

Integrated Strategic Plan 2018

CHAPTER 3: Operational Plan - Financials



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Revenue Policy

Shoalhaven City Council's Revenue Policy is developed in response to its legislative reporting requirements under the Local Government Act 1993. The Policy provides the community with an indication of the type and breakdown of revenue sources available to Council to support its Operational Plan.

Council's Revenue Policy comprises the following:

1. Estimated income and expenditure
2. Ordinary rates and special rates
3. Pricing methodology
4. Proposed borrowings
5. Chapter 4 - Fees & Charges

Estimated Income and Expenditure 2018/19

In 2010, the Independent Pricing and Regulatory Tribunal of New South Wales (IPART), was delegated responsibility for determining the allowable annual increase in general rates income.

In 2015 Shoalhaven City Council was declared as a Fit for the Future Council by the NSW State Government. This was based on a Council submission provided to the Office of Local Government (OLG) and the Independent Pricing and Regulatory Tribunal (IPART) which outlined several actions Council would undertake to improve our financial sustainability.

Shoalhaven City Council applied to IPART for a Special Rate Variation of 13.2% in 2017/18 (11.7% plus the rate peg of 1.5%) and 14% in 2018/19 (11.5% plus the rate peg of 2.5%) to cover infrastructure maintenance and renewal, maintenance of services and financial sustainability, and to address infrastructure requirements for the Verons Estate. On 9 May 2017, IPART approved only a one-year temporary increase of 13.2% in the rate base due to the failure of Council to align its Integrated Planning & Reporting (IP&R) documents with its Special Variation proposal. Council adopted the 13.2% Special Rate Variation, including the rate peg of 1.5%, for the 2017/18 Financial Year at its June Extra Ordinary Meeting.

To ensure consistency with our Long Term Financial Plan (LTFP) and to meet our Fit for the Future benchmarks, Council again applied to IPART, in February 2018, for an SRV for each of the next three financial years: 2018/19; 2019/20 and 2020/21. Given that the 2017/18 increase reverts to the rate peg increase of 1.5%, Council applied for the following increases to general rate income.

- Maintaining the 13.2% from the current SRV and an additional 5% in 2018/19 (includes the announced rate peg of 2.3%)
- 5.0% in 2019/20 (includes estimated rate peg of 2.5%)
- 5.0% in 2020/21 (includes estimated rate peg of 2.5%)

The cumulative impact of the proposed rate increases over four years is 31.0%. For 2018/19, IPART announced a rate peg of 2.3%. Therefore, the cumulative impact of the proposed rate increase compares to a cumulative increase of 9.1%, if only the rate peg was applied, and a cumulative increase of 35.6% under Council's previous IPART application.

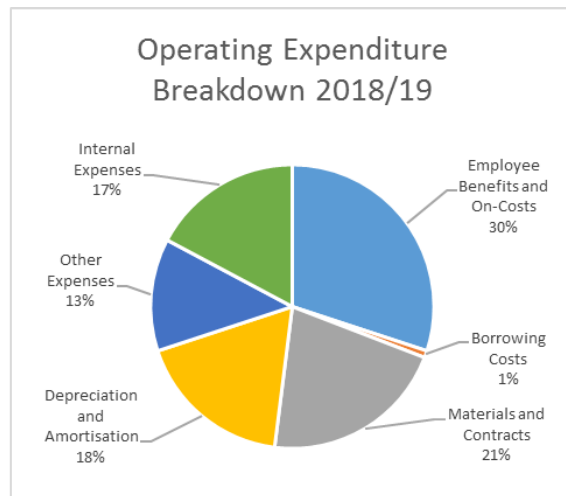
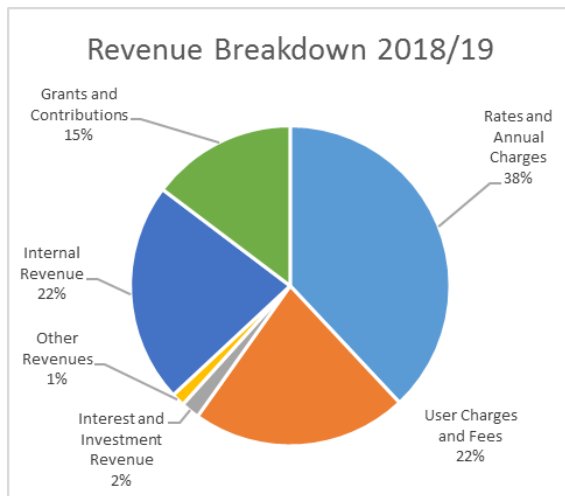
The outcome of the latest application to IPART was determined on 15 May 2018. For Shoalhaven City Council, IPART announced that the special variation is allowed.

The major assumptions included in the 2018/19 estimates and the Long Term Financial Plan are:

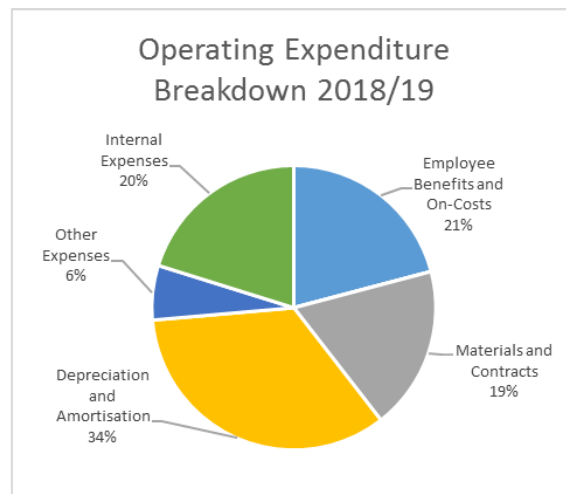
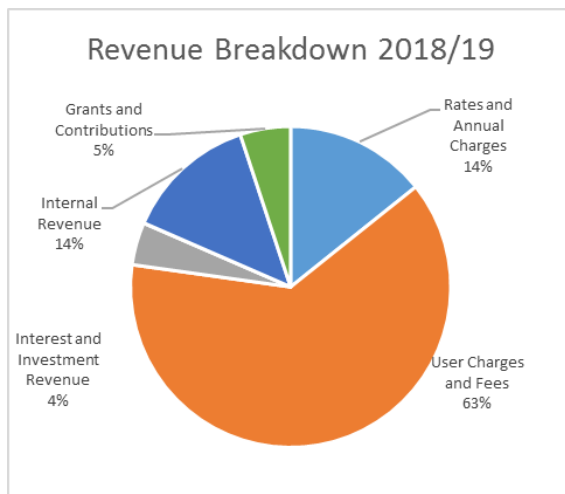
Consumer Price Index (CPI)	2.5%
Road and bridge construction index	1.65%
Population growth	0.6% pa
Number of assessable properties	+0.6% pa
Rate increases	Retention of the 13.2% special variation for 2017/18 as a permanent increase, followed by increases of 5% in 2018/19, 2019/20 and 2020/21, and 2.5% (assumed rate peg 2.5%) thereafter
Financial Assistance Grant	CPI
Other recurrent government grants	+2.0% pa
Interest on investments	2.8%
Employee costs	2.5% award increase
On-costs	38.9%
Salary savings	Target of \$233,900 in the 2018/19 budget; escalated over the forward years in line with projected award increases
Road maintenance	2.4%
Materials and contracts	1.5%
Electricity costs	Increase of 10% in 2018/19 and in 2019/20 (due to a new contract) with a 5% increase in the following years
Borrowings repayment schedule	
General	10 years
Water and sewer	15-20 years
Interest expense for new loans	4.0%
Other expenses	1.5%

The charts provide an overview of the composition of budgeted income and expenditure for 2018/19 based on the IPART approved special variation.

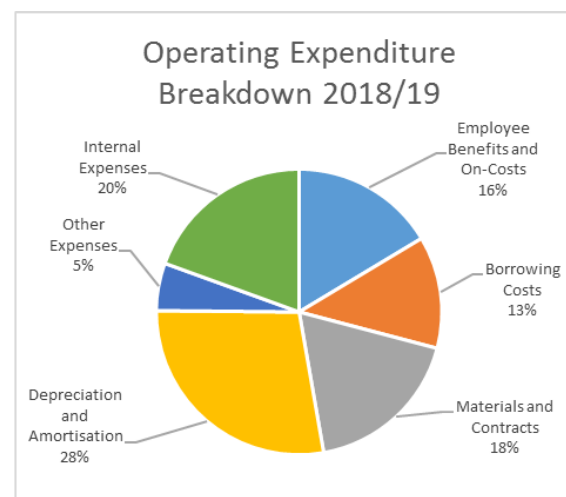
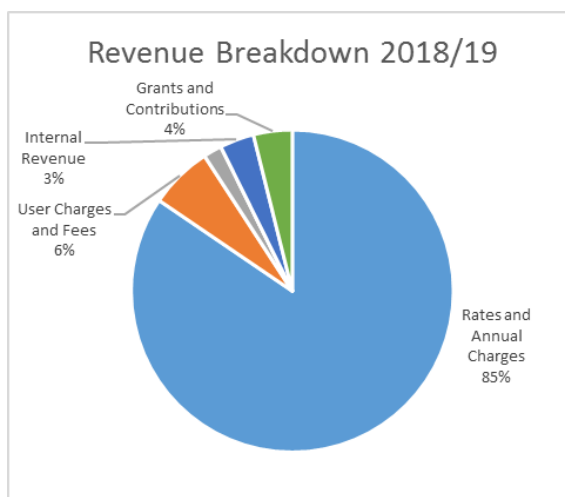
General Fund:



Water Fund:



Sewer Fund:



The full suite of Budgeted Financial Statements and Reports can be found at Chapter 5 Operational Plan – Budget & Capital Works.

Rating Structure - ordinary rates and special rates

The Local Government Act 1993 makes provision for rates to comprise:

- An ad valorem amount (which may be subject to a minimum rate amount) or
- A base amount to which an ad valorem amount is added

Ordinary rates

Council has resolved to maintain the 2016/17 rating structure, comprising both base amounts and ad valorem rates. This was intended to resolve historical inequities in the rating base. The rating structure has a flat base amount of \$611 for all sub-categories, with the exception of Residential – Non-Urban. The additional ad valorem rates applied to business categories cover such costs as car parking, tourism and security, with a further special rate applied to the Nowra CBD for promotional activities and city improvements. However, the ad valorem calculations have changed for parcels of land held by the Crown and categorised as Business Permit (i.e., Crown leases such as permissive occupancies, jetties, slipways, moorings, pastoral leases, etc.); these will be subject to an ad valorem rate in the dollar levied on the value of the property supplied by the Valuer General of NSW.

The following rates are proposed for 2018/19 in respect of each category of ordinary rate levied by Council, as increased by the SRV:

Residential: Will be levied a base amount of \$611 and an ad valorem rate of 0.22800 cents in the \$ for Ordinary Residential Rates and a base amount of \$48 and an ad valorem of 0.22800 cents in the \$ for Residential Non Urban Rates.

Farmland: The rates for both Farmland and Dairy Farmland will be levied a base amount of \$611 and an ad valorem rate of 0.19805 and 0.10073 cents in the \$, respectively.

Business: All sub-categories will utilise the same base amount of \$611, excluding Business Permit, where no base amount is applied given the type of properties within this category. However, different ad valorems have been applied, depending upon the level of service provided in each area.

Special Rate Variations

The total additional \$9,216,351 (including \$7.1M continuing from the SRV allowed in 2017/18) in general rate revenue in 2018/19 is proposed to be spent as follows:

Assist to cover existing operating costs	\$4,653,116
Additional operations	\$1,000,000
Verons Loan Repayments	\$148,981

Additional Maintenance

Roads	\$600,000
Buildings and Facilities	\$200,000
Parks and Reserves	\$200,000

Additional Capital

Local Road Renewals	\$601,754
Streetscape Renewals	\$512,500
Building and Facilities Renewal	\$800,000
Sports field upgrades	\$500,000

\$9,216,351

The special rate introduced in 2013/2014 of 4.6% will create additional revenue of approximately \$2.5 million in 2017/18. These funds will be used for the following projects in 2018/19:

Capital Renewal

St Anns St, Nowra	\$600,000
Larmer Ave, Sanctuary Point	\$800,000
The Lake Circuit, Culburra	\$381,196
Murramarang Road, Bawley Point	\$500,000
Local Road Resurface Renewal	\$280,000
	\$2,561,196

Council's Proposed Section 508A 2018/19 Rating Structure

Category	Sub-Category	No of Assessments	Land Value	Average Land Value	Ad Valorem (c in \$)	Base Rate Amount	Base Rate %age	Yield Base Rate	Yield Ad Valorem	Total Rate Yield (\$)
Residential	Ordinary	53,369	\$14,332,565,060	\$268,556	0.22800	\$611	49.95%	\$32,608,459	\$32,678,248	\$65,286,707
	Non-Urban	998	\$26,940,410	\$26,994	0.22800	\$48	43.82%	\$47,904	\$61,424	\$109,328
Farmland	Ordinary	726	\$671,976,730	\$925,588	0.19805	\$611	25.00%	\$443,856	\$1,330,850	\$1,774,436
	Dairy Farmers	127	\$162,393,000	\$1,278,685	0.10073	\$611	32.17%	\$77,597	\$163,578	\$241,175
Business	Ordinary	162	\$2,237,610	\$13,812	0.33235			\$0	\$7,437	\$7,437
	Commercial/Industrial	1,724	\$774,030,038	\$448,973	0.31998	\$611	29.84%	\$1,053,364	\$2,476,741	\$3,530,105
	Nowra	363	\$168,843,000	\$465,132	0.69876	\$611	15.82%	\$221,793	\$1,179,807	\$1,401,600
		57,469	\$16,138,985,848	\$280,829				\$34,452,703	\$37,898,085	\$72,350,788

Council Special Rates

Special Category Rates – Sussex Inlet CBD Promotion

Council has maintained a special category rate for 2018/19, pursuant to Section 495 of the Local Government Act 1993 for the promotion of Sussex Inlet. The structure of this special rate is an ad valorem rate only, levied on the land value of each rateable property as supplied by the Valuer General of NSW. The Sussex Area special rate applies to all properties within the Sussex Inlet area that are categorised as Business for rating purposes.

Resolving Small Lot Rural Subdivisions (Paper Subdivisions)

Council also levies a number of special rates, pursuant to Section 495 of the Local Government Act 1993 on all small lot rural subdivisions (Residential Non-Urban rating category), which in Council's opinion will benefit from rezoning investigations, road design and construction works.

In respect of each special rate levied by Council, the following are proposed as the special rates for 2018/19:

Category	Sub-Category	No of Assessments	Land Value	Average Land Value	Ad Valorem (c in \$)	Base Rate Amount	Base Rate %age	Yield Base Rate	Yield Ad Valorem	Total Rate Yield (\$)
Residential	Verons Road Upgrade Special Rate (with Building Entitlement)	22	\$5,401,000	\$245,500	1.08993	\$2,674	49.98%	\$58,828	\$58,867	\$117,695
Residential	Verons Road Upgrade Special Rate (without Building Entitlement)	10	\$900,000	\$90,000	0.33110	\$298	50.00%	\$2,980	\$2,980	\$5,960
Residential	Nebraska Road Construction Special Rate	23	\$1,612,700	\$70,117	0.17395	\$121	47.43%	\$2,783	\$2,805	\$5,588
Residential	Jerberra Road Infrastructure Special Rate	114	\$9621,160	\$84,396	3.13450	\$2,644	50.00%	\$301,416	\$301,575	\$602,991
Residential	Jerberra Electricity Infrastructure Special Rate	114	\$9621,160	\$84,396	1.05750	\$891	50.00%	\$101,574	\$101,744	\$203,318
Residential	Jerberra Road E2 Infrastructure Special Rate	17	\$141,520	\$8,325	7.81550	\$650	49.97%	\$11,050	\$11,061	\$22,111
Business	Sussex Area Special Rate	100	\$43,522,448	\$435,224	0.03409				\$14,837	\$14,837
		400	\$70,819,988	\$177,050				\$478,631	\$493,868	\$972,500

Stormwater Management Service Charge

Council introduced a Stormwater Management Service Charge in 2006/07, pursuant to Section 501 of the Local Government Act 1993. The charge for 2018/19 will remain at \$25.00 per eligible residential or business rate assessment. The charge per strata assessment for the 2018/19 rating period will be \$12.50.

The Stormwater Management Services Charge will be spent on the following projects.

Proposed Drainage Projects	Proposed Budget	Funding Sources	
		General Fund	Stormwater Levy
Stormwater Management Plan	77,500	77,500	0
Strategic Stormwater Catchment Analysis	19,400	19,400	0
Drainage Investigation	29,600	29,600	0
Prince Edward Avenue, Culburra	125,000	0	125,000
Prentice Avenue, Old Erawal Bay	80,000	0	80,000
Forest Meadows Way, Worrigeer	80,000	40,000	40,000
Enterprise Avenue, South Nowra	95,000	0	95,000
Aries Place, Narrawallee	75,000	0	75,000
Pritchard Avenue, Huskisson	15,000	15,000	0
Meroo Road, Bomaderry	80,000	0	80,000
St Vincent Street, Ulladulla	100,000	100,000	0
Edwards Street, Berry	195,000	137,000	58,000
Katela Avenue, Bomaderry	80,000	0	80,000
Bendalong Point, Bendalong	80,000	0	80,000
The Park Drive Easement piping	90,000	0	90,000
Elizabeth Drive, Vincentia	50,000	50,000	0
St Andrews Way Coolangatta (Stage 2)	80,000	0	80,000
Sussex Inlet Road, Sussex Inlet	107,500	17,500	90,000
Orient Point Rd, Culburra	25,000	25,000	0
Lake Conjola Entrance Rd	40,000	0	40,000
Reserve Road, Basin View	80,000	0	80,000
	1,604,000	511,000	1,093,000

Subsidies in foregone rental

Subsidies by way of foregone rental income for community properties, based on current arrangements put in place by Council are anticipated for the 2018/19 financial year as follows:

TYPE OF ORGANISATION/RENTAL	No	AMOUNT
Community Groups	44	\$582,000
Mens Shed	8	\$14,300
Golf Club	1	\$64,600
Preschool/childcare playgroups	16	\$560,000

Sports Groups	3	\$10,700
Meals on Wheels	4	\$36,800
Telcos (Community/Gov)	14	\$46,000
		\$1,314,400

BASIS OF ASSESSMENT: The above figures are based on a desktop review – conservative approach, rounding down, pro rata for leases less than the full year, market rental valuations on hand irrespective of date, estimates by comparison and reporting subsidies/donations in Council minutes.

Interest on Overdue Rates & Charges

Council's current policy is to adopt the maximum permissible interest rate for each year on overdue rates, charged on a simple interest basis. Council was advised on 20 March 2018 by the Office of Local Government, via circular 18-08, that the interest rate for overdue rates and charges will be 7.5% per annum for the 2018/19 financial year.

Previously, POL16/202 Revenue Pensioner Rates & Charges – Arrears and Interest allowed eligible pensioners an interest free period should they not pay their rates by the due dates(s) but pay any arrears before the end of May each financial year. At its Extra Ordinary meeting of 15 May 2018, Council resolved to replace this provision with a voluntary rebate of \$10 that extends to all eligible pensioners.

Pricing Methodology

Under the principle of “user pays”, fees are introduced to offset the cost of service provision or, in the case of commercial activities, to realise a reasonable rate of return on assets employed by Council to support the provision of services and to alleviate the burden that would otherwise be unfairly placed upon ratepayers.

Council has given due consideration to the following factors in determining the appropriate price for each fee:

- Cost of providing the service
- Whether the goods or service are supplied under a commercial basis
- Importance of the service to the community
- Capacity of the user to pay
- Impact of the activity on public amenity
- Competitive market prices
- Prices dictated by legislation

In accordance with Section 608 of the Local Government Act 1993, Shoalhaven City Council determines fees and charges based on the following pricing methodologies:

1. Full Cost Recovery

Recovery of all direct and overhead costs associated with providing a service. This includes employee benefits, other direct expenses and overheads.

2. Subsidised / Partial cost recovery

Council recovers less than full cost for reasons of community obligation, legislated limits on charging, etc.

3. Rate of return

Council recovers the full cost of providing the service/activity plus a profit margin.

4. Market

Price of the service determined by investigating alternative prices of surrounding service providers.

5. Statutory

Price of the service is determined by legislation and may or may not recover full cost

Proposed Borrowings

Council's borrowings are governed by the provisions of the Local Government Act 1993 and the Local Government (General) Regulation 2005.

These borrowings will be secured by the usual method of a mortgage over Council's income. Competitive quotations are obtained from major banks and financial institutions with the aim of securing a low interest rate.

The proposed loan program for 2018/19 to 2020/21 is:

General Fund Projects	2018/19	2019/20	2020/21
Shoal Memorial Gardens Segment 11	238,000		
Caravan Park Development	1,647,500	1,528,500	1,565,000
Bay & Basin Library		1,127,146	
Huskisson Town Centre Service Lanes	1,545,000	1,545,000	
Bomaderry Pool Rehabilitation			2,000,000
Sporting Fields - Planning Area 5			335,400

Open Space Land Acquisition	6,370,000		
Waste Management			3,000,000
	9,800,500	4,200,646	6,900,400

* *Originally funded project. This project is now grant funded and Council resolved to transfer the loan to a pedestrian bridge at Chris Creek, Sussex Inlet (MIN17.821)*

Donations, Sponsorships and Subsidies

Council must comply with the provisions of Section 356 of the Local Government Act, 1993 in respect of donations, sponsorships and subsidies to groups or individuals.

The proposed donations, sponsorships and subsidies for the Operational Plan 2018/19 are shown on the following table.

This listing also highlights proposed commitments in terms of specific programs, e.g., festival funding, Cultural Activities and Holiday Haven programs, which are included in Council's budget for the 2018/19 financial year. While public notice is not required (refer to Section 356(3)) for these particular programs an indicative total budget is provided within the listing for these specific programs.

It should be noted, however, that Council may resolve to amend or adjust the budget for any one or all of these items as part of Quarterly Budget Reviews. Any payment made to an individual from the uncommitted allocation will be in accordance with Section 356 of the Local Government Act.

Purpose	Details	Amount
Beach Patrol Subsidy	Mollymook Surf Life Saving Club	\$ 5,000.00
Beach Patrol Subsidy	Nowra Culburra Surf Life Saving Club	\$ 5,000.00
Beach Patrol Subsidy	Shoalhaven Heads Surf Life Saving Club	\$ 5,000.00
Beach Patrol Subsidy	Sussex Inlet Surf Life Saving Club	\$ 5,000.00
Community Bus	Shoalhaven Community Transport	\$ 9,985.00
Community Consultative Body	Basin Villagers Forum	\$ 500.00
Community Consultative Body	Bawley Point / Kioloa Progress Association	\$ 500.00

Purpose	Details	Amount
Community Consultative Body	Berry Forum	\$ 500.00
Community Consultative Body	Budgong Community Group	\$ 500.00
Community Consultative Body	Callala Bay Community Association	\$ 500.00
Community Consultative Body	Callala Beach Progress Association	\$ 500.00
Community Consultative Body	Cambewarra Residents & Ratepayers Association	\$ 500.00
Community Consultative Body	Conjola Community Forum	\$ 500.00
Community Consultative Body	Culburra Beach Progress Association	\$ 500.00
Community Consultative Body	Currarong Progress Association	\$ 500.00
Community Consultative Body	Greenwell Point - Get to the Point Program	\$ 500.00
Community Consultative Body	Huskisson / Woollamia Community Voice	\$ 500.00
Community Consultative Body	Hyams Beach Villagers Association	\$ 500.00
Community Consultative Body	Pride of Bomaderry	\$ 500.00
Community Consultative Body	Red Head Villages Association	\$ 500.00
Community Consultative Body	Shoalhaven Heads Community Forum	\$ 500.00
Community Consultative Body	Sussex Inlet & Districts Community Forum	\$ 500.00
Community Consultative Body	Tabourie Lake Residents & Ratepayers Association	\$ 500.00
Community Consultative Body	Tomerong Community Forum	\$ 500.00
Community Consultative Body	Ulladulla & Districts Community Forum	\$ 500.00
Community Consultative Body	Vincentia Residents & Ratepayers Association	\$ 500.00
Community Consultative Body	Wandandian Progress Association	\$ 500.00
Community Events - Australia Day	Multiple Events	\$ 30,777.00

Purpose	Details	Amount
Community Event - Berry Celtic Festival	Showground Fee Rental	\$ 2,000.00
Community Event - Blessing of the Fleet Ulladulla	Blessing of the Fleet Committee **	\$ 10,000.00
Community Event - Carols by Candlelight	Multiple Events	\$ 7,925.00
Community Event - Easter Carnival Huskisson	White Sands Carnival Committee	\$ 2,000.00
Community Event - Family Day Out	Shoalhaven Turf Club	\$ 6,000.00
Community Events - New Years Eve Celebrations	Multiple Events	\$ 36,000.00
Driver Education Program	Milton Ulladulla Driver Education Program	\$ 3,000.00
Hire Fees - Callala Community Centre	Friends of Callala Seniors Group	\$ 1,276.00
Museum Subsidy	Berry Historical Society Museum	\$ 2,000.00
Museum Subsidy	Kangaroo Valley Pioneer Museum	\$ 2,000.00
Museum Subsidy	Shoalhaven Historical Society Museum	\$ 2,000.00
Museum Subsidy	Tabourie Museum	\$ 6,500.00
Operational Costs	Nowra RSPCA	\$ 1,000.00
Operational Costs	Ulladulla RSPCA	\$ 1,000.00
Operational Costs	Westpac Lifesaver Rescue Helicopter	\$ 5,000.00
Operational Costs	Wildlife Rescue South Coast Inc.	\$ 2,470.00
Rates Shoalhaven City Council	Property & Public Halls	\$ 28,198.00
Rental Assistance	Sussex Inlet CTC	\$ 7,755.00
School Citizenship Award - Bomaderry High School	Bomaderry High School	\$ 100.00
School Citizenship Award - Nowra Anglican College	Nowra Anglican College	\$ 100.00
School Citizenship Award - Nowra Christian Community School	Nowra Christian Community School	\$ 100.00
School Citizenship Award - Nowra High School	Nowra High School	\$ 100.00
School Citizenship Award - Shoalhaven High School	Shoalhaven High School	\$ 100.00
School Citizenship Award - St John the Evangelist	St John the Evangelist Catholic High	\$ 100.00

Purpose	Details	Amount
Catholic High School	School	
School Citizenship Award - Ulladulla High School	Ulladulla High School	\$ 100.00
School Citizenship Award - Vincentia High School	Vincentia High School	\$ 100.00
School of Arts Fees - Albatross Music Company	Albatross Music Company*	\$ 8,925.00
School of Arts Fees - Music Shoalhaven	Music Shoalhaven*	\$ 1,200.00
School of Arts Fees - Shoalhaven City Concert Band	Shoalhaven City Concert Band*	\$ 2,508.00
Shoalhaven City Eisteddfod	City Eisteddfod	\$ 6,677.00
Nowra Showground Pavilion Fees	Helping the Homeless Soup Kitchen*	\$6,380.00
Nowra School of Arts Annex Fees	Lay Missionaries of Charity*	\$4,227.00
Shoalhaven Youth Orchestra	Youth Orchestra	\$ 8,000.00
Subsidized grass slashing	Old Pyree Public School	\$ 720.00
Sponsorship	Bravehearts Inc. Education	\$ 5,000.00
Sponsorship	Cancer Council Relay for Life - Milton	\$ 1,278.00
Sponsorship	Cancer Council Relay for Life - Nowra	\$ 6,330.00
Sponsorship	Illawarra Academy of Sport	\$ 15,000.00
Sponsorship	Milton Ulladulla Entertainers	\$ 2,500.00
Trophy - Berry and District Garden Club Inc.	Berry and District Garden Club Inc	\$ 100.00
	Committed Donation Allocation	\$ 267,531.00
	Uncommitted Donation Allocation	\$ 42,349.00
	Total	\$ 309,880.00

Other Programs	
Events - Tourism	\$150,000
Cultural Activities	\$132,000

Holiday Haven Commercial	\$ 50,000
Business Awards	\$ 40,000
Planning Service – Heritage Programs	\$ 17,000
Other Programs - TOTAL	\$389,000

* Hire Fees Nowra School of Arts and Nowra Showground Pavillion

*** In addition to the \$10,000 annual donation, Council will waive the cost of the hire and cleaning fees for the use of the Ulladulla Civic Centre, grounds and foreshore reserve for the Ulladulla Blessing of the Fleet Festival.

Note: Council has resolved to review its Donations Policy.