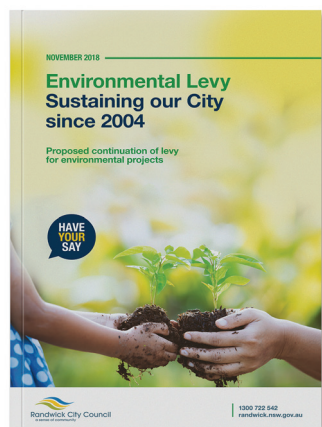


Technical information sheet

Possible continuation of the Environmental Levy

This sheet is supplementary to the 'Environmental Levy – Sustaining our City since 2004 – Proposed continuation of the levy and environmental projects' booklet November 2018, distributed to ratepayers as part of the community consultation about the continuation of the Environmental Levy. This sheet has been designed as an additional tool in explanation of technical matters related to the special variation process, including the expiry of the current levy and the minor revision of Council's Integrated Reporting suite of plans.



How is the current Environmental Levy expired from the Council's rate base?

The current Environmental Levy approved by IPART in June 2014, was a temporary approval for five years commencing 1 July 2014 and ending on 30 June 2019.

At the time of approval the levy component of total rates income was \$3.8 million, then representing 6 per cent of Council's rates revenue (rate base). On 30 June 2019 at the end of its fifth and final year, the levy which now represents 5.38 per cent of the rate base, will be expired by a reduction of \$4.45 million to Council's rates base.

This expiration of the temporary five year levy is mandatory and will occur irrespective of whether the Environmental Levy is continued or not. It effectively means that Council's rates revenue is forced down before it is able to go up again (by the application of the 2019-20 approved increase of 5.52 per cent).

The table below shows the impact of the expiring levy, the existing special variation in years 1 and 2 and a continued Environmental Levy. In Year 1, the current Environmental Levy expires at 5.38 per cent, and then the existing special variation increase of 5.52 is added, resulting in a negative 1.1 per cent reduction in total rates, prior to a new Environmental Levy being applied (should the Environmental Levy be continued in 2019-20).

IMPACT OF THE EXPIRING VARIATION + EXISTING SPECIAL VARIATION+ PROPOSED CONTINUED LEVY

		BASE YEAR	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	CUMULATIVE INCREASE
Expiring current Environmental Levy	Average Residential rates under the existing SRV path of 5.52% going forward with and expired Environmental levy of 5.38% end of 2018-19	\$1,295	\$1,281	\$1,352	\$1,386	\$1,421	\$1,457	12.44%*
	Annual increase (%)		-1.10%	5.52%	2.50%	2.50%	2.50%	
Expiring current Environmental Levy before replacing with a continued Environmental Levy + existing SRV	Average Residential rate with a 5.38% expiring Environmental levy + existing approved SRV of 5.52% (in years 1 and 2) + a continued Environment levy of 5.9% commencing in 2019-20	\$1,295	\$1,366	\$1,442	\$1,478	\$1,515	\$1,553	19.91%*
	Annual increase (%)		5.52%	5.52%	2.50%	2.50%	2.50%	

Didn't Council just get an IPART approval to increase rates?

Yes – In May 2018 Council received IPART approval to increase rates over three years to fund the projects and services associated with the \$27 million, seven-year, Our Community Our Future Program. This program is separate to the Sustaining our City Program, which has been running for the past 15 years funded by the Environmental Levy. These two programs may sound similar but are quite different hence their separate and dedicated funding paths.

Our Community Our Future program – existing special variation

YEAR	APPROVED INCREASE %
2019-20	5.52%
2020-21	5.52%

The Environmental Levy has been approved and replaced on three separate occasions since 2004. Each time temporarily for a five year period, with each expiring levy reducing Council's rate base before a new levy was applied. Each special variation application process and application to IPART involved considerable community consultation and the support of the elected Council. Historically Councillors of Randwick City have taken a five year temporary approach to the levy as a means to ensure that the program is periodically evaluated in conjunction with significant community participation.

Why is Council exhibiting revised Integrated Planning & Reporting documents at the same time as the Environmental Levy consultation?

Council's Long Term Financial Plan (LTFP) has been updated to include a financial modelling scenario for the case of a continued Environmental Levy. There are a number of financial scenarios within the LTFP, including scenarios that model variations for a discontinued levy. In keeping with a revised LTFP the City Plan and 2018-19 Operational Plan & Delivery Program 2018-21 has also been amended to reflect the possible continuation of the Environmental Levy. As these documents are Council's significant strategic plans that sit at the core of Council's planning and service delivery, it is industry best practice to publically exhibit the revised content for 28 days.

These revisions were not included in the last review of these documents adopted by the Council in February 2018, because at that time it was not appropriate for the Council to assume and model a scenario for a continuing Environmental Levy without first initiating a conversation with the community about its replacement.

Does the Environmental Levy affect the Minimum rate?

No – the Environmental levy bears no relationship to the 'minimum rate'. Council's rating structure is subject to minimum rates for both residential and business properties. Rates are determined by multiplying the land value of a property by a rate-in-the-dollar amount. The minimum rate is applied when the rate-in-the-dollar calculation does not reach a predetermined (or 'minimum') amount. Just over half of all residential ratepayers paid the minimum rate in 2018-19 of \$805.68.

The Environmental Levy is a special rate which must be shown as a separate line item on the Rates Notice. If the Environmental Levy is not replaced the line for the Environmental Levy will disappear from rate notices in 2019-20. Irrespective of whether the levy is continued or not minimum rates will remain unchanged, unaffected by the expiration of the existing levy or by a continuation of the levy.

Council will increase the minimum rate each year in line with the annual increase percentage. Council already has approval to increase rates by 5.52 percent for the next two years 2019-20 and 2020-21.

The table below shows minimum rate amounts for this next five years, assuming a rate-peg of 2.5 per cent in years 3 – 5.

MINIMUM RATES FOR NEXT FIVE YEARS				
	INCREASE %	RESIDENTIAL	BUSINESS	PORT BOTANY
Year 0 2018-19		\$805.68	\$1,298.32	\$1,298.32
Year 1 2019-20	5.52%	\$850.15	\$1,369.99	\$1,369.99
Year 2 2020-21	5.52%	\$897.08	\$1,445.61	\$1,445.61
Year 3 2021-22	2.5%*	\$919.51	\$1,481.75	\$1,481.75
Year 4 2022-23	2.5%*	\$942.50	\$1,518.79	\$1,518.79
Year 5 2023-24	2.5%*	\$966.06	\$1,556.76	\$1,556.76