

Frequently Asked Questions

What is an SRV or Special Rate Variation?

A **special rate variation** allows councils to increase rates above the rate peg increase which is set by the Minister for Local Government. There are two types of **special rate variations** that a council may apply for:

- A single year variation
- A multi year variation

Local councils wanting to increase the minimum rate levels - above the rate peg - need to submit an application to IPART (Independent Pricing and Regulation Tribunal) for review and assessment.

An SRV for the City of Ryde will mean an increase in rates to fund the maintenance and replacement of our extensive infrastructure network. We are proposing a SRV over 4 years that will remain permanent in the rate base.

Who is IPART?

IPART is the Independent Pricing and Regulatory Tribunal, a State Government Agency responsible for determining the maximum price increase for a number of utilities and services including local government rates. For more information on IPART visit www.ipart.nsw.gov.au (External link)

What exactly is the State Government restriction on annual rate increases?

Rate income for all Councils in NSW is restricted under an arrangement known as '**rate pegging**'. Rate pegging means Councils cannot increase their total rate income from one year to the next above the pegged annual increase level. The rate peg is a percentage set each year by the Independent Pricing and Regulation Tribunal (IPART). In 2014/2015 the rate peg has been set at 2.3%.

Don't our rates increase every year anyway?

Yes. IPART increases rates every year but they apply a decrease as a productivity factor, which is called the approved rate peg by the Minister for Local Government. This increase does provide some additional income however this increase does not keep up with the increasing cost of goods and labour. As it does not cover increases in materials, construction and maintenance services it doesn't enable us to fund all our services and infrastructure assets as detailed above. Council experiences significant increases, well above the rate peg, for contributions it has to make to the State Government and costs such as water rates, electricity. In 2014/2015 Council estimates it will pay the State Government \$11 million.

Doesn't my land value increase every three years and therefore increases my rates too?

The percentage your land value increases doesn't necessarily lead to a similar percentage increase in your rates. The Valuer General supplies land values to councils to use in the calculation of rates. The majority of councils receive new land values for rating every three years. The next increase is this financial year 2014/2015. The regular issue of land values ensures changes in the local property market are reflected in the councils' rates model, helping to ensure fairness and equity for ratepayers. The approved rate peg increase is applied to the actual rate income received in the previous year and not on land value. As stated this increase does provide some additional income however this increase does not keep up with the increasing cost of goods and labour. As it does not

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cover increases in materials and construction and maintenance services it does not enable us to fund all our services and infrastructure assets as detailed above.

Why does Council need to apply for an SRV?

The City of Ryde's current financial position is 'sound'. However, our costs are rising faster than our income and our long term financial forecast shows an ever increasing **gap** between income and the funds needed to upkeep infrastructure assets and services to a level expected by the community.

We need to fund the '**gap**' in order to maintain our extensive infrastructure network to an acceptable and safe standard.

What has Council been doing to improve our financial situation and reduce the burden on ratepayers?

Whilst the City of Ryde has continuously strived to provide efficient and 'best value' services to our community, there has been a concentrated focus over the past 18 months in finding further efficiencies in our delivery of services to the community.

As a result of this review, further cost savings and efficiencies across the organisation amounting to \$2.5 million annually have been identified and are in the process of being implemented.

Council's independent auditor, Pricewaterhouse Coopers, advises that further reductions in expenses are not warranted and the issue for Council to consider now is to increase its revenue.

Why is Council looking to increase rates now?

To achieve financial sustainability and manage the community's infrastructure, we either need to increase our income by increasing rates, or reduce expenditure by decreasing the level of services we provide to the community.

If NSW Councils want to increase rates beyond the 'rate peg' amount they have to apply to IPART for a special rate variation. To do this Council must demonstrate extensive consultation and support from the community.

'Securing our Future' is a two-month consultation process Council is conducting with a view to make an application to IPART for a special rate variation commencing in the 2015/16 financial year.

This is the first time I've heard of a rate increase. Why didn't you ask residents for their opinions?

We have recently conducted an online survey with 800 ratepayers. We have also held discussion groups with 37 ratepayers and a community workshop to get some feedback on various options that we could put to the community. During these feedback sessions we also identified the type of information that you would need, as a rate payer, to ensure you were able to make an informed decision. We are now moving to the next step of Community consultation to ask you which option you think is best.

What is our current situation?

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The City of Ryde prides itself on providing a high level of customer service to more than 110,000 residents.

The Council is responsible for an extensive range of assets, valued at over \$2 billion. These valuable assets are types of infrastructure used by the community every day. They include roads, footpaths, drains, cycleways, buildings, parks, playgrounds, sporting and leisure facilities and natural areas. These assets deteriorate over time and require ongoing maintenance or replacement.

Deteriorating infrastructure is a major issue for local government. In June this year, the NRMA released a report that highlighted a \$3.87 billion funding backlog needed to bring NSW council roads up to a satisfactory condition. In 2006, the total infrastructure backlog for all NSW councils was estimated at \$6.3 billion.

Economic and legislative conditions such as rate pegging, service cost shifting from other levels of government, plus increasing costs for materials and utilities, accumulates to further restrict our ability to meet our existing and emerging community priorities.

As our population grows, so does the demand for services and the impact on assets increases. However, the pool of money available to Council to maintain these assets does not keep pace with increased costs. The result is a funding gap, a backlog of works and deteriorating assets.

Based on all the information we have, the Council needs \$18-20 million per annum to keep our City's infrastructure network at a satisfactory standard. Our budget forecast for next financial year 2014/15 shows an allocation of \$10.38 million for asset renewal works which is a shortfall of \$8.22 million.

When will the community consultation take place?

The Consultation will occur between early August and late September this year.

If we do not get a SRV what will happen?

If Council does not receive an SRV, Council will have to reassess the standard and range of services it provides. This may result in some services ceasing. It could also see the condition of the City's assets deteriorate as there would be an ever increasing gap in the funds required to maintain our existing infrastructure assets. Council's fees and charges would increase and the level of subsidies and support Council provides to many organisations would decline.

What kind of services and assets are you talking about?

Infrastructure assets include: local road and footpaths, cycleways, roundabouts, stormwater drains, parks, playgrounds, sportsfields, public domain supporting shopping centres, community halls and Libraries.

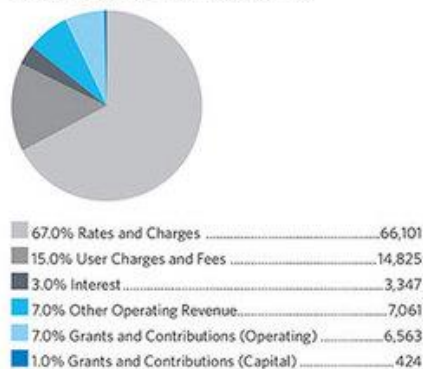
Services include: maintenance and repair of all assets above, Community events like the Granny Smith Festival and community Christmas events, aged and disability services, immunisation, bush regeneration, customer service, development and building services.

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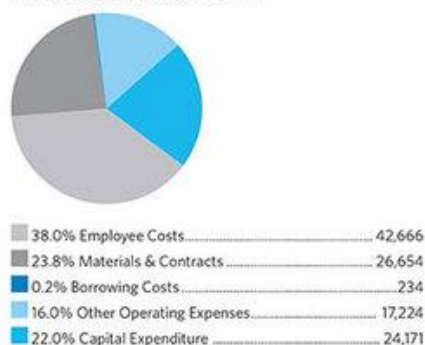
Where does Council get its income from?

- 67% comes from rates and annual charges (annual charges include the domestic waste charge and stormwater charge.)
- About 7% from various State and Federal grants and other contributions
- 15% comes from users charges and fees such as hall and sportsfield hire
- About 4% comes from interest on investments
- Around 7% from miscellaneous sources

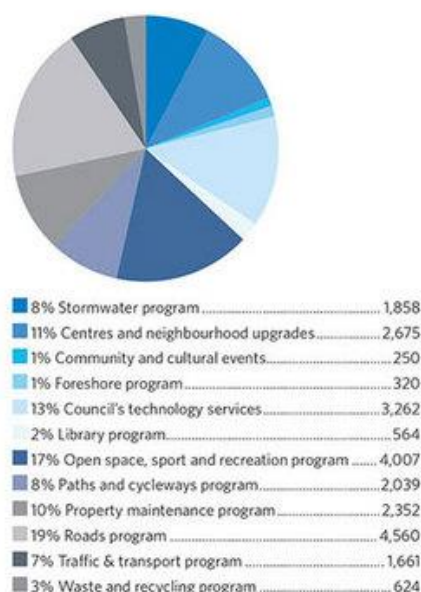
2014/15 Income \$98.3M (%'000s)



2014/15 Operating Expenses \$110.9M (%'000s)
Excludes depreciation \$15.1M



2014/15 Capital Works Expenditure \$24.17M (%'000s)



Has Council applied for an SRV in the past?

Not in recent years. The last time Council applied for a general SRV for infrastructure was in 2005/2006. This was not approved by the then Minister for Local Government. The last approved SRV, for our Council was in 1996/1997.

Does this mean City of Ryde is in financial trouble?

No, we are in a sound financial position and have a balanced budget. However, due to our funding gap, Council is not able to allocate the required amount to maintain and renew our existing infrastructure assets.

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Therefore, the funding gap is not a debt, it is the **additional** income we need to maintain our services and assets for today and for future generations at a satisfactory standard.

The ongoing increases in costs of maintaining our services and assets has severely stretched our funds and we are at a point where we need to decide whether to **decline, maintain** or **upgrade** our services and assets.

What are the options?

There are three options:

- **OPTION A: DECLINE IN SERVICES**

Keep rate increases at current levels, but many of our assets and community services will decline due to lack of funds.

- **OPTION B: MAINTAIN SERVICES**

Moderate increase in rates will bring assets and infrastructure in need of repair or replacement to an acceptable and safe standard, and maintain current levels of service.

- **OPTION C: UPGRADE SERVICES**

A higher increase in rates that will boost our City's ability to maintain our current levels of service, bring the majority of assets and infrastructure to acceptable levels and maintain the life of community assets.

How much will it cost me?

This will vary depending on where you live or the location of your business and the value of your land as determined by the NSW Valuer General. It does not include Council's domestic waste charge and stormwater levy. An average increase for each option is outlined [here](#).

**Please note the calculations below are an estimated increase and may vary slightly due to the basis of the rates calculator.*

Why can't we just cut services / staff without putting the rates up?

Council prides itself on providing a wide range of high quality services to the community such as parks, playgrounds, community aged and disability services, youth programs, cultural events, sporting amenities, libraries and our aquatic centre.

Our community deserves a high level of service and our goal is to continue to provide these services for the benefit of the entire community and to the standard that they expect.

Additional to this, Council has worked diligently over the past 18 months to create as much efficiency and cost savings as possible. This has involved a reduction in a number of positions and an increase in new revenue that results in an ongoing improvement of approximately \$2.5 Million annually. Unfortunately this amount is still not enough to bridge the funding gap.

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How much extra revenue will the SRV raise for Council?

This won't be known until after the community consultation and then if the Council decides to make a submission to IPART, the final decision will be made by IPART. However the options range from an additional \$9 Million over 4 years (Option B) to an additional \$22 Million (Option C).

What is Council going to spend the extra money on?

If the community supports an increase, Council will be spending the additional rate revenue on bringing our infrastructure assets back up to a satisfactory and safe level.

Council's assets are rated from a Condition 1 to Condition 5.

- Condition 1 being "as new",
- Condition 2 "no visible defects";
- Condition 3 "some visible defects" (eg small cracks or potholes);
- Condition 4 "reduced capacity" (lots of cracks / deformations);
- Condition 5 "unsafe to use in sections".

Council will be spending the money on improving assets in Condition 5 and if possible, Condition 4 and bringing them back up to a Condition 1.

How the City of Ryde rates the condition of its assets:



How can I trust my increased rates are going to where you say they are?

Council provides a detailed report in the annual report every year on rates received and what works were undertaken with the funds. A report is also made to the Independent Pricing and Regulatory Tribunal (IPART).

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Will this money go to the redevelopment of the Civic Centre?

No, Council will be spending the additional rate revenue on bringing our infrastructure assets back to an acceptable and safe level. Rate revenue raised through the SRV will not be spent on the Civic Centre.

How is the percentage increase determined?

The percentage was determined on the basis of what would be required to repair assets falling within the condition 4 and condition 5 categories. 7% increase would allow us to deal with all condition 5 assets and 12% would allow us to deal with all of condition 5 assets and some of condition 4 assets.

How will I know when Council has spent this money?

If IPART grants an SRV the Council will provide quarterly updates on our website and through our quarterly reports to Council and the community.

When would the increase become effective?

July 2015.

How long would I be paying the extra percentage on my rates?

This decision will be made by IPART. Council's intentions are to apply for an increase as an SRV for 4 years that will remain permanent in the rate base, from 2015/2016.

What happens after 4 years?

In simple terms, what a ratepayer pays in 2018/2019 will be increased by the approved rate peg for the 2019/2020 year, estimated at 3%.

Would Council's fees and charges also increase?

Yes. Council is very careful to ensure the community is well serviced. The fees and charges are reviewed annually and move in line with the cost of services, changes in regulations and statutory changes.

The fees and charges are calculated each year based on the following categories:

- Community service – the cost of service is subsidised to provide for community benefit
- Economic cost – the cost of providing the service is determined by dividing the cost the service by a number of users
- Regulatory charge – set by government regulation and user pay principle – where a specific individual cost is charged to the user of the service.

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What is the application process for an SRV?

Councillors endorsed a seven week community consultation period (between August and September) to get feedback from ratepayers on the proposal for the Special Rate Variation.

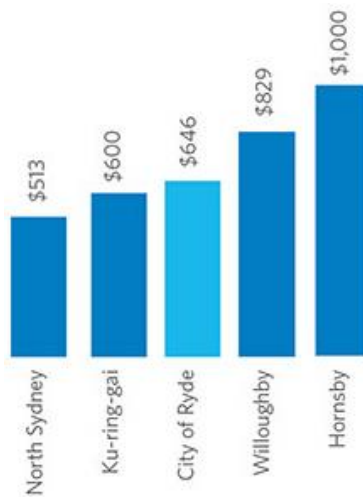
At the end of that feedback period, all responses will be collated and Council will reconsider the proposal in late October 2014. Should Council endorse the proposal to apply to IPART for a Special Rate Variation; an application will then be made to IPART by February 2015.

Any rate changes through a SRV application can only be implemented on the approval of IPART.

How do we compare with other Councils?

For many years our residential rates have been consistently low in comparison to similar sized local councils. Neighbouring councils rates are considerably higher.

2012/13 Average Residential Rates for surrounding councils

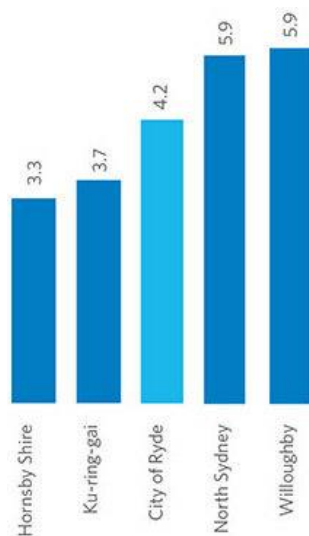


Source: Office of Local Government Comparative Statistics 2012/13

The City of Ryde runs an efficient work force, with 4.2 staff per 1,000 residents. Over the past 18 months many staff positions have been consolidated or not replaced, further adding to our financial savings.

Ratio of staff per 1,000 residents for surrounding councils

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Source: PWC Audit Review - 10 June 2014

What are we asking you to do?

Tell us your preferred option! Hearing from you is very important, so we are undertaking a two-month consultation period that will provide you with a variety of ways to get all the information you need to make an informed decision - through this website, community meetings, information booths, information brochures and a telephone hotline.

Once you've decided which option you think is best, tell us.

There are three ways to register your choice:

1. Return the postage-paid postcard you would have received in the mail
2. Tell us via our online survey
3. Attend one of our drop-by sessions or community meetings outlined [here](#)

I'm concerned about residents who are on a pension and being able to afford to pay more rates. What can be done to assist them?

Council has a 'Debt Administration Policy' for ratepayers who may experience financial difficulties in paying their rates. Further information on this can be found [here](#)(External link).

Will the SRV affect amalgamations?

The outcome of this SRV will have no bearing on the decision of amalgamations. If the City of Ryde is amalgamated and the SRV is approved we would still continue with the rates increase over the 4 year period, as the need to maintain and renew our infrastructure assets will still remain. The new amalgamated entity would manage the SRV.

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Shouldn't those big businesses in Macquarie Park pay more?

Yes, businesses across the City of Ryde do pay a higher proportion of the total rates income. The City of Ryde has total rateable properties of 41,724, with 1,855 (4.4%) being business and 39,869 (95.6%) being residential. Business properties contribute 30% of Councils rate income. Within that total for businesses, businesses in Macquarie Park pay a combined additional levy of \$1.3 million for the Macquarie Park Business Commercial Precinct.

What about Section 94 contributions?

Section 94 of the Environmental Planning and Assessment Act 1979 enables Councils to levy contributions for public amenities and services as a consequence of development. Section 94 contributions have never fully funded new infrastructure and since 2007 the state has capped Section 94 contributions. Externally Restricted Reserves include funds raised for water, sewerage, domestic waste, Special Roads Levy, Environmental Levy, Section 94 Contributions etc. and can only be used for the purpose they were raised.

Does the State Government contribute towards Regional Roads?

Council have 311km of local roads and 10km of regional roads. The State Government only provides a subsidy for a portion of the works carried out by Council on the 10km of regional roads.