

Proposed Special Rate Variation (SRV) 2023/24 Addendum



Note: This document outlines the items that are impacted by the inclusion/exclusion of the proposed 2.35% special rate variation application to the Independent Pricing and Regulation Tribunal (IPART). The document should be read in conjunction with the draft 2023/24 budget and the *Long Term Financial Plan* (which is included within the *Resourcing Strategy 2023–2024*).

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Background

At its meeting on 16 February 2023, Council resolved to:

1. Make application to the Independent Pricing and Regulatory Tribunal (IPART) for a special rate variation of 2.35% which would generate approximately \$1.6M in additional revenue.
2. During the period until Council receives the IPART determination (first week of June), that:
 - a. A report be brought back to Council that identifies general fund services currently provided by Council that are not an obligation under the *Local Government Act* or statutory responsibilities from other Acts, including those services provided by the other two tiers of government that Council is not required to provide, with details of the costs of service provision.
 - a. The report also include a range of options for Council's consideration to reduce existing expenditure and services as an alternative measure to fund the \$1.6M as outlined in the special rate variation (SRV) application.
 - a. That the draft Integrated Planning and Reporting documents, to be considered at the April 2023 Council meeting, include a number of alternative funding and service level options for public exhibition.

Income from the Special Rate Variation

For 2023/24, IPART has set the amount Tweed Shire Council can increase its general income (generally referred to as the rate peg) at 4.0%.

Council has also applied for a SRV above the rate peg increase of 2.35%, resulting in a total increase of 6.35%.

The SRV is intended to raise an additional \$1,567,954 in rates revenue and has been included in the draft 2023/24 budget and *Long Term Financial Plan* (which is included within the *Resourcing Strategy 2023–2024*).

Items funded by the proposed Special Rate Variation

The items that are proposed to be funded by the SRV are all ongoing costs, excepting the Development Assessment staff, and affect the current and future years budgets. They are as follows:

| Item | Amount \$ |
|---------------------------------------|------------------|
| Environmental Enforcement Levy | 288,954 |
| Development Assessment staff | 360,000 |
| Core IT Business Systems to the Cloud | 500,000 |
| Cyber Security | 268,000 |
| Insurance Premiums | 151,000 |
| Total | 1,567,954 |

Environmental Enforcement Levy

Council is no longer able to levy an Environmental Enforcement Levy on Development Applications (DAs) due to changes in legislation. This has meant a loss of income of \$288,954 which has been removed from future years budgets.

Development Assessment staff

Council is proposing to increase staff resources to help reduce the long DA processing times caused by a range of complexities and resource challenges associated with the NSW planning system.

Core IT Business Systems to the Cloud

Council is facing increased information technology costs as it must retire its on-premises corporate systems and move to a cloud hosted software solution. The one-off implementation costs for moving to the cloud will be funded from existing cash reserves, however the annual license fees for the cloud hosted system will be higher than the current fees and these are proposed to be partially funded by the SRV.

Cyber Security

Council is seeking additional funds to protect Council's network and digital information to comply with the essential 8 mitigation strategies as recommended by the Australian Cyber Security Centre.

Insurance Premiums

Insurance premiums on Property, Public Liability and other insurance coverage are estimated to increase well above the rate peg amount and the excess is proposed to be funded by the SRV.

The adoption of the SRV will result in the current levels of services being maintained as well as funding the additional items as outlined.

Impact of not proceeding with the SRV

Should the proposed SRV not be approved by IPART or not adopted by Council at its June 2023 meeting, then the rates revenue will increase only by the rate peg amount of 4.0%.

With the exception of the Development Assessment staff, all other items proposed to be funded by the SRV will impact Council's budget and cannot be removed/avoided.

Therefore, should the SRV not proceed, Council will need to reduce/cut existing services elsewhere in the budget to the extent that it will not be receiving additional rate revenue to cover the unavoidable costs.

If the SRV does not proceed, the rate revenue shown in the draft budget and *Long Term Financial Plan* will reduce by \$1,567,954 (or part thereof if a partial SRV proceeds) and expenditure will reduce by an equivalent amount to maintain a satisfactory financial position.

Potential reduction in services levels identified for community consultation

Councillors considered a variety of items for service level reductions put forward by staff that could be altered should the SRV not proceed (or only partially proceed).

Items excluded from the service level reductions were:

- The services of Water, Wastewater, Resource Recovery or Tweed Holiday Parks as these are not funded from general income.
- Services and service levels that are statutory/legislative in nature.
- Asset renewal programs, as the deferral results in increased longer term costs.

The following service level reductions were identified for further community consultation:

| Item | Service reduction | Impacted stakeholders | Amount \$ |
|--------------------------------------|--|--|-----------|
| Growers Market | Close growers market, revoke stall licenses (if any) and remove services. Maintain occasionally under other road budgets. | Market stall holders (typically only 1 or 2 at any time) | 7,660 |
| Community events | Reduce support for external events requiring event organisers to source their own traffic control and other support resources. | Event organisers, community organisations | 25,819 |
| Bridges program | Reduction in capital expenditure on bridges to 50% of current levels. The savings represent a reduction in loan borrowings and loan repayments. | Rural road users | 33,500 |
| Cycleway program | Only build new cycleways if 100% grant funded, as gifted assets from developers, or funded by s7.11 plan. Maintain basic funding for priority safety works only. | Cycleway users | 63,587 |
| Footpath program | Only build new footpaths if 100% grant funded, or as gifted assets from developers. Maintain basic funding for priority safety works only. | Footpath users | 84,884 |
| Minor traffic facilities | Reduce service to only project funding for main street programs or road safety programs. | Local Traffic Committee and road users | 32,475 |
| Pedestrian facilities | Reduce service to only project funding for main street programs or road safety programs. | Local Traffic Committee and pedestrians | 18,059 |
| Rangers and Animal Management | Reduce the development and design of the New Pound and Rehoming Centre. The savings represent a reduction in loan borrowings and loan repayments. | Pound and Rehoming Centre users | 244,292 |
| Community Sponsorship | Cease sponsorship and support of grassroots community events. | Small community groups | 40,000 |
| Libraries | Closure of Kingscliff library. | Library users | 164,800 |

| Item | Service reduction | Impacted stakeholders | Amount \$ |
|--|---|--|-----------|
| Aquatic Centres | <p>During the winter months after the April school holidays through to the start of the September school holidays – reduce opening hours across all 3 pools.</p> <p>Murwillumbah and Tweed pool could potentially close:</p> <ul style="list-style-type: none"> • 2hrs earlier Friday afternoons. • 2hrs earlier on Saturdays • 2hrs earlier on Sundays. <p>Kingscliff pool:</p> <ul style="list-style-type: none"> • 2hrs earlier Friday afternoons. • 2hrs earlier on Sundays. | Aquatic Centre users | 25,000 |
| Sustainable agriculture program | Remove sustainable agriculture services. | Rural industries and primary producers, rural landholders and ratepayers | 143,000 |
| Development Assessment staff | Do not proceed with the additional Development Assessment staff as proposed to be funded by the SRV. Development Assessment approval times to remain as current. | Users of development assessment services | 360,000 |
| Events attractions | Reduce the Destination Events attraction budget. | Event participants and businesses | 87,600 |
| Bus Shelters | Reduce funding with corresponding reduced response to customer service requests, reactive maintenance and cleaning provided by footpath sweeper. | General public | 32,036 |

| Item | Service reduction | Impacted stakeholders | Amount \$ |
|--|---|-----------------------|-----------|
| Urban Road Maintenance | 2% funding reduction resulting in reduced service level for: <ul style="list-style-type: none"> • pothole repairs/jetpatching • street and footpath sweeping • mowing and slashing • weed spraying • guard rails • guide posts • kerb and gutter repairs • footpath maintenance • whipper snipping/brush cutting • litter removal • tree maintenance • storm damage restoration • landscape maintenance • graffiti removal • bridge maintenance. | General public | 44,564 |
| Rural Road Maintenance | 2% funding reduction resulting in reduced service level for: <ul style="list-style-type: none"> • pothole repairs/jetpatching • street and footpath sweeping • mowing and slashing • weed spraying • guard rails • guide posts • kerb and gutter repairs • footpath maintenance • whipper snipping/brush cutting • litter removal • tree maintenance • storm damage restoration • landscape maintenance • graffiti removal • bridge maintenance. | General public | 64,534 |
| Stormwater Drainage Maintenance | 2% funding reduction resulting in reduced service level for: <ul style="list-style-type: none"> • clearing pipes and headwalls • repair damaged pipes • kerb and gutter clearing • kerb and gutter repairs • cleaning Gross Pollutant Traps and trash racks • storm damage restoration • CCTV inspections • vacuum truck cleaning • revetment repairs • noxious weed removal • wetland and treatment pond maintenance. | General public | 16,144 |

| Item | Service reduction | Impacted stakeholders | Amount \$ |
|--------------------------------|---|-----------------------|------------------|
| Parks Maintenance | <p>The service level for approximately 20 parks would need to be reduced to monthly slashing.</p> <ul style="list-style-type: none"> Facilities would need to be removed from the allocated parks to both allow the slasher to mow the parks and also to comply with current risk management requirements. To free up time for the slasher to accommodate these extra works, Council's mowing service currently contracted to schools would not be available. Reduction in park litter collection frequency. Eliminating herbicide treatments (Bindii and green ants). Reduction in response to park graffiti and vandalism. | Park users | 150,000 |
| Total Service reduction | | | 1,637,954 |
| New Cool Towns Program | New program funding for Cool Towns Officer | General public | 70,000 |
| Net Service reduction | | | 1,567,954 |

Summary

The draft budget and *Long Term Financial Plan* will consider 2 scenarios.

Scenario 1

An increase in general income of 6.35% (4.0% rate peg + 2.35% special rate variation) that will maintain existing service levels and fund the additional items of:

| Item | Amount \$ |
|--|------------------|
| Environmental Enforcement Levy (lost revenue) | 288,954 |
| Development Assessment staff (additional resources) | 360,000 |
| Core IT Business Systems to the Cloud (additional costs) | 500,000 |
| Cyber Security (additional costs) | 268,000 |
| Insurance Premiums (additional costs) | 151,000 |
| Total | 1,567,954 |

Scenario 2

An increase to the general income of the rate peg amount of 4.0%. As the items in the above table are, excepting Development Assessment staff, unavoidable costs, a series of service level reductions has been proposed to maintain a balanced budget result.

These reductions will have the following impact on the draft budget and *Long Term Financial Plan* (Year 1 only shown).

| | 2023/24 \$'000 |
|--|-------------------|
| Income | |
| Rates and Annual Charges | (1,568) |
| | <hr/> |
| Expenditure | |
| Employee Costs | (553) |
| Borrowing Costs | (117) |
| Materials and Contracts | (513) |
| Other Expenses | (224) |
| | <hr/> |
| | (1,407) |
| Net Operating Result | 161 |
| Repayment of principal on loans | (161) |
| Net Impact of Service Level adjustments | 0 |

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