

Questions and Answers

QPRC Special Rate Variation

What is a Special Rate Variation or SRV?

A Special Rate Variation (SRV) is a rate increase that is above the normal rate peg.

What is the rate peg?

Each year, the Independent Pricing and Regulatory Tribunal (IPART) sets the percentage that councils can increase their total rate income by in the following year. This percentage is known as the rate peg.

Councils are told by IPART to assume a 2.5% rate peg, but it is often less. Historically, the rate peg has not met all increasing costs and does not meet the costs of new infrastructure or extra services. The rate peg only applies to the general rates income, not to other fees that Council might collect, such as water and sewer fees.

What happens if the rate peg goes up in the future?

The rate rise scenarios include the rate peg of 4.6% in year one and 2.5% in years two and three. This means that all figures are inclusive of the rate peg and will not change if IPART increase or reduce the rate peg in the next three years.

Who pays rates?

Rates are paid by all property owners, including residential, business, farmland and mining property owners.

Why do we need to increase rates?

Council's revenue is less than its expenses – meaning that the services we provide have grown beyond our means – and this has been the case for a number of years.

We have needed a rate increase for years, but we were unable to increase rates because of the legislation when the merged Council was created.

There are many factors that have led us to this position:

- Both former councils had long-term operating deficits
- We have been providing higher levels of services across the LGA since the merger
- Both former councils had an infrastructure backlog and year-on-year financial deficits
- Population growth (at 1.9% pa) means that the costs of expanded services is increasing more than the income received by additional ratepayers
- Capital grants for new assets (\$284 million over 5 years) as well as developer contributions and gifted assets (\$96 million over 5 years) have provided benefits to the community and ongoing additional maintenance costs

- Increased costs due to responding to natural disasters and road restoration that aren't fully covered by disaster funding

Added to all of these factors, the global economic crisis has led to material supply shortages, increases in construction costs, increases in energy costs, rising inflation, low investment returns and higher borrowing costs.

What will be increasing under this proposal?

The rate rise applies to the general rate charge that pays for general Council services like roads, parks, libraries and pools. This means the base rate and the ad valorem charge on your rates notice will increase.

The rate variation does not apply to garbage or general waste, sewerage, stormwater, or water access charges.

If my land value goes up, doesn't that mean I will pay even more in rates?

No. The important thing to know about land values and their effect on your rates bill is how land value changes relative to other land values. For example, if all land values go up at the same rate, any change in your land value would not change your rate charge.

What support is there for people who can't afford to pay their rates?

Under scenario 3, we would provide all eligible pensioners with an additional \$100 on top of the \$425 provided by the NSW Government. This will bring the pensioner rebate up to a maximum of \$525. This is dependent on which services you pay for. If you are on a residential block and pay for water and sewer you would receive \$87.50 for water, \$87.50 for sewer, \$250 for general rates and the \$100 additional rebate.

The other scenarios won't include an additional pensioner rebate. However, we have a robust financial hardship policy designed to support ratepayers in situations beyond their control and defer payments where they would cause hardship. We offer interest free payment arrangements for up to two years and all applications are assessed against eligibility conditions in our policy.

You can learn more about this policy and find our hardship application at bit.ly/QPRC-RP

What else has Council done to save money?

A rate rise is only one of a number of initiatives we have considered in order to improve our overall financial performance and better manage and maintain essential infrastructure.

We have had to make some tough budget decisions in recent years to reduce our costs. In 2022 these included more than \$2 million in one off adjustments via a 5% reduction in our materials and services budget and deferring recruitment for several vacant positions.

We also have planned efficiency savings measures that we have tracked and reported annually (and that are listed in our long term financial plan) including:

- \$2.2 million annual merger efficiency savings were planned and implemented over the last 5 years by reducing duplicated activities or staff

- \$457,000 annual electricity has been saved by upgrading Queanbeyan streetlights with LED
- Use of pooled development contributions and government grants to fund capital works each year
- Conduct service reviews
- Sell and lease surplus assets for commercial returns including:
 - Commercial rental of 2 floors of the new Queanbeyan Civic and Cultural Precinct
 - The sale of land and buildings in the Queanbeyan CBD has raised \$8 million - released as a result of the QCCP development

In July this year, Council resolved to conduct an organisational service review to identify opportunities for financial improvement before making any decision to apply for a rate rise. We engaged Morrison Low to undertake an independent financial assessment of Council, including an organisational review to identify financial improvements that could improve value for ratepayers and minimise the rate rise.

This year Morrison Low did an organisational review to identify additional potential financial improvements. The report has identified efficiency savings that we have already begun to implement; and further opportunities that would require other fees to increase, or other services to be reduced.

Our staffing levels are lower in comparison to other councils. In QPRC, there are 138 residents per staff member compared to 108 residents per council staff member in similar councils.

Wasn't the merged Council supposed to save money, why do we need this?

Both the former Palerang Council and former Queanbeyan City Council were considering options to increase revenue before the merger, including a Palerang Council proposal to increase rates by 7% every year for five years. Legislation introduced in 2016 prevented all merged councils from increasing rates by more than the rate peg and from reducing staff levels. However, this has just delayed and exacerbated the need for an increase in rates, rather than removing it.

We have implemented \$2.2 million in annual savings from efficiency savings over the last five years by reducing duplication. At the same time, we have also reinvested savings in expanding services across the whole local government area.

What happens if we don't increase rates?

We will have to find savings by cutting services and closing facilities. We will be totally reliant on grants to maintain assets and community infrastructure will deteriorate with insufficient funding. It costs much more to restore infrastructure than to maintain it. If we have to reduce staff and sell machinery and facilities, we will be unlikely to recover to current levels.

How do our rates compare with other councils?

Our rates are generally comparable to similar councils. For example, our average ordinary residential rate is \$1155 in comparison to an average of \$1170 from other regional councils.

You can compare councils at <https://www.yourcouncil.nsw.gov.au/council-data/queanbeyan-palerang-regional/2019/finances/>

This data set has been updated by the NSW Government (January 2023) the new address is <https://www.yourcouncil.nsw.gov.au/council-data/queanbeyan/2020/finances/>

Have other councils applied for a rate variation?

Yes. In the last 12 years, councils across NSW have been approved for 168 rate variations. Some councils have applied for multiple variations in that time. Many councils are facing similar challenging financial sustainability concerns to what we are.

QPRC is one of five merged councils that have not had a rate variation before or after being merged. Seven of the 24 merged councils have had rate variations in the last two years.

What will happen to our rates?

There are three scenarios. All three rate rise scenarios include enough funds to ensure Council's assets like roads, stormwater and buildings are maintained appropriately.

Under Scenario 1, the general rate will increase by 12% every year for three years (including the rate peg). This would be a cumulative increase of 41%. Following this, rate increases will follow the rate cap amount set by IPART. This scenario requires significant cuts. ~~The Private Councils The QPRC would need to develop a strategy to reduce expenses by \$12 million per year. Cuts and strategies may include:~~

- Stop funding some community activities (arts, community development, youth, seniors, heritage grants and First Nations activities)
- Stop funding community halls and meeting spaces
- Closing aquatic centres, some sportsgrounds and playgrounds, and cancelling planned developments
- Closing libraries, customer service centres and depots at Bungendore and Braidwood
- Significantly increasing user charges and fees for all community services
- Fully funding economic development and tourism through user charges and a rate on businesses
- Removing community grant support from QPRC
- Significantly reducing urban amenities (street sweeping, mowing, maintenance and cleaning)
- Reducing number of Councillors
- Introducing paid parking for Queanbeyan CBD
- Removing additional pensioner rebate

Under Scenario 2 rates will increase by 18% every year for three years (including the rate peg). This would be a cumulative increase of 64%. Following this, rate increases will follow the rate cap amount set by IPART. This scenario will require significant cuts to services and immediate annual savings of \$5.5 million per year. Cuts and savings strategies may include:

- Significantly increasing user fees at The Q
- Reducing community funding by 50% (arts, halls, community development, youth, seniors, and First Nations activities)
- Only keeping one pool and closing all others. Stopping planned development for sports and aquatics
- Combining libraries and customer service into single facilities in Bungendore and Braidwood
- Stopping heritage and main street improvement grants from QPRC
- Increasing fees for childcare and saleyards, to be fully self-funding
- Increasing user charges and fees for all community services
- Reducing economic development and tourism
- Reducing some urban amenities (street sweeping, mowing, maintenance, cleaning)
- Reducing number of Councillors
- Introducing paid parking for Queanbeyan CBD
- Removing additional pensioner rebate

Under Scenario 3, rates will increase by 28% for the first year, 25% for the second year and 23% for the third year. This would be a cumulative increase of 97%. Following this, rate increases will follow the rate cap amount set by IPART. This scenario fully funds the current level of services.

- These increases allow us to maintain our current services.
- There would be an additional \$100 pensioner rebate for the whole LGA.
- Environmental and sustainability programs would receive \$1.3 million per year.
- Renewed infrastructure – community facilities, footpaths and pools would receive \$1.9 million per year.
- \$400,000 would be available each year for expanded infrastructure and to match grant opportunities – like footpath extensions.

What will an increase in rates be used for?

Under Scenario 1 and 2, we will have to reduce services. The increase in rates will be used for the increasing costs that we are experiencing and addressing the year-on-year financial deficits that we have, but we will still have to make significant cuts to our services.

All three rate rise scenarios include enough funds to ensure Council's assets like roads, stormwater and buildings are maintained appropriately, however under scenarios 1 and 2, some facilities may close, and service levels will reduce.

See previous question for what the rate rise under Scenario 3 would be used for.

What happens when the rate variation finishes?

Rates won't go down to earlier levels, but after the rate variation period finishes, rates will increase only by the rate peg amount set by the Independent Pricing and Regulatory Tribunal (IPART).

When is this all happening?

We are seeking the community's feedback about the rate variation until 29 January. At an Extraordinary Council Meeting in February 2023, Council will consider all the feedback and determine an application to present to IPART.

Why are you building a new Council head office in Queanbeyan if you need a rate rise?

The current buildings that house Council staff in Queanbeyan are not easily accessible to the community and the new office will provide public and community space, including a new library and outdoor spaces.

Council staff have been housed in 11 different buildings around the CBD. Staff are working in inadequate conditions, including living rooms, old bedrooms and other properties. This is ineffective and inefficient.

We have also sold many of these properties around the CBD and the revenue (\$8 million) from the sale will go towards the new head office. We have a lease agreement with the NSW Government who will be using two floors of the new building. Another floor will also be rented out which will provide ongoing income.

The new building is not the cause of a rate increase, rates are increasing because there are long-term and ongoing increases in costs that Council needs to address.

If Council had decided to rent rather than build a new office in Queanbeyan, the annual rent would be a similar cost. This means that, once the loan is paid down, the community will own a great asset - with commercial rental return from the other tenants.

Why did the Councillors' payment increase?

The Local Government Tribunal sets a range for the fees that are to be paid to Councillors and Mayors. Council has lobbied the NSW Government to ask that the Tribunal decides the exact fee, rather than setting a range.

In 2019, Council was reclassified as being a 'Regional Centre' having previously fallen into the 'Regional Rural' category. In 2022, Council resolved to adopt the maximum for the Regional Centre category.

Council is required to support Councillors to undertake their civic duties, including funding professional development opportunities. Councils in NSW also pay Councillors superannuation, which was a legislation change made last year.

The Councillors are each paid an annual fee of \$25,310, and an additional \$62,510 is paid to the Mayor. The Mayor did not take up the option of a vehicle, saving Council in depreciation and running costs.

Why didn't the former Council do something about the financial situation?

The legislation that created the merged QPRC prevented Council increasing its rates by more than the rate peg amount set by IPART for four years. The existing Council has been in office since January 2022 and must now make a decision to ensure that community services and infrastructure are viable for the future.

Will an increase in rates improve road maintenance?

All three rate rise scenarios include enough funds to ensure Council's assets like roads, stormwater and buildings are maintained appropriately.

Under scenario 3, there will also be an additional \$1.9 million per year for renewed infrastructure, including community facilities, footpaths and pools. An additional \$400,000 per year will be available for expanded infrastructure and to match 1:1 grant opportunities, including things like footpath extensions.

How do I have my say on the rate rise?

You can have your say by going to our Your Voice page <https://yourvoice.qprc.nsw.gov.au/srv> and filling out the survey. The survey is open until 31 January 2023. You can also fill out a hard copy version of the survey at Council's Customer Service offices or Libraries.

You can also:

- email council@qprc.nsw.gov.au with "SRV and Long Term Financial Plan" in the subject line
- mail to PO Box 90, Queanbeyan NSW 2620
- deliver to Council offices.