

# Data Sheet 91 (DS 091)

## Rates and Annual Charges Coverage Ratio

### What are we monitoring?

This ratio measures the degree of Council dependence on revenue from rates and annual charges to fund service provision to the community versus reliance on external income, which is often variable and unreliable. The ratio also assesses the security of the Council's income.

The calculation of the Rates and Annual Charges Ratio is: Rates and Annual Charges as a percentage of Operating Revenue excluding capital items.

To meet the NSW Office of Local Government's benchmark the Council must ensure it achieves a greater than 40% Rates and Annual Charges ratio.

The Council has set Rates and Annual Charges targets through its Long Term Financial Plan (LTFP) so that by 2019–2020 the Council maintains the greater than 40% benchmark level. The graph and table below show the Council's progress through the actual results compared to the predicted results set in the Council's LTFP and Delivery Program.

In 2014–2015, this ratio was replaced by the 'Own Source Operating Revenue' ratio in the Council's Annual Report. However, this particular figure also includes other forms of revenue (additional to Rates and Annual Charges), so the Rates and Annual Charges Coverage Ratio was extracted from the Annual Financial Statements Appendix, and divided by the total income from continuing operations to obtain the actual result figures.

It is of note that the NSW Government through Fit for the Future (FtF) now uses the Own Source Revenue Ratio as one of its measures of revenue sustainability rather than the Rates and Annual Charges Coverage Ratio. To align with this change, the Council now also measures this key measure in the Council's FtF Improvement Plan to 2019–2020. This ratio requires a benchmark level of greater than 60% average over 3 years. Implementation of the Council's Six Strategies for Financial Sustainability and FtF Plan ensure the Council achieves the new greater than 60% benchmark.

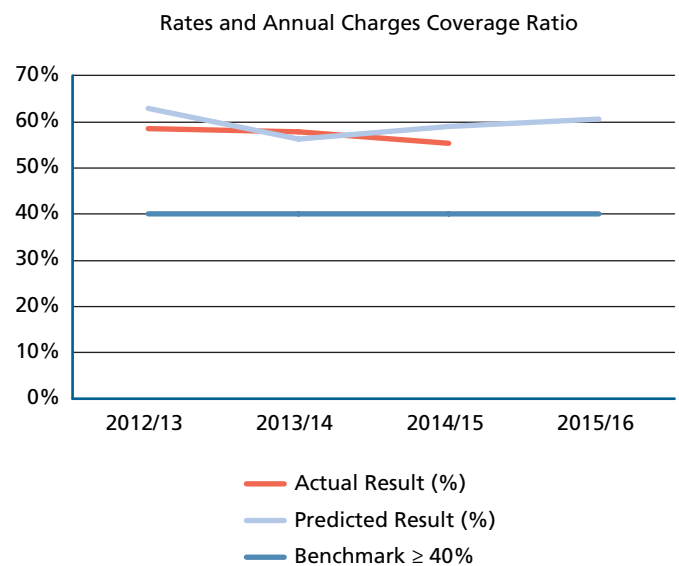
### What is the trend?

The trend is positive with the Rates and Annual Charges Ratio, being favourably above the NSW Office of Local Government benchmark of 40%. Importantly, the Council is now also on track to achieve the higher benchmark result of 60% own source revenue, required by the NSW State Government Fit for the Future financial performance measures.

Key strategies used to improve and maintain this ratio include the implementation of the Council's Six Strategies for Financial Sustainability including various actions under Strategy 4 – Increase Income.

### Why is monitoring this trend important?

The Rates and Annual Charges ratio is a key measure that assesses the Council's rates and annual charges revenue source as an indicator of financial sustainability. Maintaining the measure above the 40% benchmark affords the Council a degree of certainty with regard to its principal revenue source, since other income sources, particularly those from external sources can be variable and unpredictable.



Blue Mountains City Council Rates and Annual Charges Coverage Ratio

Year	2012/13	2013/14	2014/15	2015/16
Actual Result	58.53%	57.88%	55.34%	57.9%
Predicted Result	62.81%	56.26%	59.05%	60.50%
Benchmark ≥ 40%	40%	40%	40%	40%

Source: BMCC Resourcing Strategy 2013–2023 and 2010–2013 Delivery Programs for Predicted Results, BMCC Annual Reports 2012–2013, 2013–2014 and 2014–2015 for Actual Results, noting that the 2015–2016 Actual Results will be available in November 2016 after they are audited and adopted by the Council