



SECURING OUR FUTURE

Special Rate Variation Proposal for Dungog Shire

Community Information Session



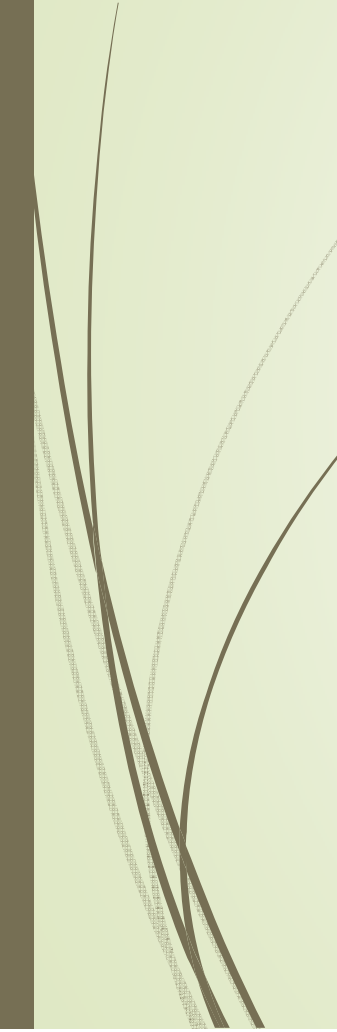
SECURING OUR FUTURE

Achieving a better

DUNGOG SHIRE



Purpose of this Session

- ▶ Recap of our Current & Financial Position
 - ▶ Fit For The Future
 - ▶ Efficiency measures
 - ▶ Proposed Special Rate Variation
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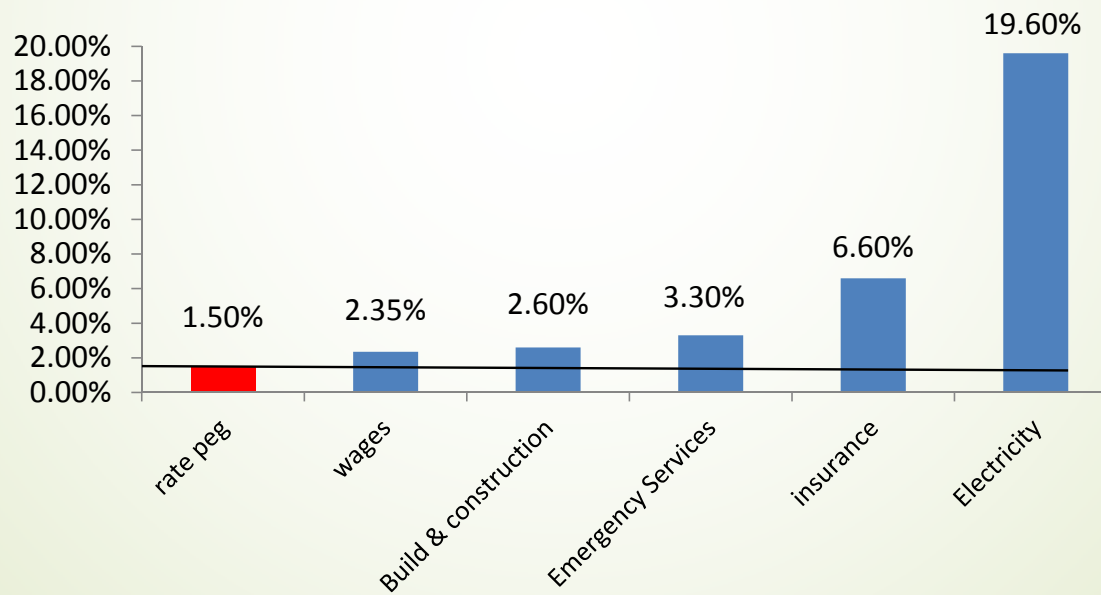


Current Position

- **October 2015 Independent Pricing and Regulatory Tribunal (IPART) assessed Council as “Not Fit”.**
- **Merger Proposals prevented Council from applying for a SRV.**
- **Rural council challenges – large road and timber bridge network, limited ability to generate alternative revenue sources, multiple villages and facilities, low population and rate base to fund infrastructure.**
- **Infrastructure backlog - assets in need of significant maintenance and renewal expenditure.**
- **Current and Long Term Financial position requires significant action with a view to sustainability.**

Current Position cont.

- ▶ Rate pegging – regulated by the NSW Government. Independent Pricing and Regulatory Tribunal (IPART) sets the rate peg each year
 - ▶ costs rising faster than revenue, NSW Government has limited the amount councils can increase rate income irrespective of actual cost increases.
- ▶ Dungog Shire Council costs compared to rate peg 2017-2018





Our Financial Position

- ▶ TCorp's assessment of Council's financial position was WEAK with a NEGATIVE outlook.
- ▶ Our current financial position is unsustainable.
- ▶ Operational costs are outstripping revenue in the order of \$4 million annually.
- ▶ Assets need significant maintenance and renewals.
- ▶ Depreciation \$6.16 million annually – depreciation is the measure of current use of an asset and ideally assets should be renewed at the same rate they are being used.
- ▶ Ongoing budget deficits are contributing to a growing infrastructure backlog.



Financial Position cont.

- ▶ **Doing nothing and live within our means – cut existing services, roads bridges and community assets continue deteriorate, fees and charges likely to increase, no new capital works (roads, bridges, community facilities).**
- ▶ **Under the Fit for the Future requirements the NSW State Government has indicated the “do nothing” option is not an option.**
- ▶ **Implement an Improvement Plan to work towards becoming Fit for the Future inclusive of a proposed special rate variation (SRV) to apply from 1 July 2019 (2019-2020). Looking to address**
 - ▶ **Financial sustainability – both current and long term.**
 - ▶ **Fit for the Future requirements**
 - ▶ **Infrastructure backlog.**



Fit For The Future

- ▶ October 2015 Independent Pricing and Regulatory Tribunal (IPART) assessed Council as “Not Fit”.
- ▶ DSC does not currently meet NSW Government Fit for the Future requirements – Seven (7) key benchmarks – Council is required to meet or show significant progress toward meeting benchmarks by 2026-27.
- ▶ Council currently does not meet six (6) of the seven (7) benchmarks.
- ▶ Council is proposing an Improvement Plan inclusive of a special rate variation (SRV) over seven (7) years, with the improvement strategy to include a range of efficiency measures in conjunction with an SRV to meet the projected operational shortfall.



Efficiency Measures

In isolation a proposed SRV will not provide sufficient revenue to close the operating deficit. Council has or is undertaking a range of initiatives to become more efficient. These include:

- Energy efficiency initiatives including solar and other green initiatives.
- Sharing services with other Hunter Councils in areas such as weeds management, records storage, legal services, environmental services and regional procurement.
- Extending the life of our landfill by increasing recycling and diversion rates.
- Comprehensive asset management plans have been developed to identify future needs.
- Service reviews to be undertaken and adjustments made where appropriate.
- Discussions are underway in relation to potential strategic alliance options with other Hunter Councils.
- Successfully sourcing additional grant revenue.
- Savings from joint contract negotiations (waste management, print services etc).



Financial Sustainability

- ▶ Each of the strategies and actions on their own will not enable Council to achieve long term financial sustainability.
- ▶ The goal and challenge for Council will be to achieve the optimum mix of these strategies and actions which will see Council assessed as “Fit for the Future”.

Special Rate Variation

- What is a special rate variation (SRV) – a special variation allows council to increase general income above the annual rate peg.
- Council must consult the community and demonstrate effective community engagement.
- It can run from 1 year up to a maximum 7 years
- Impact on ratepayers
- Relative Integrated Planning & Reporting (IP&R) documents exhibited, approved and adopted by council inclusive of the proposed SRV.
- Productivity improvements and cost containment strategies.
- **Applies only to General Rates – it does not impact other charges such as waste, stormwater or government levies.**

Total Rateable Properties & Pensioner Number by Category

	Assessments	Pensioners	
Farmland	938	37	3.9%
Residential	3617	671	18.6%
Business	362	3	0.8%
TOTAL Rateable assessments	4917	711	14.46%

LAND VALUES

	Land Value Range	Assessments	Percentage Within	
Farmland	\$1 - \$5M and over	938	85%	\$1 - \$900,000
Residential	\$1 - \$1M and over	3617	85%	\$1 - \$300,000
Business	\$1 - \$600,000	362	88%	\$1 - \$200,000

PROPERTY LOCATION AND DESCRIPTION:

Street Address CLARENCE TOWN NSW 2321
 LOT XXX DP XXXXXXXX

CATEGORY: **Residential**

VALUATION BASE DATE: 01/07/2016



ALL INSTALMENTS
 MUST BE PAID BY THE
 DATES SHOWN

If Receipt required (✓)
 and return
 notice intact.

PARTICULARS OF RATES AND CHARGES	RATEABLE VALUE	CENTS IN \$ / OR CHARGE	AMOUNT
Base Rate- Residential	1	332.00	\$332.00
Ordinary Rate- Residential	200000	0.00261400	\$522.80
Hunter Catchment Contribution	200000	0.00011000	\$22.00
On-Site Sewage Mgt Fee	1	75.00	\$75.00
Domestic Waste Rural	1	290.00	\$290.00
Domestic Recycling Rural	1	112.50	\$112.50

1st INSTALMENT	2nd INSTALMENT	3rd INSTALMENT	4th INSTALMENT	TOTAL AMOUNT \$ DUE
				DEDUCT PAYMENTS SINCE

DAILY INTEREST WILL ACCRUE ON OVERDUE RATES AND CHARGES AT 7.5% PER ANNUM

Special Rate Variation cont.

- ▶ What will it be spent on?
 - ▶ It can only be used to fund the purpose which we detail in our application
 - ▶ Timber bridges replacement program
 - ▶ Road and community facilities renewal and maintenance
 - ▶ Fit for the Future ratios trending in the right direction – financial sustainability
- ▶ What will IPART consider when assessing council's SRV application?
 - ▶ Size of the council
 - ▶ Resources of the council
 - ▶ Size (both actual \$ and %) of increase requested,
 - ▶ Current rate levels and previous rate rises,
 - ▶ Purpose of the special rate variation, and
 - ▶ Any other matter considered relevant in the assessment of a special rate variation application.

Special Rate Variation Proposal

- ▶ What would an SRV look like

- ▶ Base Case

- Rates increase by rate peg of 2.5% pa

- Cumulative increase of 19%

- ▶ Scenario 2 – Proposed Special Rate Increase

- Rates increase in year 1 & 2 by 15% (includes rate peg of 2.5% plus 12.5% SRV)

- Rates increase in year 3, 4 & 5 by 10% (includes rate peg of 2.5% plus 7.5% SRV)

- Rates increase in year 6 & 7 by 6% (includes rate peg of 2.5% plus 3.5% SRV)

- Cumulative increase of 98% - includes 19% from base case plus 79% SRV.

Rates Category	Land Value	Base Rate + Ordinary Rate *	Other charges and fees	Base Year Total	Projected Estimate of Total Rate Amounts							Cumulative Increase	Income above Rate Peg Yr 7	
		Base Year	Base Year		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7			
Residential	\$100,000	\$607	\$528	\$1,135	\$1,163	\$1,192	\$1,222	\$1,253	\$1,284	\$1,316	\$1,349	18.87%		
Annual Increase (%)					2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%			
Residential Ordinary Rate					\$1,239	\$1,357	\$1,451	\$1,554	\$1,665	\$1,744	\$1,828		97.78%	
Annual Increase (%)					15%	15%	10%	10%	10%	6%	6%			
Cumulative Impact of SV above Base Year level					\$104	\$222	\$317	\$419	\$531	\$610	\$693		\$479	
Residential	\$200,000	\$874	\$539	\$1,413	\$1,449	\$1,485	\$1,522	\$1,560	\$1,599	\$1,639	\$1,680	18.87%		
Annual Increase (%)					2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%			
Residential Ordinary Rate					\$1,558	\$1,722	\$1,852	\$1,994	\$2,149	\$2,256	\$2,370		97.78%	
Annual Increase (%)					15%	15%	10%	10%	10%	6%	6%			
Cumulative Impact of SV above Base Year level					\$145	\$309	\$439	\$581	\$735	\$843	\$956		\$690	

*** Note:- The Base Rate + Ordinary Rate figure are the only components that attract the Special Rate Variation (SRV). Other fees and charges shown on this table (including waste, stormwater levy, HCMT levy, etc) do not attract the SRV and are shown with an assumed increase of 2.5% for inflation per annum.**

Rates Category	Land Value	Base Rate + Ordinary Rate *	Other charges and fees	Base Year Total	Projected Estimate of Total Rate Amounts							Cumulative Increase	Income above Rate Peg Yr 7
		Base Year	Base Year		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7		
Residential Dungog Annual Increase (%)	\$100,000	\$704	\$473	\$1,177	\$1,206 2.5%	\$1,237 2.5%	\$1,268 2.5%	\$1,299 2.5%	\$1,332 2.5%	\$1,365 2.5%	\$1,399 2.5%	18.87%	
Residential Ordinary Rate Annual Increase (%)	\$100,000	\$704	\$473	\$1,177	\$1,294 15%	\$1,428 15%	\$1,533 10%	\$1,649 10%	\$1,774 10%	\$1,862 6%	\$1,955 6%	97.78%	
Cumulative Impact of SV above Base Year level					\$117	\$251	\$356	\$472	\$597	\$685	\$778		\$555
Residential Dungog Annual Increase (%)	\$200,000	\$1,250	\$484	\$1,734	\$1,777 2.5%	\$1,821 2.5%	\$1,867 2.5%	\$1,914 2.5%	\$1,962 2.5%	\$2,011 2.5%	\$2,061 2.5%	18.87%	
Residential Ordinary Rate Annual Increase (%)	\$200,000	\$1,250	\$484	\$1,734	\$1,933 15%	\$2,161 15%	\$2,339 10%	\$2,534 10%	\$2,747 10%	\$2,893 6%	\$3,047 6%	97.78%	
Cumulative Impact of SV above Base Year level					\$200	\$427	\$605	\$800	\$1,014	\$1,159	\$1,313		\$986

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		Base Year	Base Year		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7		
Residential Clarence Town	\$100,000	\$619	\$473	\$1,092	\$1,119	\$1,147	\$1,176	\$1,205	\$1,235	\$1,266	\$1,298	18.87%	
Annual Increase (%)					2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%		
Residential Ordinary Rate		\$100,000	\$619	\$473	\$1,092	\$1,196	\$1,315	\$1,409	\$1,512	\$1,624	\$1,703	\$1,786	97.78%
Annual Increase (%)					15%	15%	10%	10%	10%	6%	6%		
Cumulative Impact of SV above Base Year level					\$105	\$223	\$318	\$420	\$532	\$611	\$694		\$488
Residential Clarence Town	\$200,000	\$972	\$484	\$1,456	\$1,492	\$1,529	\$1,568	\$1,607	\$1,647	\$1,688	\$1,730	18.87%	
Annual Increase (%)					2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%		
Residential Ordinary Rate		\$200,000	\$972	\$484	\$1,456	\$1,614	\$1,794	\$1,935	\$2,089	\$2,258	\$2,374	\$2,497	97.78%
Annual Increase (%)					15%	15%	10%	10%	10%	6%	6%		
Cumulative Impact of SV above Base Year level					\$158	\$338	\$479	\$633	\$802	\$919	\$1,041		\$767

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		Base Year	Base Year		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7		
Residential Villiage Annual Increase (%)	\$100,000	\$530	\$553	\$1,083	\$1,110 2.5%	\$1,137 2.5%	\$1,166 2.5%	\$1,195 2.5%	\$1,225 2.5%	\$1,255 2.5%	\$1,287 2.5%	18.87%	
Residential Ordinary Rate Annual Increase (%)	\$100,000	\$530	\$553	\$1,083	\$1,176 15%	\$1,281 15%	\$1,366 10%	\$1,458 10%	\$1,558 10%	\$1,629 6%	\$1,705 6%	97.78%	
Cumulative Impact of SV above Base Year level					\$93	\$199	\$283	\$375	\$475	\$547	\$622		\$418
Residential Villiage Annual Increase (%)	\$200,000	\$793	\$564	\$1,357	\$1,391 2.5%	\$1,426 2.5%	\$1,462 2.5%	\$1,498 2.5%	\$1,536 2.5%	\$1,574 2.5%	\$1,613 2.5%	18.87%	
Residential Ordinary Rate Annual Increase (%)	\$200,000	\$793	\$564	\$1,357	\$1,490 15%	\$1,642 15%	\$1,761 10%	\$1,892 10%	\$2,034 10%	\$2,134 6%	\$2,239 6%	97.78%	
Cumulative Impact of SV above Base Year level					\$133	\$284	\$404	\$535	\$677	\$777	\$882		\$626

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		Base Year	Base Year		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7		
Business	\$100,000	\$895	\$473	\$1,368	\$1,402	\$1,437	\$1,473	\$1,510	\$1,548	\$1,586	\$1,626	18.87%	
Annual Increase (%)					2.5%	2.5%	2.5%	2.5%	2.5%	2.5%			
Residential Ordinary Rate					\$1,514	\$1,681	\$1,811	\$1,954	\$2,111	\$2,218	\$2,332		
Annual Increase (%)	15%	15%	10%	10%	10%	6%	6%						
Cumulative Impact of SV above Base Year level	\$146	\$313	\$443	\$586	\$743	\$850	\$964	\$706					
Business	\$200,000	\$1,330	\$484	\$1,814	\$1,859	\$1,906	\$1,954	\$2,002	\$2,052	\$2,104	\$2,156	18.87%	
Annual Increase (%)					2.5%	2.5%	2.5%	2.5%	2.5%	2.5%			
Residential Ordinary Rate					\$2,026	\$2,267	\$2,456	\$2,663	\$2,889	\$3,043	\$3,206		
Annual Increase (%)	15%	15%	10%	10%	10%	6%	6%						
Cumulative Impact of SV above Base Year level	\$212	\$453	\$642	\$848	\$1,075	\$1,229	\$1,392	\$1,049					

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		Base Year	Base Year		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7		
Business Clarence Town Annual Increase (%)	\$100,000	\$812	\$498	\$1,310	\$1,342	\$1,376	\$1,410	\$1,446	\$1,482	\$1,519	\$1,557	18.87%	
Residential Ordinary Rate Annual Increase (%)		\$812	\$498	\$1,310	\$1,444	\$1,597	\$1,717	\$1,848	\$1,992	\$2,092	\$2,197	97.78%	
Cumulative Impact of SV above Base Year level						\$134	\$287	\$407	\$539	\$682	\$782	\$888	
Business Clarence Town Annual Increase (%)	\$200,000	\$1,235	\$509	\$1,744	\$1,787	\$1,832	\$1,878	\$1,925	\$1,973	\$2,022	\$2,073	18.87%	
Residential Ordinary Rate Annual Increase (%)		\$1,235	\$509	\$1,744	\$1,942	\$2,168	\$2,344	\$2,538	\$2,749	\$2,894	\$3,047	97.78%	
Cumulative Impact of SV above Base Year level						\$198	\$424	\$601	\$794	\$1,005	\$1,150	\$1,303	

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		Base Year	Base Year		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7		
Business Dungog	\$100,000	\$887	\$498	\$1,385	\$1,419	\$1,455	\$1,491	\$1,528	\$1,567	\$1,606	\$1,646	18.87%	
Annual Increase (%)					2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%		
Residential Ordinary Rate					\$1,530	\$1,696	\$1,826	\$1,969	\$2,124	\$2,232	\$2,346		
Annual Increase (%)	15%	15%	10%	10%	10%	6%	6%						
Cumulative Impact of SV above Base Year level	\$145	\$311	\$441	\$584	\$739	\$847	\$961	\$700					
Business Dungog	\$200,000	\$1,391	\$509	\$1,900	\$1,948	\$1,996	\$2,046	\$2,097	\$2,150	\$2,203	\$2,259	18.87%	
Annual Increase (%)					2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%		
Residential Ordinary Rate					\$2,121	\$2,374	\$2,572	\$2,788	\$3,024	\$3,186	\$3,356		
Annual Increase (%)	15%	15%	10%	10%	10%	6%	6%						
Cumulative Impact of SV above Base Year level	\$221	\$474	\$672	\$888	\$1,124	\$1,286	\$1,456	\$1,098					

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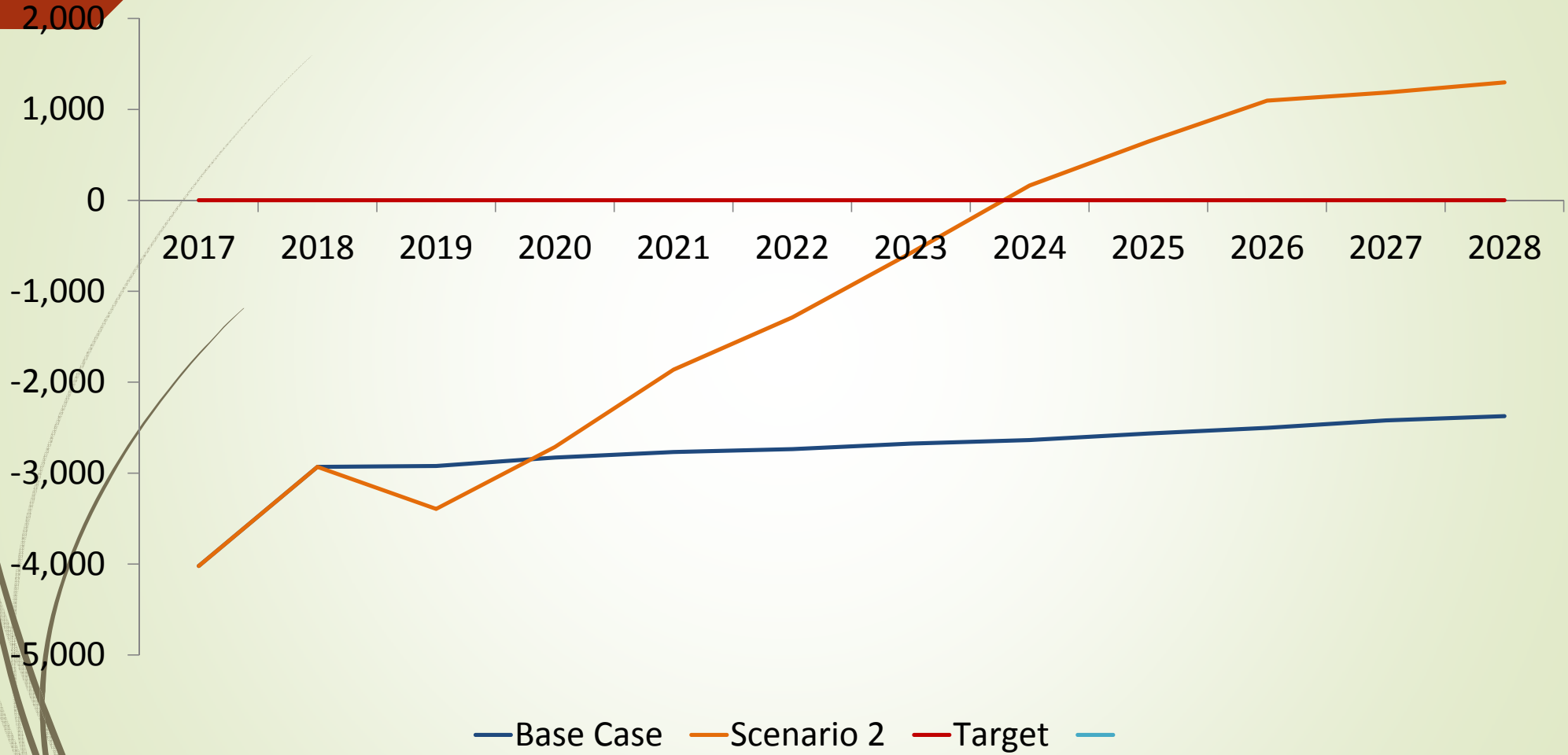
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		Base Year	Base Year		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7		
Business Villiage	\$100,000	\$686	\$578	\$1,264	\$1,295	\$1,328	\$1,361	\$1,395	\$1,430	\$1,465	\$1,502	18.87%	
Annual Increase (%)					2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%		
Residential Ordinary Rate		\$686	\$578	\$1,264	\$1,381	\$1,514	\$1,620	\$1,735	\$1,861	\$1,950	\$2,043	97.78%	
Annual Increase (%)				15%	15%	10%	10%	10%	6%	6%			
Cumulative Impact of SV above Base Year level					\$117	\$250	\$356	\$471	\$597	\$686	\$779		\$541
Business Villiage	\$200,000	\$1,032	\$589	\$1,621	\$1,661	\$1,703	\$1,745	\$1,789	\$1,834	\$1,880	\$1,927	18.87%	
Annual Increase (%)					2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%		
Residential Ordinary Rate		\$1,032	\$589	\$1,621	\$1,790	\$1,983	\$2,135	\$2,301	\$2,483	\$2,608	\$2,741	97.78%	
Annual Increase (%)				15%	15%	10%	10%	10%	6%	6%			
Cumulative Impact of SV above Base Year level					\$169	\$363	\$514	\$680	\$862	\$987	\$1,120		\$814

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		Base Year	Base Year		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7		
Farmland	\$500,000	\$1,919	\$573	\$2,491	\$2,554	\$2,617	\$2,683	\$2,750	\$2,819	\$2,889	\$2,961	18.87%	
Annual Increase (%)					2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%		
Residential Ordinary Rate		\$500,000	\$1,919	\$573	\$2,491	\$2,793	\$3,139	\$3,408	\$3,702	\$4,025	\$4,244	\$4,476	97.78%
Annual Increase (%)					15%	15%	10%	10%	10%	6%	6%		
Cumulative Impact of SV above Base Year level					\$302	\$648	\$917	\$1,211	\$1,534	\$1,753	\$1,984		\$1,514
Farmland	\$1,000,000	\$3,505	\$628	\$4,133	\$4,236	\$4,342	\$4,451	\$4,562	\$4,676	\$4,793	\$4,913	18.87%	
Annual Increase (%)					2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%		
Residential Ordinary Rate		\$1,000,000	\$3,505	\$628	\$4,133	\$4,674	\$5,295	\$5,775	\$6,302	\$6,880	\$7,268	\$7,678	97.78%
Annual Increase (%)					15%	15%	10%	10%	10%	6%	6%		
Cumulative Impact of SV above Base Year level					\$541	\$1,162	\$1,642	\$2,169	\$2,747	\$3,135	\$3,546		\$2,766

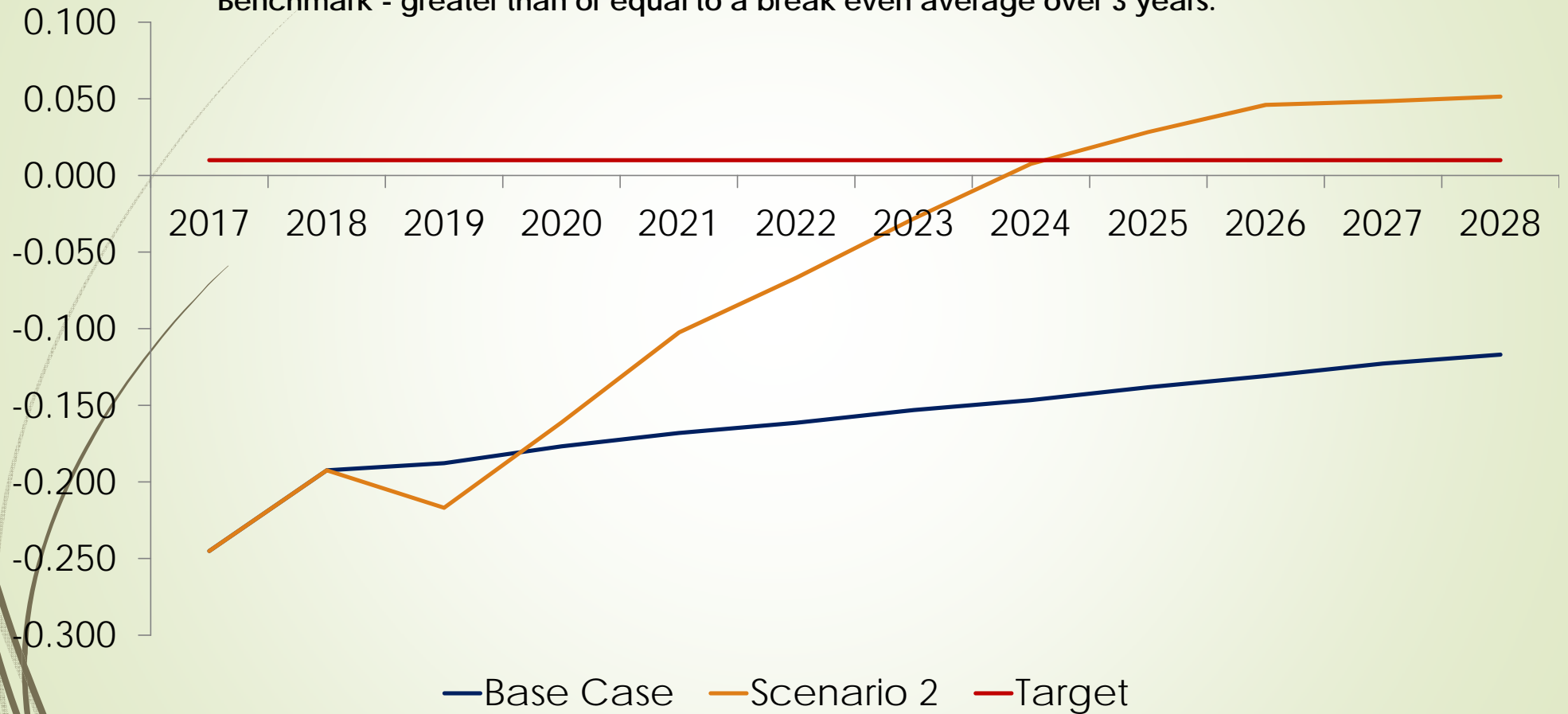
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Operating Surplus before Capital Grants and Contributions



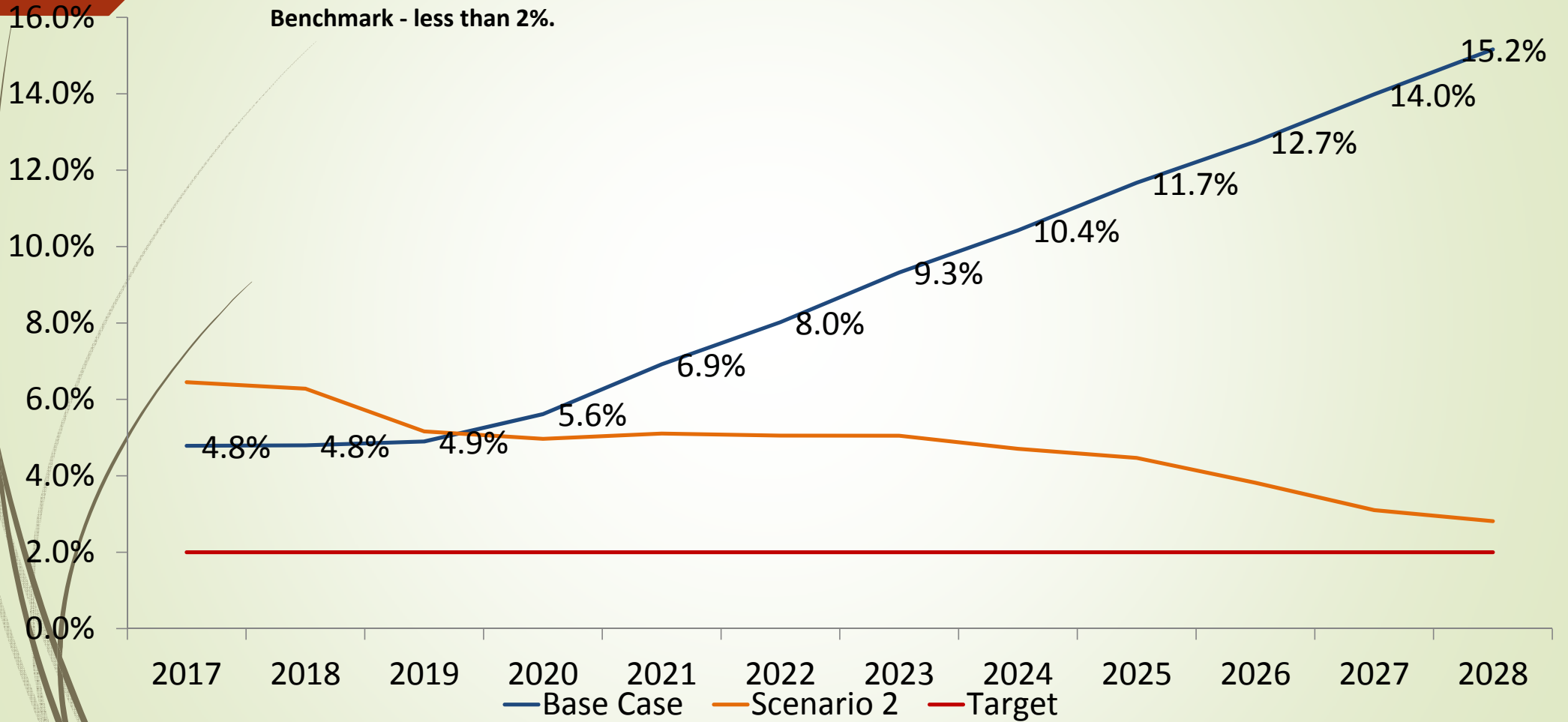
Operating Performance Ratio

Measures Council's capacity of containing operating expenditure within operating revenue.
Benchmark - greater than or equal to a break even average over 3 years.



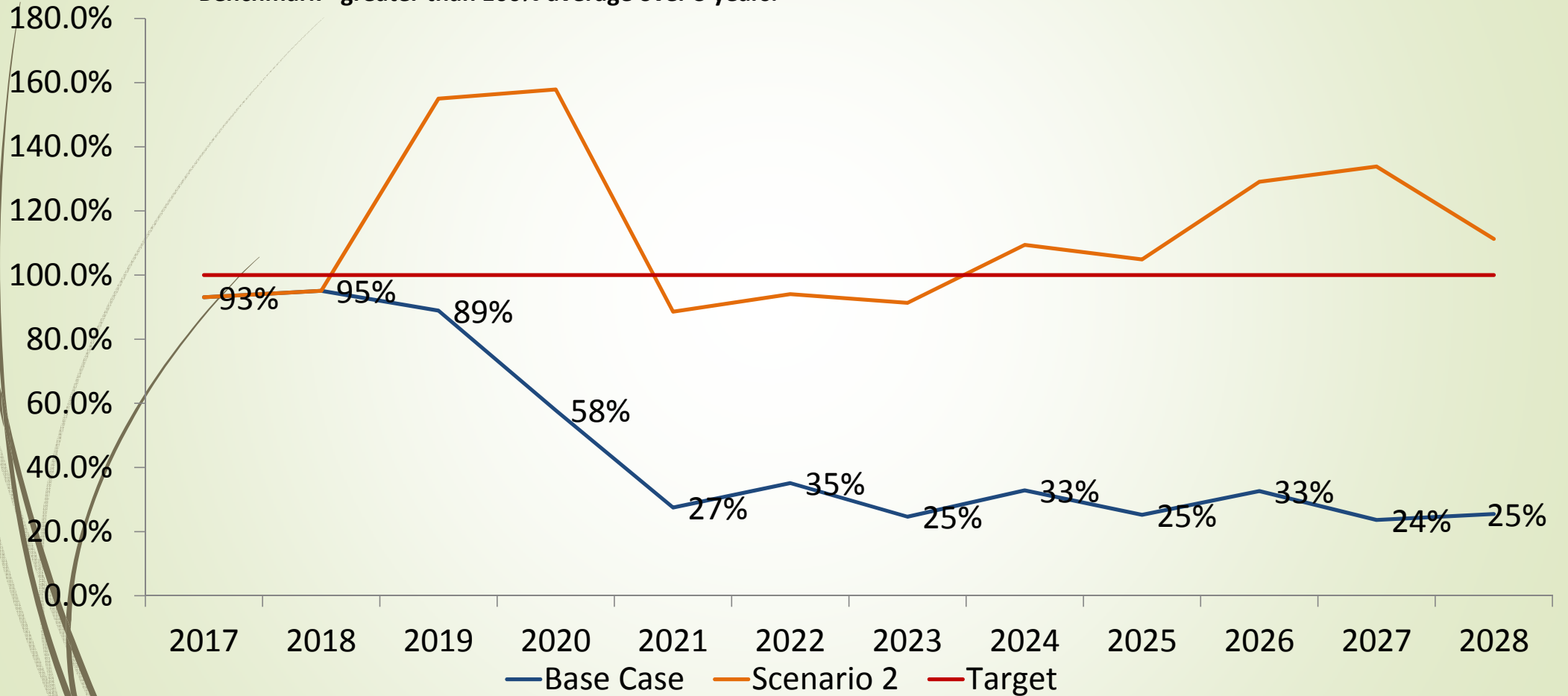
Infrastructure backlog ratio

This ratio shows what proportion the backlog is against the total value of Council's infrastructure.
Benchmark - less than 2%.



Building and Infrastructure asset renewal ratio

Shows the rate at which assets are being renewed relative to the rate at which they are depreciating, or being used.
Benchmark - greater than 100% average over 3 years.



Government Indicator	Definition	Benchmark to meet	Now	2026
Sustainability				
Operating Performance Ratio	Total continuing operating revenue (exc. Capital grants and contributions) less operating expenses	Greater than or equal to break-even-average over 3 years	✗	✓
	Total continuing operating revenue (exc. Capital grants and contributions)			
Own Source Revenue Ratio	Total continuing operating revenue less all grants and contributions	Greater than 60% - average over 3 years	✗	✓
	Total continuing operating revenue inclusive of capital grants and contributions			
Building and Asset Renewal Ratio	Asset renewals (building and infrastructure)	Greater than 100% - average over 3 years.	✗	✓
	Depreciation, amortisation and impairment (building and infrastructure)			
Infrastructure and Service Management				
Infrastructure Backlog Ratio	Estimated cost to bring assets to a satisfactory condition	Less than 2%	✗	↷
	Total (WDV) of infrastructure, buildings, other structures and depreciable land improvement assets			
Asset Maintenance Ratio	Actual asset maintenance	Greater than 100% - average over 3 years	✗	↷
	Required asset maintenance			
Debt Service Ratio	Cost of debt service (interest expense & principal payments)	Greater than 0% and less than or equal to 20% - average over	✓	✓
	Total continuing operating revenue (exc. Capital grants & contributions)			
Efficiency				
Real Operating Expenditure	Operating Expenditure	A decrease in Real Operating Expenditure per capita over time	✗	↷
	Population			

 = Does not meet indicator
  = Meets indicator
  = Trending to meet indicator