43% rise will result in additional income of approximately \$2.081M in the 2023/24 financial year and a further \$2.976M in 2024/25, resulting in \$5.057M additional rates income over two years bringing total annual rates income of \$9.897M.

WHY ARE OUR COSTS SO HIGH?

Council services and infrastructure costs to landowners are driven by different factors. Tenterfield Shire has a small rate base of 5,078 assessments compared with its large infrastructure and assets base. One of the largest costs for Council is roads.

More than 70% of Council's budget is spent maintaining and upgrading the Shire's 645km of sealed roads, 1,043km of unsealed roads, 152 bridges (52 timber bridges), 32.47km of kerb and gutter, and 4,871 culverts.

These assets are expensive to maintain, and more so in recent years with the big increases in the cost of fuel, bitumen, concrete and steel.

WHAT WILL HAPPEN TO OUR RATES?

Rates increases applied by Councils are determined by the Independent Pricing and Regulatory Tribunal (IPART). Each year, IPART determines a percentage we can increase rates to meet increasing costs – this year it is 0.07%.

Currently, Tenterfield Shire has the lowest average rates across our region, charging less than Uralla, Glen Innes, Gwydir and Kyogle (apart from the average ordinary business rate for which Uralla is lowest).

We have managed this low rate base for some time. Nevertheless, forecasting tells us this will no longer be sustainable and if we maintain rates at current levels our service levels will need to reduce.

After providing this information to the community, if Council elects to move forward with a variation to the current rates, a formal application to IPART will be required.

WHAT WILL THE INCREASED RATE INCOME BE USED FOR?

Council is facing a forecasted financial shortfall of more than \$47 million over 10 years. That means our costs are rising faster than our income, and the gap between our income and the funds needed to upkeep infrastructure assets and services to a level expected by the community and required by legislation is growing.

The key purpose for Council applying for a special rate variation (SRV) is to maintain financial sustainability by eliminating the budget shortfall.

HOW CAN I TRUST MY RATES ARE GOING TO WHERE YOU SAID THEY WOULD?

Special Rate Variation funds are restricted.

As part of the IPART determination, Council will be required to report in its Annual Financial Statement to the Office of Local Government each year on the Special Rate Variation expenditure.

Council will be required to report the increased rate revenue advised in its application and where it has been spent. The community will also be able to access the Council's Quarterly Budget Review Reports and Long-Term Financial Plan which reflects Council's Financial Position and the funding allocations in accordance with the Special Rate Variation.

FREQUENTLY ASKED QUESTIONS

regarding the potential rate rise.

I DO NOT PAY RATES BUT LIVE IN TENTERFIELD SHIRE – WILL THIS AFFECT ME?

Council rates are paid by property owners. However, higher rates form part of costs that non-ratepayers may bear, including tenants currently paying rent in Tenterfield Shire, and the cost of goods and services through businesses.

Infrastructure, facilities and services are provided by Council for all residents and visitors to the Shire. Having a financially sustainable Council benefits everyone.

WHAT HAPPENS WHEN THE RATE VARIATION FINISHES?

After the special variation period finishes, rates will increase only by the rate peg amount set by IPART in addition to the income from the Special Rate Variation, which will become a permanent increase. This is known as a s508A special variation.

WHY CAN'T WE JUST GET MORE GRANT FUNDING?

Most grants require funds to be spent on capital expenditure (e.g. a sporting field or community facility) and therefore grant funds are not normally used to fund the day to day operations of Council.

Only the Federal Government Financial Assistance Grants (FAG's) can be used for maintenance, which have been reduced to 0.55% of GDP.

Council continues to lobby the Federal Government to increase the Financial Assistance Grants (FAG's) through the Australian Local Government Association (ALGA) and Local Government NSW (LGNSW), in excess of 1% of Commonwealth Taxation

Revenue provided by the Federal Government, which will support our ongoing sustainability.

Council regularly applies for and receives Government grants and will continue to do this in the future. However, there are key reasons why Council cannot solely rely on this source of income:

In most instances, the grant requires Council to provide a financial co-contribution, up to half of the grant amount. Receiving grants is a competitive process and there are not enough grants available to fund all of Council's infrastructure needs.

Grants programs usually have requirements attached to them that may not fit with Council's current strategies and plans.

Budget allocations are required to maintain and renew projects and this has to be allocated in Council's existing budget (funded depreciation).

WHY ARE WE HEARING ABOUT THIS NOW?

Financial sustainability has been a long-term focus at Tenterfield Shire Council.

There has been a need for a rate increase for some time because Council's General Fund has not been keeping pace with the expectations of the Community concerning asset maintenance and service delivery. Council's financial difficulties have been reported to Council as part of its suite of financial reporting most notably the Quarterly Budget Review.

The prolonged drought, bushfires, COVID-19 and flooding, meant Councillors were reluctant to increase rates when large sections of the community were suffering, unfortunately this is

Due to ongoing external factors influencing the cost of providing Council services, the financial situation will continue to deteriorate and needs to be addressed.

Council consulted with the community in January 2022 regarding our Community Strategic Plans, including our Long Term Financial Plan. At the February 2022 Council meeting, Councillors voted to defer a decision on applying for a Special Rate Variation for the 2022/23 Financial Year to enable further community consultation and additional time for the community to recover from drought, bushfires, floods and COVID-19. Additionally, this allowed Council to explore avenues to further cut costs, rationalise services, and raise income from the sale of surplus or under-utilised assets.

Council also implemented more efficiencies, and reduced services for the 2022/23 financial year to reduce the impact on ratepayers. In order to apply for a Special Rate Variation commencing in the 2023/24 Financial Year to reduce the impact on ratepayers. In order to apply for a Special Rate Variation commencing in the 2023/24 Financial Year we are now embarking on further community engagement.

Councillors are committed to finding a solution to this problem and as such we are providing as much information as possible about what's happening, so our community has a complete understanding of our financial position, in order to participate in the discussion around our funded future.

For all information relating to the proposed rate rise, please visit www.tenterfield.nsw.gov.au/tenterfield-shire-council-proposed-rate-rise-information

Proposed Rating Structure SRV 43% x 2 years with weekly increase data

| Rate Category | % Yield per Category 2022/2023 | Average Rates per Assessment 2022/2023 | Average increase weekly from 2022/2023 to 2023/2024 | Average increase weekly from 2023/2024 to 2024/2025 | Total average increase of Rates over the 2 years | Cumulative increase weekly 2023/2024 & 2024/2025 |
|---------------------------------|--------------------------------|--|---|---|--|--|
| Residential Tenterfield | 21.91% | \$ 664.75 | \$ 5.41 | \$ 7.84 | \$ 689.38 | \$ 13.26 |
| Residential Tenterfield (Urban) | 0.23% | \$ 1,388.48 | \$ 11.38 | \$ 16.39 | \$ 1,444.05 | \$ 27.77 |
| Residential Other | 17.98% | \$ 599.52 | \$ 4.88 | \$ 7.08 | \$ 622.36 | \$ 11.97 |
| Residential Urbenville | 1.62% | \$ 603.57 | \$ 4.93 | \$ 7.10 | \$ 625.47 | \$ 12.03 |
| Residential Jennings | 1.31% | \$ 597.51 | \$ 4.93 | \$ 7.05 | \$ 623.10 | \$ 11.98 |
| Residential Drake | 0.99% | \$ 598.28 | \$ 4.82 | \$ 7.02 | \$ 615.70 | \$ 11.84 |
| Farmland General | 48.89% | \$ 1,616.40 | \$ 13.33 | \$ 19.04 | \$ 1,683.68 | \$ 32.38 |
| Business Tenterfield | 6.21% | \$ 1,556.65 | \$ 12.71 | \$ 18.38 | \$ 1,616.90 | \$ 31.09 |
| Business Other | 0.37% | \$ 1,131.02 | \$ 9.30 | \$ 13.37 | \$ 1,178.87 | \$ 22.67 |
| Business Urbenville | 0.16% | \$ 564.58 | \$ 4.59 | \$ 6.68 | \$ 585.80 | \$ 11.27 |
| Business Jennings | 0.02% | \$ 580.38 | \$ 4.72 | \$ 6.86 | \$ 602.32 | \$ 11.58 |
| Business Drake | 0.09% | \$ 555.40 | \$ 4.51 | \$ 6.57 | \$ 576.21 | \$ 11.08 |
| Mining | 0.21% | \$ 1,018.20 | \$ 8.34 | \$ 12.02 | \$ 1,058.30 | \$ 20.35 |