

Special Variation Application Form – Part B

For applications for 2014/15

Issued October 2013

Richmond Valley Council

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1 Introduction

2 Focus on Integrated Planning and Reporting

A full suite of Council's IP&R Documents is available on Council's website comprising Community Strategic Plan (CSP), Delivery Program, Operational Plan, and Resourcing Strategy which included Council's Long Term Financial Plan, Workforce Management Plan and Asset Management Plans.

3 Assessment criterion 1: Need for the variation

Maintain existing services	<input checked="" type="checkbox"/>
Enhance financial sustainability	<input checked="" type="checkbox"/>
Environmental works	<input type="checkbox"/>
Infrastructure maintenance / renewal	<input checked="" type="checkbox"/>
Reduce infrastructure backlogs	<input checked="" type="checkbox"/>
New infrastructure investment	<input checked="" type="checkbox"/>
Other (specify)	<input type="checkbox"/>

EXECUTIVE SUMMARY

“Richmond Valley Council, over the last two years, has undertaken a comprehensive initiative to achieve financial sustainability and improve its services for ratepayers. This has included a detailed Integrated Planning and Reporting (IP&R) process, widespread organisation change and extensive community communication and consultation. As a result of these processes, the Council is now applying for a special rate variation of 10 percent in 2014/15, followed by four annual variations of 3 per cent each year. This will raise \$7.6 million over five years, which in addition to borrowings, will allow the Council to spend \$11.5 million on a range of road and facility upgrades and new capital works between 2014/15 and 2018/19.

Our detailed community consultation process showed there was widespread knowledge of and support for, the proposed special rate variation. The variation also closely aligns with our IP&R process. If this special rate variation is not granted, the Council will be unable to reduce its current infrastructure backlog of \$27 million, which is causing increasing maintenance costs for the Council and

poor service for our ratepayers. It also means the Council will be less likely to attract new investors to the area, which are needed to reduce the area's unemployment and generally boost its economic well-being.

What's more, the Council will not be able to provide necessary new public amenities.

The following outlines some key features of the application.

Special Rate Variation Sought	10% increase in 2014/15, followed by four annual increases of 3% all above the rate cap
Revenue to be raised by the Special Rate Variation	\$7.6 million
Overall spend once borrowings are included	\$11.545 million
Overall community support for the application	66%
Operating Margin in 2018/19 with Variation	-1.74%
Operating Margin in 2018/19 without Variation	- 6.31%
Operating Margin in 2023/24 with Variation	+1.74%
Operating Margin in 2023/24 without Variation	- 3.05%

Community Mandate

Following a nine month community engagement process, Council adopted its Integrated Planning and Reporting suite of documents in June 2013 which included the Community Strategic Plan (CSP), Delivery Program, Operational Plan, and Resourcing Strategy. Also included was Council's Long Term Financial Plan, Workforce Management Plan and Asset Management Plan. During public meetings the General Manager discussed the need to increase rates to fund infrastructure and the impact of the rate proposal.

At the Casino public meeting there was broad support that a rate variation would be acceptable provided the Community could see the work and projects delivered. The CSP when adopted in July 2013 contained broad strategy 7.1.2 - *"Examine all revenue generation opportunities within legislative powers"*.

The following action was contained within the strategy:

"Seek approval from the community and IPART for rate variations to produce revenue that will fund improved levels of service."

In 2013 Council's asset conditions were reviewed. The first review was conducted on Water and Sewerage assets, followed by reviews of buildings, roads and

drainage in early 2013. Council's long term outlook for sustainability as identified by TCorp in its report released in April 2013 was weak (negative operating margins below benchmark for over 10 years), however, Council was not able to quantify its real financial position until the state of its assets and depreciation had been assessed. The early results of the Water and Sewerage Assets showed conditions reflecting longer useful lives than written down values, meaning a lesser backlog than was originally thought was also likely in other assets under review. (Richmond Valley Council Community Strategic Plan - 2013).

In adopting its 10 year Financial Plan in June 2013, Council factored in the now proposed rate variations into its forecast based on its best estimate of the likely outcome from its asset condition based assessments. (Richmond Valley Council Long Term Financial Plan 2013).

The actual level needed was not known at this time and it was intended that when the asset condition assessments were completed, Council would better understand its financial position and revenue required and would make a Special Rate Variation application, after recalculating its needs. Council waited for the Guidelines on how to apply for a variation which were released in late September 2013. (IPART 2013).

Council Demographics *(as reported in TCorp's assessment for 2012)*

Richmond Valley Council	
Locality and Size	
Locality	Richmond Tweed
Area	3,051.4 km ²
DLG Group No.	4
Demographics	
Population	22,037
% under 20	27.4%
% between 20 and 59	46.3%
% over 60	26.3%
Expected population in 2021	23,900
Operations	
Number of employees (FTE)	198
Annual revenue	\$47.1m
Infrastructure	
Roads	1,070 km
Bridges	124
Infrastructure backlog value	\$80.0m **
Total infrastructure value	\$420.8m

****** *Following a revaluation of assets in 2013 Council's real backlog now sits at \$27 million.*

Infrastructure Challenges in the Richmond Valley

Infrastructure, Sustainability, Financial Management and Economic Development underpins Council's application for a rate variation for progressive permanent increases in Council's rate base.

Council must address its Infrastructure backlog. The photos below provide a common snapshot of typical problems Richmond Valley Council is working to overcome.



Playground Maintenance and Replacement - Softfall Installation Required



Sealing Unsealed Urban Streets



Sealed Road Rehabilitation



Sealing Unsealed Urban Streets



Evans Head Skate Park



Casino Riverbank Presentation and Improvements



Renewal of Council Facilities and Parks

3.1 Community needs

Purpose of application

The variation seeks to raise an additional \$7.6 million over five years to address Council's roads, bridges, parks, buildings and drainage infrastructure backlog, increase Council's levels of service and capacity in line with the Community Strategic Plan (CSP), stimulate economic development and fund all unfunded projects the community identified as priorities placing Council on a path to financial sustainability.

Council will spend a total of \$11.545 million over five years, as identified in the report, which will include \$5.5 million on road expenditure. IPART advised late last year that the rate cap next year was expected to be 2.5% and was later revised down to 2.3%. The funds raised will be in addition to the rate cap. Council sought community support for the rise through a comprehensive communication and engagement process which will be demonstrated within the report.

Council does not propose to change the mix of rates between the rate categories. The impact on the average rates across the Richmond Valley has been calculated and will be shown in the report.

Schedule of Works that were proposed for the rate variation prior to the consideration of community comments:

INFRASTRUCTURE RENEWAL	
Sealed Road Rehabilitation	\$ 5,000,000
Gravel Road Re-sheeting	\$ 500,000
Playground replacement	\$ 60,000
Public Toilet refurbishment	\$ 200,000
Renewal Council facilities and parks	\$ 500,000
ADDITIONAL SERVICES	
Casino River Bank Presentation	\$ 250,000
Sealing of unsealed urban roads	\$ 375,000
Cultural and Art Facilities	\$ 120,000
CAPITAL IMPROVEMENTS	
Casino Riverfront Amphitheatre & Footbridge and general access improvements/connectivity	\$ 1,050,000
Woodburn Riverfront	\$ 470,000
Evans CBD and environs Carparking and Extension Park St	\$ 500,000
Coraki Riverfront	\$ 355,000
Casino Showground Upgrades	\$ 100,000
Casino Car parking	\$ 580,000
Evans Head Skatepark	\$ 100,000
Crawford Square Regional Park	\$ 150,000

Woodburn Skatepark	\$ 80,000
Casino Skatepark	\$ 240,000
IMPROVED MAINTENANCE	
Playground maintenance	\$ 75,000
Toilet Cleaning Maintenance	\$ 75,000
Rural road drain maintenance	\$ 250,000
INCREASED CAPACITY	
IT Innovation Fund.	\$ 250,000
Public Wi Fi in Casino CBD, Woodburn, Evans Head	\$ 170,000
Capacity Building Youth Traineeship Program	\$ 300,000
Economic Development Plans (Growth)/Projects	\$ 330,000
Community Engagement/ Customer Research/Communications.	\$ 190,000
Industrial Land Development	\$ 761,000
TOTAL	\$ 13,031,000

Following the Community Consultation period for the Special Rate Variation and the Delivery Plan, it was determined by Council to revise the level of expenditure by reducing the Increased Capacity section of works from \$2.1 million to \$515,000. This reduced the amount of leverage used to fund the program. This decision was made after reviewing Council's debt servicing ratios into the long term and considering public comments received. Council will consider funding the deleted programs from changing priorities in its future budget reviews from its general revenues.

INCREASED CAPACITY	
IT Innovation Fund	\$ 200,000
Public Wi Fi in Casino CBD, Woodburn, Evans Head	\$ 150,000
Capacity Building Youth Traineeship Program	\$ 0
Economic Development Plans (Growth)/Projects	\$ 165,000
Community Engagement/ Customer Research/Communications	\$ 0
Industrial Land Development	\$ 0
TOTAL (after Amendments)	\$ 515,000

These projects have been scheduled over a five year program and are included in Council's Amended Delivery Plan which was adopted by Council at its Ordinary Meeting on 18 February 2014. Other projects in years four and five will be scheduled in future delivery plan revisions. It should be noted that during the course of consultation, Council was able to take advantage of a market opportunity to purchase a strategic allotment of industrial land which has been funded from internal borrowings, and the project "Industrial land development" has been deleted from the variation and will not be part of the variation expenditure. This was leveraged and now deleted from the loans program. It has no impact on the revenue to be raised or the projects delivered.

Need for the Application

This application is about sound financial management, sustainability and delivering the community aspirations as identified in the CSP. Council currently has no borrowings in its General Fund and will increase its borrowings as a result of the increased ability to fund new loans over a 10 year period to address its infrastructure backlog. The total proposed expenditure is \$11,545,000. This report will demonstrate that before going to its residents seeking this variation, Council has put its house in order by reducing costs and focused on sound financial management and planning over the last two years under a new Council, new General Manager and Executive Team.

The need for the variation is evident if Council is to be responsible and provide the best outcomes for its community. This view is shared by the Independent Local Government Independent Review Panel (ILGRP).



(ILGRP 2013)

"As indicated in Case for Sustainable Change, 'fiscal responsibility' does not mean simply keeping rates and expenditure as low as possible and remaining debt free. On the contrary, in so many cases the more responsible approach is to face up to the need to increase rates and charges in order to achieve and operating surplus and undertake essential asset maintenance; and then where necessary to borrow additional funds to tackle infrastructure backlogs."

The NSW Treasury Corporation shares a similar view but goes further to say that Community wellbeing and the fate of the private sector depend on Local Government Infrastructure.



(TCorp 2013)

"The TCorp report makes it clear that tackling local government's annual asset maintenance gap and the cumulative infrastructure backlog warrants the highest priority. Economic Development, community wellbeing and much of local government and private or third sector service delivery all depend on adequate infrastructure, especially roads, bridges and buildings."

Council shares the views of these authorities charged with responsibilities at the highest level to protect the interests of the State and Local Government.

State of Financial Sustainability TCorp Assessment

In considering the longer term Sustainability of the Council (IPART Criteria 1-3.3) TCorp made the following comments:

- Council's long term Sustainability from a financial perspective is weak, based on the forecast operating results that are consistently below benchmark.

- Council's population has increased over the past decade. If this trend continues, Council may be able to achieve improving Own Sourced Operating Revenue Ratios
- In recent years, Council did not spend sufficient amounts on asset renewals. Based on the current version of the LTFP, this trend will continue which could lead to a reduction in the quality of the assets and ultimately impact service standards.
- Council appears to be in a developing stage of the IP&R documentation, and the Infrastructure backlog at 19.0% is a key area of concern.

(Note: The TCorp Report is dated 16 April 2013 and Council adopted the new suite of IP&R documents on 25 June 2013).

- Council has maintained a moderate level of borrowings over time. In the long term, an improving liquidity position could allow Council to take on further borrowings to address the infrastructure backlog, but this option may be restricted by consistent operating deficits.

As it is presented, Council's forecast position is not sustainable without some corrective action required to be taken in the short and medium term. Service levels need to be reviewed and agreed with the community. This then needs to be input into Council's LTFP and maintenance and renewal spending needs to be reviewed so as to improve Council's performance in this area.

Since that assessment by TCorp, Council has by virtue of its conditioned based assessment of its assets, reduced its depreciation expense by \$3.444 million annually.

It should be noted that TCorp's assessment was based on the General Fund alone. The Special Rate Variation takes action in accordance with the TCorp advice.

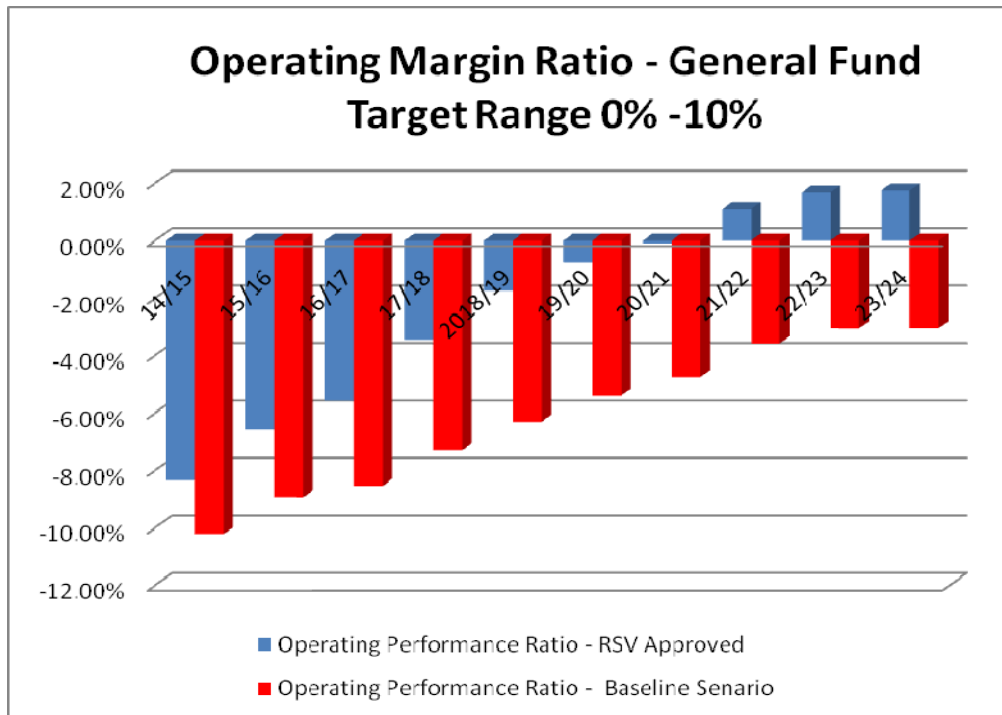
10 Year Period Sustainability

The rate variation is crucial to Council's long term financial sustainability and has been modelled against its 10 year long term financial plans in two scenarios; a base line (without the variation) scenario and one with the variation. The following TCorp indicators show the positive impact the variation contributes to the Council's future financial health.

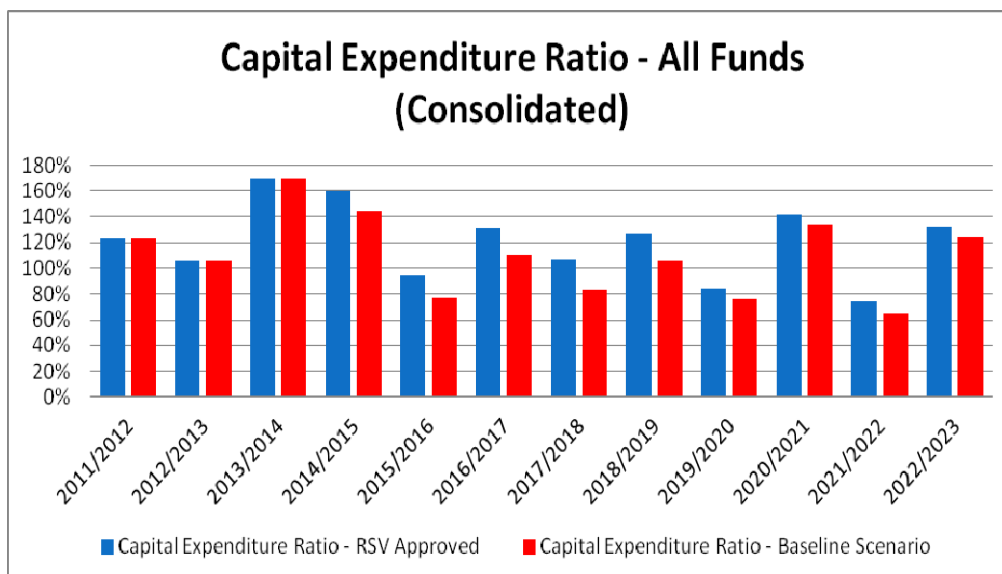
Operating Performance Ratio

This is considered one of the most important sustainability ratios.

The operating margin ratio graph below for the General Fund shows clearly the impact the SRV has on Council's path to financial sustainability. The minimum acceptable target of negative 5% will not be reached until 2017/18 and a breakeven zero percent until 2020/21. It shows Council operating revenues will fully exceed operating costs in 2020/21.



Capital Expenditure Ratio

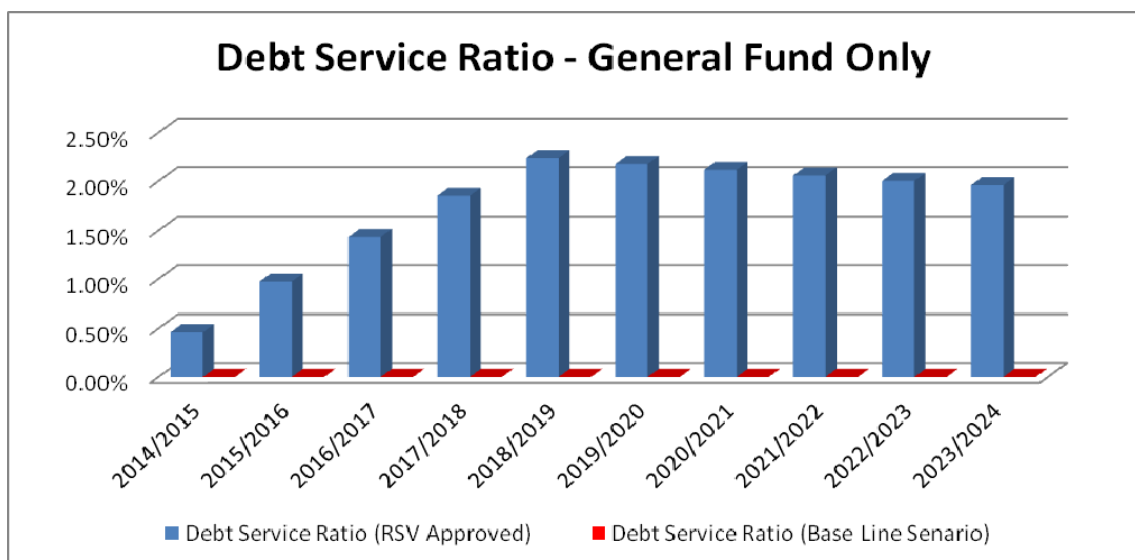
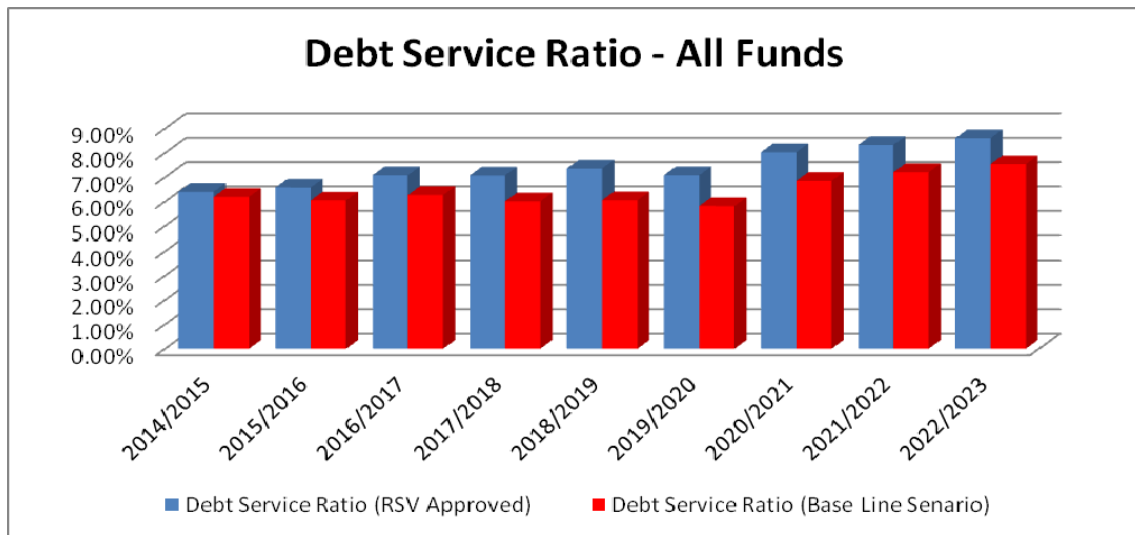


Councils should be spending a minimum of 110% of depreciation costs on capital expenditure (TCorp 2013).

The graph compares the expenditures over a ten year period. This demonstrates that on average Council in all but three years of this ten year plan has generally the right balance of capital expenditure for its asset base across all its operations.

Debt Service Ratio

Council will borrow an additional \$3,945,000 over the 5 year period to address its infrastructure backlog. The two graphs below show that Council has the capacity to do this. In a low interest environment it is considered that it is financially responsible to fund infrastructure in this way and it is equitable to spread this liability to future year ratepayers over the 10 year period reflecting the life of the assets.



Asset Management

Richmond Valley has invested significantly in its Asset Management Planning which is a pillar of its overall Resourcing Strategy. Council's Asset Management Plans have been developed over the past few years, with an emphasis on auditing the condition of existing assets, collating existing data on management and maintenance costs and establishing an integrated system to deliver planned responses now and into the future. (Richmond Valley Council Resources Plan 2013). Within this framework, five core asset plans have been developed for

Transport, Buildings and Other structures, Stormwater Management, Water Supply, and Sewerage Services.

Council's approach to asset management is depicted in the following diagram.

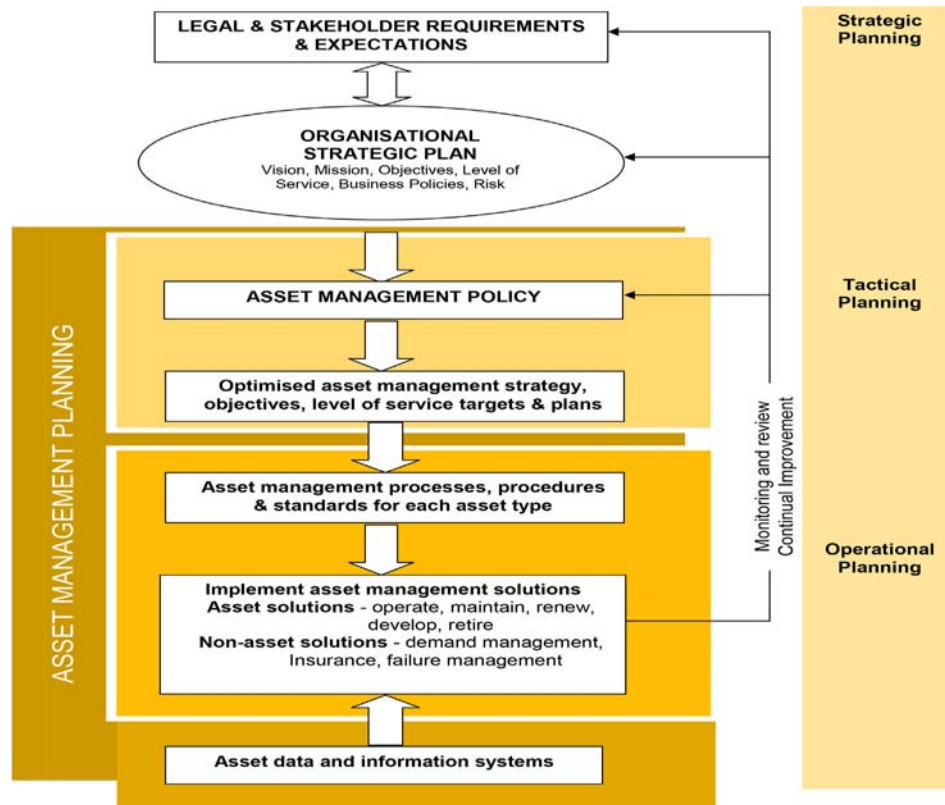


Figure 1: Strategic Asset Management Planning Process
(International Infrastructure Management Manual, 2006)

A comprehensive condition assessment and revaluation of Richmond Valley Council's road asset portfolio and recent Federal grants for natural disaster relief have combined to improve infrastructure condition ratings and associated performance measures. Council's adopted condition rating system, defines a condition rating of 3 as satisfactory. These ratings are stipulated by the Department of Local Government. At present Council's roads assets are delivering an average Level of Service rating of 3 (LoS-3) however long term financial projections indicate that road assets will deteriorate significantly over the forward period unless new sources of sustainable funding are secured.

A proposed Special Rates Variation (SRV) with a single 10% increase in 2014/15 followed up by four 3% increases in the following years (above the rate cap) will provide additional revenue. This will strengthen Richmond Valley Council's ability to deliver and provide sustainable road infrastructure assets (road, bridge and footpaths) to a satisfactory, level of service. (Condition 3 – Average).

Additional revenues from the proposed SRV will provide funding to deliver \$5.5 million worth of road renewal projects and \$700,000 building renewal programs for public toilet and park facilities. This will deliver an asset backlog figure and

Special Schedule 7 (SS7) cost to satisfactory (Cat 3- Average) for the road assets of approximately 5% and building assets of 14%.

Key Performance Measures

The Building and Infrastructure Renewals Ratio

This ratio is the Asset Renewals (Building and Infrastructure)/Depreciation. This ratio assesses the rate at which assets are being renewed relative to the rate at which they are depreciating.

Implementation of the SRV Project will improve the Building and Infrastructure renewals ratio from 42.3% to 62.4% in 2018/19; this largely reflects improved performance on the road assets component of the ratio, which improves from 29.4% to 54.6% in 2018/19.

This ratio describes the challenge of Richmond Valley Council and of all Local Governments in NSW that fall short and will continue to fall short of sufficient revenue to meet annual depreciation costs. The improvement represented by the increase assists in preventing Council's asset consumption becoming totally beyond control over the longer term.

Note: In the below table numbers are expressed as '000'

Category	Additions	New Build	Renewal	Depreciation	Renewals Ratio					
					13/14	14/15	15/16	16/17	17/18	18/19
Buildings	417	34.92	382	1,100	34.73%	49.28%	49.28%	49.28%	47.46%	47.46%
Roads, Bridges	2,523	211.27	2,312	7,869	29.38%	54.60%	54.60%	54.60%	54.60%	54.60%
Storm Water	138	11.56	126	530	23.86%	23.86%	23.86%	23.86%	23.86%	23.86%
Water	776	43.67	732	778	94.13%	94.13%	94.13%	94.13%	94.13%	94.13%
Sewer	1,296	113.44	1,183	921	128.40%	128.40%	128.40%	128.40%	128.40%	128.40%
General	3078	257.75	2820	9,499	29.69%					
B&I	5150	414.85	4,735	11,198	42.29%	62.60%	62.60%	62.60%	62.39%	62.39%

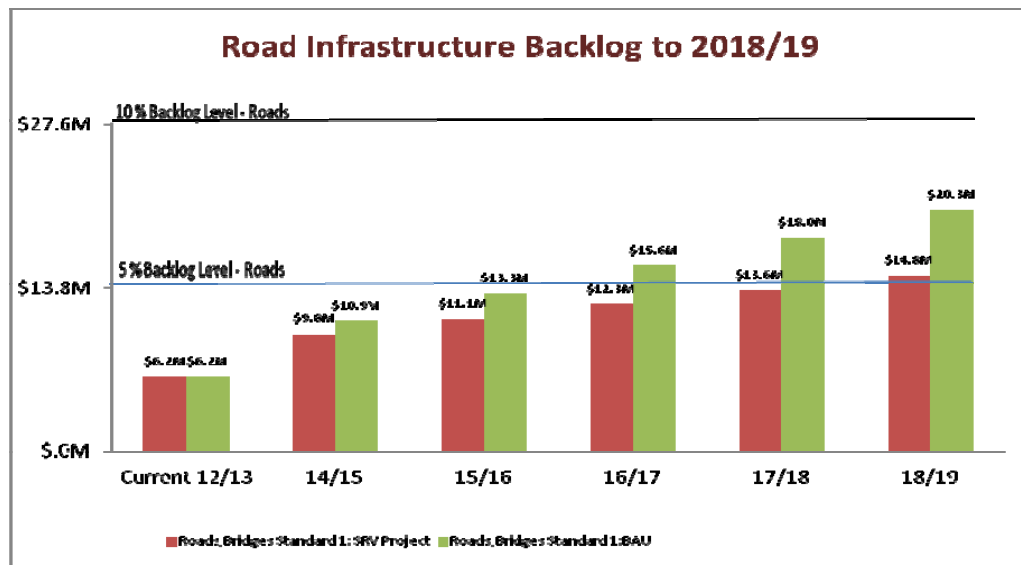
Infrastructure Backlog

Road Infrastructure

The special rate variation will enable Richmond Valley Council to achieve a 5% backlog for Roads by 2018/19, which is for a Special Schedule 7 Condition assessment of average or satisfactory.

The recent comprehensive revaluation of Council's road assets shows Richmond Valley Council's portfolio of roads, bridges and footpaths are being consumed at a rate of \$4.6 million per year. Funded renewal programs currently total \$2.3 million per year with the net impact inflating the SS7 cost to satisfactory by \$2.3 million per year for road assets. Figure 1 illustrates the deteriorating performance of road assets over the forward period and the contribution of the SRV funded project to improving portfolio performance.

Figure 1

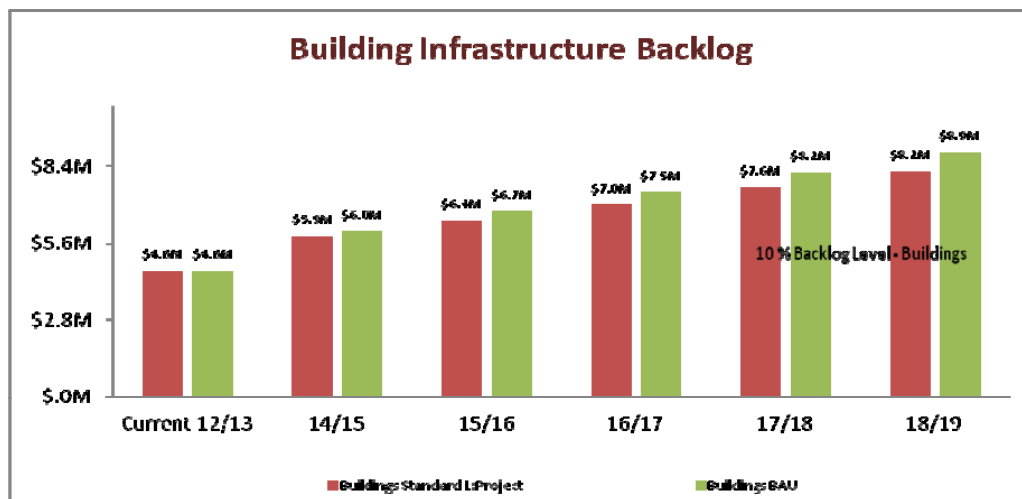


Building Infrastructure

Business as usual (incorporating rate pegging increases) would result in the Special Schedule 7 (SS7) cost to satisfactory increasing from current \$6.2 million (2.26% of asset class value) to \$20.3 million (7.34% of asset class value) in 2018/19. With the application of the special rates variation road renewals funded by the SRV project will result in a projected 2018/19 cost to a satisfactory (Average Standard) value of \$14.8 million (5.35% of asset class value).

Building asset consumption currently exceeds funding by \$718,000 per year. Business as usual would result in the SS7 cost to satisfactory increasing from current \$4.6 million (8.1% of asset class value) to \$8.9 million (15.71% of asset class value) in 2018/19. Building renewals funded by the SRV project will reduce the building asset class SS7 cost to satisfactory to \$8.2 million (14.47% of asset class value). Figure 2 illustrates the forward performance of the building infrastructure portfolio.

Figure 2



Community Needs

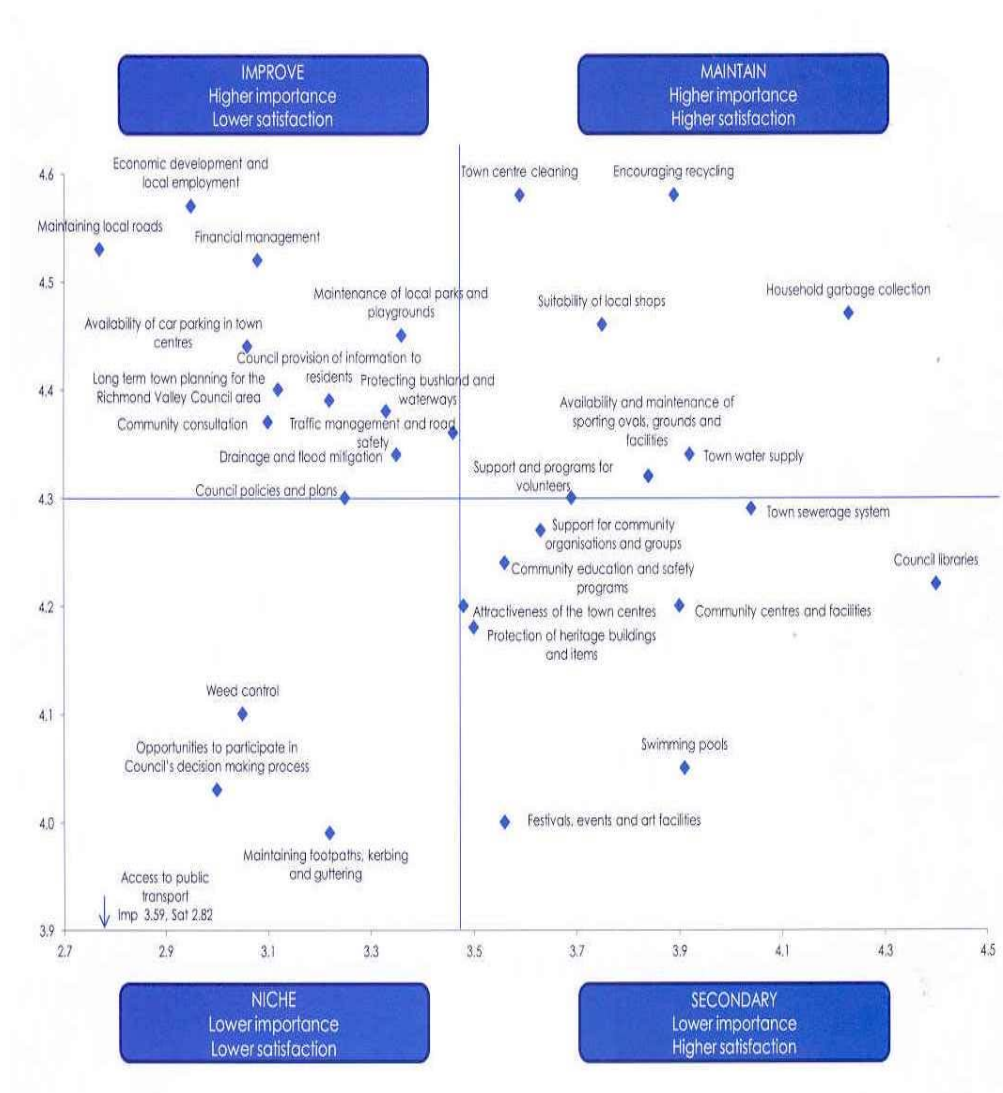
In assessing Community Needs, Council is informed by its statistically accurate research undertaken for the Community Strategic Plan where it engaged the services of reputable company Micromex Research.

It found in its Quadrant Analysis that the community considered Council's financial management ranked the third highest out of a scale of 5, with Financial Management ranking 4.52 in importance. Only Maintaining Local Roads (4.53) and Economic Development and Local Employment (4.57) ranked higher.

The sample size of 400 residents (18 years and older) provides a maximum sampling error of plus or minus 4.9% at a 95% confidence level. When matched against performance or satisfaction, Quadrant Analysis shows the performance gap between these variables.

Council performed this analysis on 32 services and facilities.

The analysis is shown on the below Quadrant Diagram (Micromex 2013).



The quadrants are formed by plotting the scores above the mean for importance (4.3) and the mean for satisfaction (3.5). Clearly from the analysis, Council has a clear mandate from the Community to focus on economic development and local employment, maintaining local roads and financial management. Council's rate variation does this. The need for this variation is evidenced in Council's quantitative research.

3.2 Alternative funding options

Rates Review

Council reviewed its rating structure in June 2013 following the preparation of an external consultant report. The report included examination of the relativities between the various categories and the use of other forms of separate rates and charges. The consultant employed provided information which was workshopped by the Council. The final outcome was that current structures and rating was considered suitable to the Council needs and was its preferred option. Within the constraints of rate capping it was not an option to derive sufficient additional income from its rating methodology. The Council therefore did not see in the short to medium term that there is any potential to grow rating revenues from changing demographic or industry makeup (Richmond Valley Council 2014).

Fees and Charges

Council has raised its fees and charges consistently each year to reflect CPI increases, ensured that the levels of fees reflect the cost of the provision of a service and that the fee is realistic within competitors providing the same or similar service in neighbouring Councils. Council has in some cases lifted its fees to levels of full cost recover and found that the revenues have fallen rather than increased because of reduced patronage. Council does not consider that its fees are too low or that an opportunity exists to raise sufficient revenue by this process.

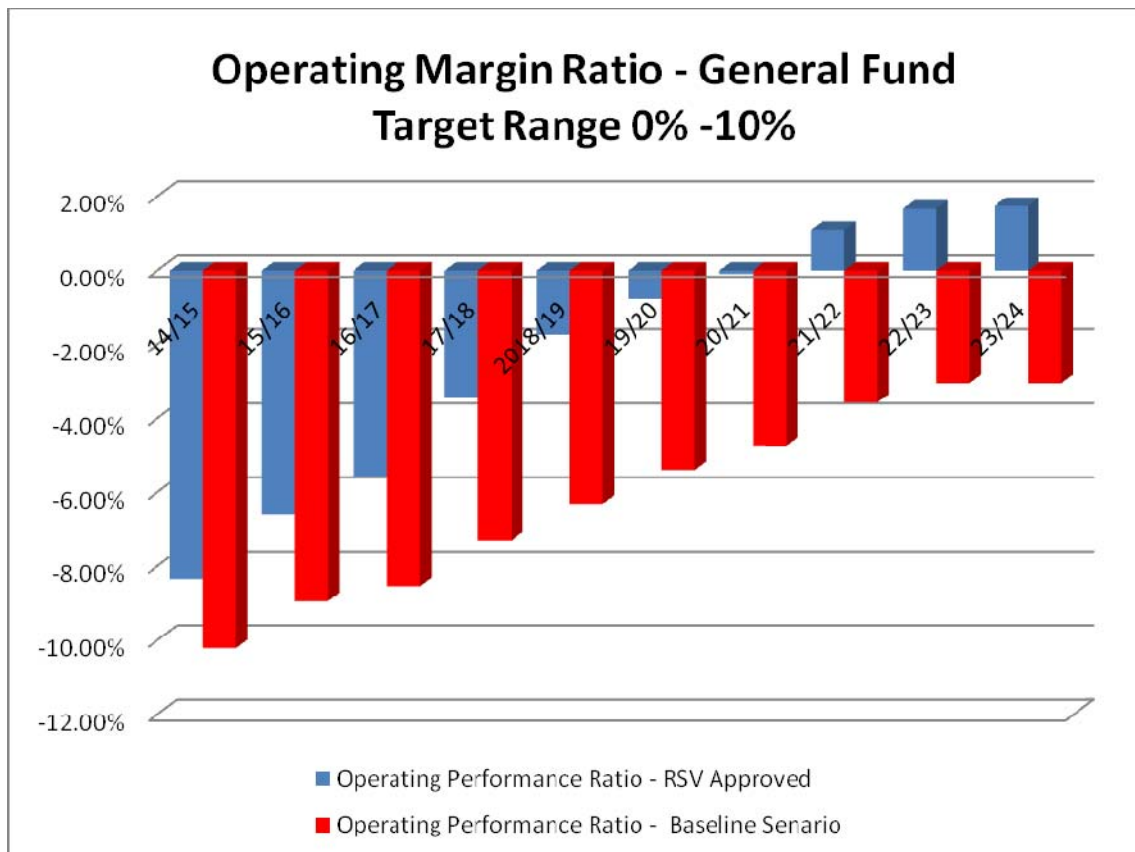
Other Business Activities

Council has a Regional Saleyard which although profitable in previous years is under review for restructuring to make it profitable as a Regional facility in the long term. Whilst it generates a small cash profit it is not generating a sufficient return on Investment. It is subject to externalities such as climate, currency rates and foreign policy and is unlikely to generate substantial profits in the short to medium term.

Council like many other Councils owns some quarries which it leases to external contractors. Likewise it is not seen as a business that will generate significant revenues and profits in the medium term.

3.3 State of financial sustainability

Reiterating the arguments in the Criterion 'Need for the Application', is the argument that has been made that Council is not sustainable, the TCorp assessment verifying this, and the modelling that has been done on Council's LTFP showing that with the rate variation Council can move to a fully sustainable operating position where its revenues will exceed its expenses by 2020/21. Without this variation it will not be able to achieve sustainability.



Additionally it is reiterated that Council by this variation is able to improve its Building and Infrastructure Renewals Ratio from 42.3% to 62.4% in 2018/19; this largely reflects improved performance on the road assets component of the ratio, which improves from 29.4% to 54.6% in 2018/19.

Council is also able to undertake a responsible borrowings program that will mean its Debt Service ratio across all funds will not exceed 10% in the next decade.

Based on long term modelling Council is able to achieve a reasonable capital works program of 110% of depreciation, on average and after the 5 year period of the valuation will be in a position to improve further its spending on renewals should future Councils prioritise surplus revenue identified in the 10 year financial plan.

Council has taken the advice of the TCorp review in formulating this variation.

3.4 Capital expenditure review

Does the proposed special variation require you to do a capital expenditure review in accordance with DLG Circular to Councils, Circular No 10-34 dated 20 December 2010?

Yes ☐ No ☒

If Yes, has a review been done and submitted to DLG?

Yes ☐ No ☒

4 Assessment criterion 2: Community awareness and engagement

Council was not able to quantify the level of variation required in early 2013, during its CSP consultations because the real position of its assets and hence financial position was not known. Following the condition based assessment Council was able to determine the real value of its infrastructure backlog which decreased from an unrealistic \$80 million to \$27 million. Financial modelling confirmed that the proposed variation as reported in the IP&R 10 year financial plan was sufficient for Council to deliver its CSP and provide a five year path to acceptable sustainability.

4.1 The consultation strategy

Communications Plan

In 2012/13 Council complied with all its requirements under IP&R for consultation in accordance with its project plan and adopted Consultation and Engagement processes. (Richmond Valley CSP 2013).

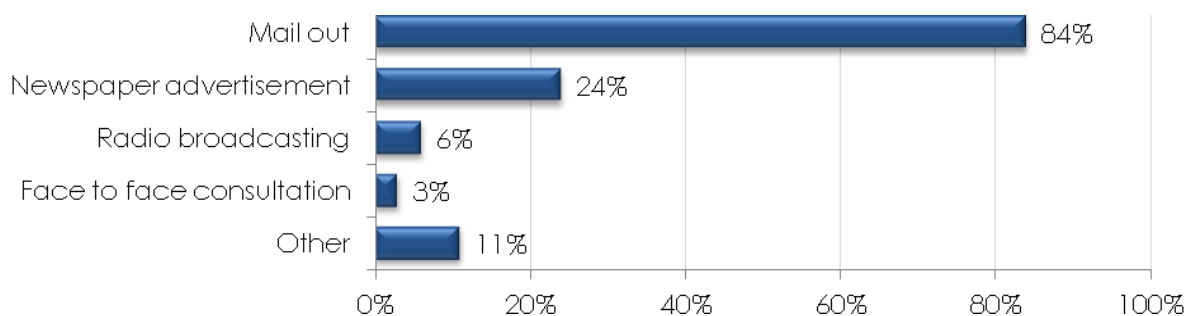
In order to ensure the community was aware of this special rate variation application, a further Communications Plan was adopted. It comprised a mail out of a detailed report to all ratepayers, residents and landowners. Council's quarterly newsletter also reproduced the letter that had been forwarded to ratepayers and residents. Council conducted two public meetings one in Casino and the other in Evans Head. The General Manager (GM) accepted invitations from various bodies to discuss the proposal. The General Manager featured the Variation in his fortnightly talk-back radio program "Ask the GM" on Radio 88.9" In addition, Council's website was updated to provide all the information needed to understand Council's proposal with the link clearly displayed on the home page banner. The website utilised Survey Monkey to allow residents to complete an online survey and has a frequently asked questions page. (Richmond Valley Council Website 2013).

Telephone Survey

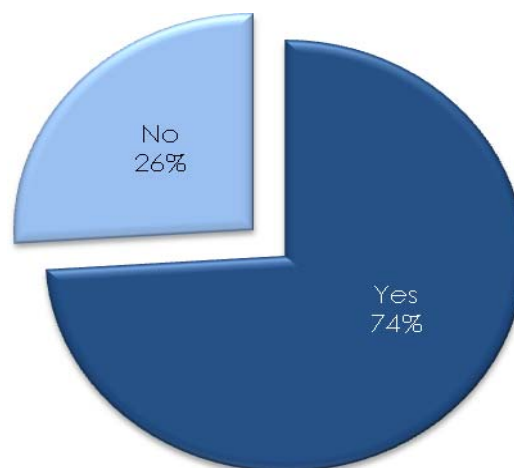
In order to quantify the awareness of the rate variation application, a random telephone survey of n=400 was commissioned from Micromex. Results show that Council was effective in making the community aware of its proposal.

The following question was asked: ***“How were you informed of the rate variation?”***

The results are shown in the graph below.



A second question was asked: ***“Prior to this call were you aware that Council was potentially seeking to apply for a special rate variation?”***



The 74% success rate demonstrates that Council had been effective in its Communications Plan to inform the Community of the details and impacts of the proposal.

Public Meetings

Council gave notice of two public meetings each advertised on 4 December 2013 in both the Richmond River Express Examiner and the Rivertown Times for meetings to be conducted in Casino on 9 December and Evans Head on 10 December.

The Meetings were attended by the General Manager, Executive and Managerial Staff and the Mayor and Councillors. The Mayor opened both meetings and the General Manager made an hour long presentation with question time as well as an extensive PowerPoint presentation comprising 36 slides detailing the proposal. An hour of question time and discussion followed both meetings.

Those public meetings followed a mail out on 20 November to 9,134 residents and ratepayers of a covering letter and a copy of Council's report to the Ordinary meeting of Council on 19 November 2013. The letter and report clearly set out Council's case and the impact on ratepayers.

The response to the public meetings was poor with only 7 persons attending at Evans Head and 9 persons attending at Casino. The questions and answers were also recorded. The poor turnout may have been a reflection of approval for Council's plans.

In Evans Head the themes of discussion centred around where the money was going to be spent especially in Evans Head and old issues surrounding the amalgamation of the Councils 13 years ago which wasn't considered relevant. Some were in favour and others spoke of cost of living pressures. Overall the meeting feeling was judged to be split evenly with those in favour and those against.

In Casino, the themes of the discussion centred around clarification of the projects proposed, comparison of incomes between local government areas, cost of living pressures, the survey and how it was conducted, the need for civic pride, and economic development.

Another theme from a young mother and supported by others and business owners was the need to provide infrastructure for young people, which she said people would be happy to pay for if they saw the improvements they were getting. This theme developed into the need for the Region to be progressive and move forward.

The lack of persons attending strongly indicated the community was not concerned compared to in 2011 when eighty protestors attended similar meetings for a three percent above cap proposed special rate variation increase.

Mail Out To All Ratepayers and Residents

On 20 November 2013, all 9,134 residents were mailed a copy of a report regarding Council's proposal to seek a rate variation. The report was adopted by Council on 19 November 2013. Residents were also advised of Council's intention

to lodge an application to IPART with a decision to be made on 18 February 2014. Council accepted all comments and submissions up to that date (13 weeks).

Results of the telephone polling show that nearly three quarters of the residents were aware of Council's intentions.

Council Website

During the consultation period Google analytics show that Council Rate variation pages received 352 page views, 221 unique page views, spending an average of two minutes on each page.

Amended Delivery Plan – Public Exhibition

During the 28 day consultation period for the Delivery Plan Amendment reflecting the Special Rate Variation, three submissions were received. Council comments on them have been considered by Council and forwarded to IPART. Council resolved to adopt the amended plan and as a result of the consultations reduce the expenditure by \$1,486,000 to \$11,545,000.

Online Survey

The survey results are forwarded to IPART. In summary, 16 responses were received with 56.25% of persons being somewhat supportive of the proposal.

4.2 Alternatives to the special variation

Council's Community Strategic Plan foreshadows a rate variation to IPART to fund the agreed outcomes determined by the Community. Council assessed the capacity to pay of all residents and it was clear that the modest increases proposed were at the maximum that the community wanted to deliver in its CSP. Anything less than the variation option proposed, would not have lifted the Council out of its unsustainability. Consequently options less than that proposed would have been counterproductive. Also what would have been counterproductive was if Council put to the public options that they clearly would reject or be frightened into thinking that Council did not understand their needs or capacity to pay. Council therefore offered two options; the one recommended, or do nothing and risk possible future amalgamation (and even higher rates) or declining services and infrastructure.

Council listened to the residents and modified the option proposed by reducing the leverage and taking \$1.486 million dollars from the proposed expenditure.

4.3 Feedback from the community consultations

In total, just 36 written responses were received by email, mail or in the form of a submission and one verbal response which included three responses concerning the Delivery Plan. All were responded to. The submissions were mostly from

individuals with just two organisations responding, the Richmond Valley Ratepayers and Residents Association and the Evans Head Memorial Aerodrome Committee, four non-farm businesses and several farm business proprietors.

A summary of the submissions received formed part of Council's 18 February 2014 Meeting Minutes. There were common themes relating to cost of living pressures, the efficiency of Council, the lack of services or a comparison of services between city and country and some provided no reasons. The largest submission was received from the Evans Head Memorial Aerodrome Committee and it was considered that the issues are addressed in Council's application. Some were merely subjective opinion and other arguments were not strong. The submissions and Council's responses will be forwarded to IPART for consideration.

Of particular note, for those opposed to the proposal, was the absence of comment on the very reasons Council is introducing the Variation, namely the future sustainability and wellbeing of residents, economic development, community priorities and the infrastructure backlog.

Council at its 18 February Meeting unanimously formed the opinion that the submissions received are few in number and do not provide enough support for Council to reject its proposed variation.

4.4 Considering the impact on ratepayers

As demonstrated in the following paragraphs, In considering the proposed increases, council considered the impact on residential, farmland and business rates, those on fixed incomes and the disadvantaged within the community. The real prospect of amalgamation with any larger contiguous shire was considered and it is certain that all categories would be worse off in terms of paying the average rates of those councils compared to Richmond Valleys, even after the variation approval.

4.5 Considering the community's capacity and willingness to pay

Refer to Item 5.2.

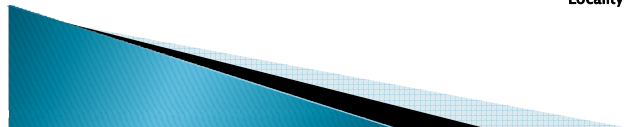
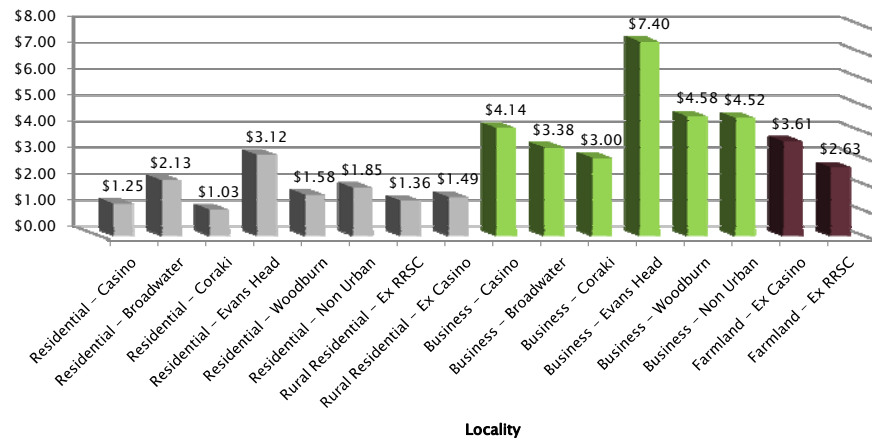
5 Assessment criterion 3: Impact on ratepayers

5.1 Impact on rates

The impact on ratepayers has been calculated and communicated to ratepayers in all Council communication, public meetings, web pages and mail outs to all residents and ratepayers. It is not considered to be an onerous impact, although the percentage increase seems high. The reason for this is that the Council rates are coming off a very low base. The cumulative nature of the increases has been discussed, the annual increases expressed as a cost per week and the annual estimated monetary increase. Council surveys also verbally advised of these impacts.

How much extra will I pay in year 1?

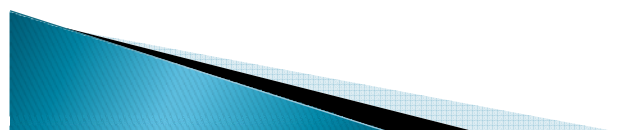
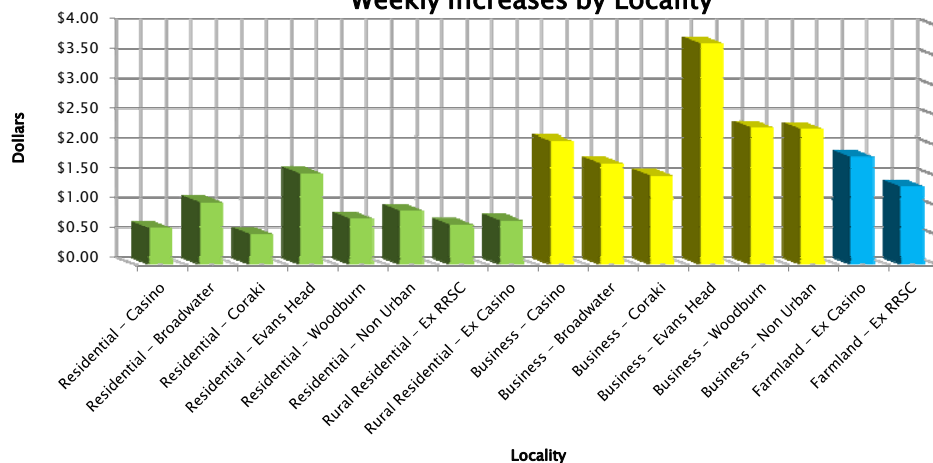
Weekly increases by Locality 12.5%



Note: 12.5% increase includes an assumed rate cap of 2.5%

How much extra will I pay in Year 2–5?

Weekly Increases by Locality



	Residential Rate	Business Rate**	Farmland Rate**
Weekly Cost Year 1	\$ 1.73	\$ 4.50	\$ 3.12
Yearly Cost Year 1	\$90.00	\$234.00	\$162.00
Weekly Cost Years 2-5*	\$ 0.85	\$ 2.25	\$ 1.56
Yearly Costs Years 2-5*	\$44.00	\$117.00	\$ 81.00

* Cumulative from base calculations not modelled, only annual increments

** Rates are tax deductible

The Independent Local Government Review Panel (2013), points to an IPART suggestion that reforms are needed to rate pegging and suggests increased flexibility to Councils to set rates within a margin of 3% above the rate cap. That would add around 60 cents per week to the average residential rate (over and above the typical rate-pegging increase of around 3.5% or 70 cents per week.)

The Review Panel however, states on page 44:

"However, based on TCorp's assessments, the Panel considers that a margin of up to 5% would be more realistic where councils need to make significant short-medium term inroads into infrastructure backlogs and correct operating deficits. This would result in a total increase for the average residential ratepayer of around \$1.70 per week, which is well within the range of affordable and acceptable increases indicated by survey data. "

Richmond Valley Council agrees with this and notes that this application for a similar \$1.70 per week is roughly the same that the Independent Local Government Review Panel suggests is a reasonable figure all councils should have autonomy in adopting.

5.2 Affordability and community capacity to pay

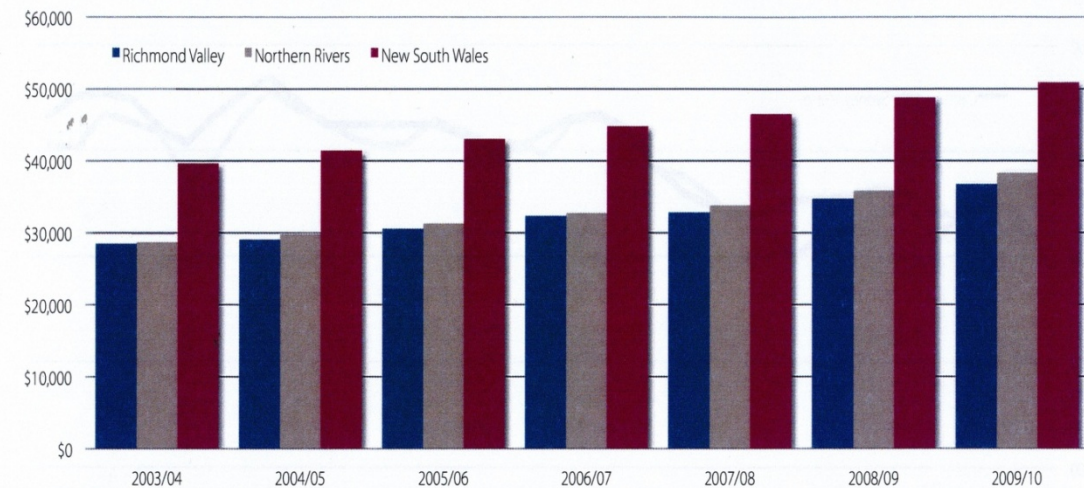
Council Demographic

It is understood that by many indicators Richmond Valley is not an advantaged area. On the SEIFA Index of Relative Socio Economic Disadvantage Richmond Valley is ranked 8th lowest out of 153 in the State and 62nd lowest out of 564 nationally. (ABS 2011). On the Economic welfare of residents Richmond Valley Council ranks 18th out of 153 in the State and 97th out of 564 nationally. (Richmond Valley Economic and Demographic Profile 2013).

With incomes at about 70% of the State average, many residents in the Northern Rivers region suffer mortgage and rental stress. The region also has limited public transport, high levels of dependence on CentreLink payments and a higher proportion of older people than many of our NSW counterparts (Regional Development Australia Northern Rivers NSW 2014).

The average personal wages and salaries income for Richmond Valley was estimated at \$36,776 in 2009/10, representing an increase of 5.9% from the level recorded in 2008/09 (\$34,727) and an average annual increase of 4.8% from the level recorded in 2004/05 (\$29,069). By comparison, the average income for the Northern Rivers increased annually by 6.9% to \$38,291 in 2009/10, whilst the average for New South Wales rose by 4.4% to \$50,943.

Average Wage & Salary Income



Source: ABS 6524.0

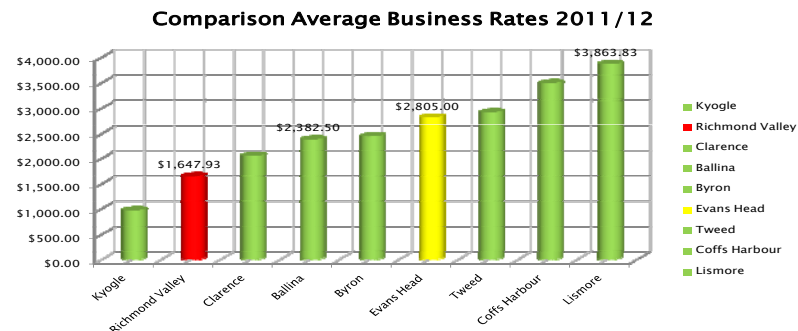
Richmond Valley Economic and Demographic Profile 2013

It is noted that the average income growth over the last four years of 4.8% in the Richmond Valley exceeded the average growth for NSW of 4.4%, indicating a trend in improving incomes. The point is, that whilst incomes are improving there is more capacity to pay for those people who are earning an income and who own or are renting a house. The capacity to pay therefore must be relative to other councils in the region where ratepayers are earning only slightly more average incomes, but in all other areas of the Northern Rivers, those ratepayers are able to afford substantially higher average rates in all rate categories.

Comparison of Average Rates to Neighbouring Councils

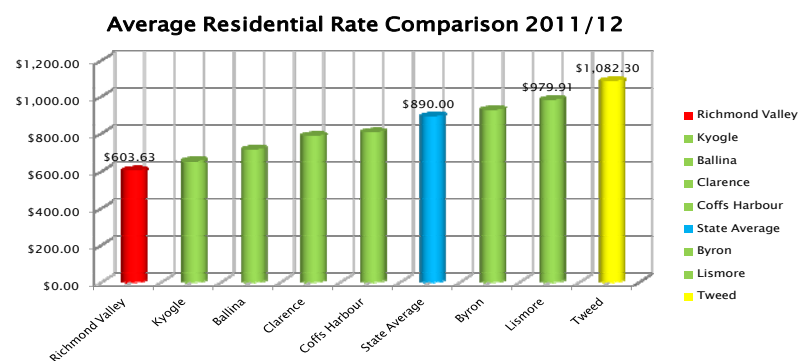
It can be seen from the following comparison graphs of average rates, that Richmond Valley residents enjoy rates substantially below their adjoining Councils in all categories except the business rates where only Kyogle Council is lower.

Comparison to Neighbouring Councils

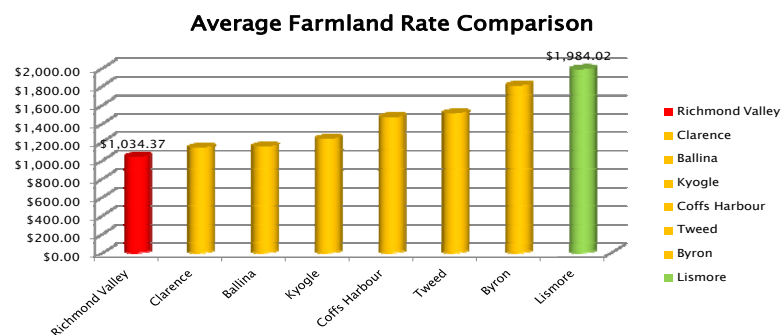


Note: Graph was used in Evans Head Public Meeting for comparison purposes

Comparison to Neighbouring Councils



Comparison to Neighbouring Councils



Lower Housing Costs than Neighbouring Councils

Within the Richmond Valley Council area residents who do not own their own home enjoy significantly lower rents than other North Coast Councils that have significantly higher average rates. The December quarter 2012 ABS data shows the medium weekly rent in Richmond Valley was \$190 compared to \$270 in Ballina, \$355 in Byron Bay, \$220 in Clarence Valley and Lismore and \$285 in Tweed Shire. (Richmond Valley Economic and Demographic Profile 2013). This indicates some additional capacity to afford increases compared to contiguous Council housing lessees.

Impact of Amalgamations

In a scenario where Richmond Valley Council is amalgamated with Lismore City Council or a super North Coast Council, it is almost certain, based on the average rate analysis, that residents would be paying substantially higher rates with very little noticeable change to services. In fact, it could be argued that in such a scenario they would be much worse off, both in the services they would enjoy and the additional rates they would pay. By becoming a more sustainable Council, the modest rate increases can reduce Council's backlog in the longer term and return Council to a positive operating margin by 2020/21 making it a highly sustainable Council, therefore reducing the likelihood of amalgamations and a greater rate increase to all sections of the Community. For instance, the Lismore business community pay on average \$3,863 per annum, whilst the 1,700 businesses in Richmond Valley pay just \$1,647. (Department Local Government 2012). It will be shown later in the report how Council has managed its administration/governance costs better than any Council in the region.

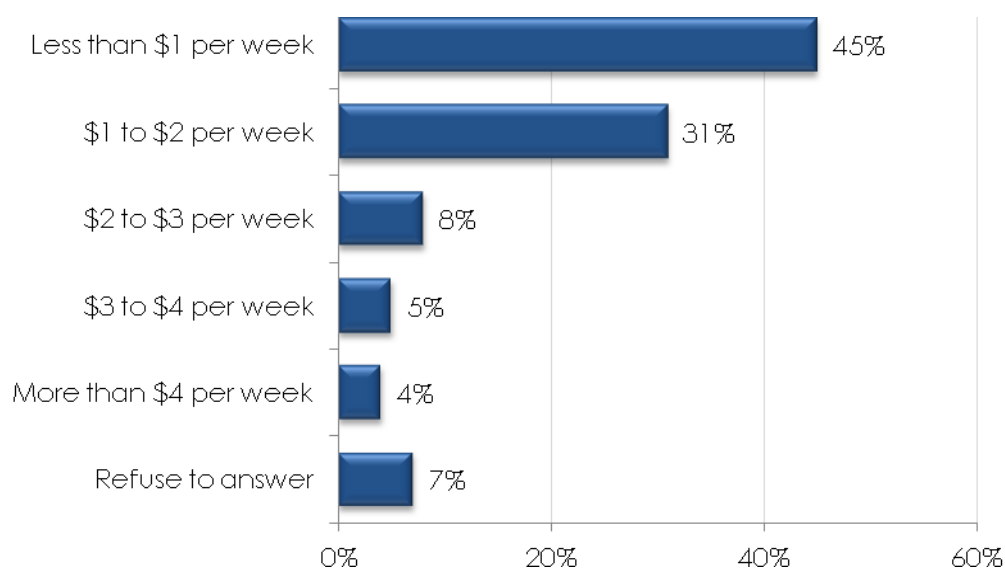
Council Survey

Council commissioned a random telephone survey of all its residents to a 95% level of statistical confidence. This survey was conducted in accordance with IQCA (Interviewer Quality Control Australia) Standards and the Market Research Society Code of Professional Conduct. Where applicable, the issues in each question were systematically rearranged for each respondent.

The research findings documented in this report should be interpreted by Richmond Valley Council and IPART as not just the opinions of 400 residents, but as an accurate and robust measure of the entire Richmond Valley Council community's attitudes.

74% of residents were aware of the SRV Application, most informed by Council's mail out (84%). (Micromex 2013).

When asked how much per week they would be prepared to pay to realise the benefits of the proposal over the next 5 years, 45% opted to pay less than \$1.00 per week, with 48% nominating to pay over \$1.00 per week.



Given that the average increase in rates in the first year of the variation of 10% above the cap is modelled at \$1.73 per week and then 85 cents per week additional for the following four years, Council believes that there is enough evidence that the Community has a willingness and a capacity to meet the increased costs.

Anecdotal Evidence

Whilst the percentage increase for the Richmond Valley rate variation of 10% and 3% above cap appears to be large, the rises are relatively small starting from a very low base in comparison to rates in other NSW Councils. Capacity to pay is different for everyone and is dependent often on personal circumstances. By far the majority of the few submissions received opposing the variation often referred to personal circumstances indicating hardship of one sort or another. Pensioners, unemployed, retirees etc who have little scope to earn extra are impacted more. Whilst Council is sympathetic to those in genuine hardship, it must act in the interests of the Region and look towards the future for all residents. It has however, a policy in place to deal with individual cases of hardship.

A General Practitioner commented that he had an elderly pensioner patient who was proud that he conserved water by flushing his toilet only once per day to save on water costs however this was offset by his cost of alcohol consumption. Often expenditure is a matter of personal priority. In the realms of public consultation, it is rare for people to look beyond their own wants and needs to those of the wider community. This is the role of the local Council. This is why in consultation, effort must be made to balance out the disproportionate noise of minority groups and individuals to genuinely determine the views and future welfare of the whole community.

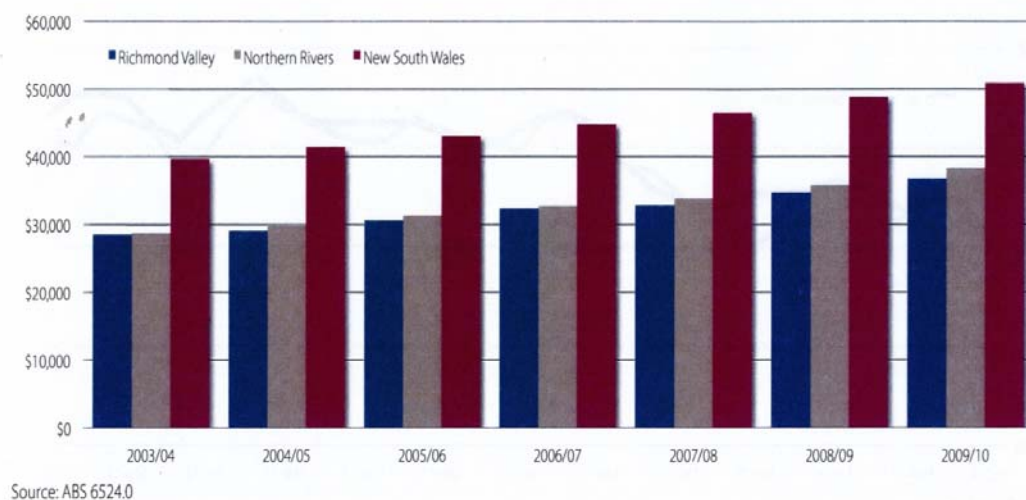
5.3 Other factors in considering reasonable impact

Reiterating that on the SEIFA Index of Relative Socio Economic Disadvantage Richmond Valley is ranked 8th lowest out of 153 in the State and 62nd lowest out of 564 nationally. (ABS 2011). On the Economic welfare of residents Richmond Valley Council ranks 18th out of 153 in the State and 97th out of 564 nationally. (Richmond Valley Economic and Demographic Profile 2013).

With incomes at about 70% of the State average, many residents in the Northern Rivers region suffer mortgage and rental stress. The region also has limited public transport, high levels of dependence on CentreLink payments and a higher proportion of older people than many of our NSW counterparts (Regional Development Australia Northern Rivers NSW 2014).

The average personal wages and salaries income for Richmond Valley was estimated at \$36,776 in 2009/10, representing an increase of 5.9% from the level recorded in 2008/09 (\$34,727) and an average annual increase of 4.8% from the level recorded in 2004/05 (\$29,069). By comparison, the average income for the Northern Rivers increased annually by 6.9% to \$38,291 in 2009/10, whilst the average for New South Wales rose by 4.4% to \$50,943.

Average Wage & Salary Income



(Richmond Valley Economic and Demographic Profile 2013)

It is noted that the average income growth over the last four years of 4.8% in the Richmond Valley exceeded the average growth for NSW of 4.4%, indicating a trend in improving incomes. The point is, that whilst incomes are improving there is more capacity to pay for those people who are earning an income and who own or are renting a house. The capacity to pay therefore must be relative to other councils in the region where ratepayers are earning only slightly more average incomes, but in all other areas of the Northern Rivers, those ratepayers are able to afford substantially higher average rates in all rate categories.

Does the council have a Hardship Policy? Yes ☒ No ☐

If Yes, is it identified in the council's IP&R documents? Yes ☐ No ☒

The Policy is attached. It applies to all persons who may experience hardship.

Does the council propose to introduce any measures to limit the impact of the proposed special variation on various groups? Yes ☐ No ☒

It is reiterated that even with the increases proposed the increases are reasonable for all groups within the region. Within the Northern Rivers the impact on the disadvantaged will be still less than the same impact in neighbouring councils, where these same groups pay significantly more rates.

6 Assessment criterion 4: Assumptions in Delivery Program and LTFP

The following assumptions have been built into Council's IP&R documentation and LTFP

Annual and User Charges	3.0% CPI increase for all future years
Interest and Investment Revenue	3.0% CPI increase for all future years
Other revenues	3.0% CPI increase for all future years
Operating Grants and Revenues	3.0% CPI increase for all future years
Employee Costs	2.0% CPI increase for all future years This is based on the IPART applied rate cap of 2.3%
Materials and Contracts	2.0% CPI increase for all future years
Other Expenses	Utilities – 6% for all future Years
Depreciation	Original Cost/Total Useful life.

Council utilises the 10 year financial model provided by Local Government Solutions.

Council Delivery Plan – Links to CSP

Council's Delivery plan was adopted in June 2013 and amended in February 2014 to reflect the additional expenditures and rate variation. It has been done in accordance with statutory IP&R requirements including Council's adopted Communication and Engagement Plans (Richmond Valley Council Delivery Plan 2014). All expenditure including the Special Rate Variation expenditures proposed have been clearly identified and linked to the CSP. During the statutory period for the amendments only three submissions were received. Council believes the details of the variation on display for 28 days has largely resulted in broad majority acceptance of the proposal, even though from the objections received it is clear that the individual impacts of any increase in costs is of concern to residents overall.

The following tables indicate the timing of proposed expenditure over a five year period and the ***Community Strategic Plan links*** to the projects or expenditure.

This timetable was approved by Council and included in the next three years of the Delivery Plan.

CSP and Community Survey Reference		2014/15	2015/16	2016/17	2017/18	2018/19
	RENEWALS					
CSP Page 60 Survey 88%	Sealed Road Rehabilitation Increase in annual expenditure on sealed road rehabilitation by \$1,000,000 for 5 years to be funded from borrowings. <i>Council has a priority program. The additional funds will be used to reduce the backlog and bring forward essential works. All pavements nearing the end of their useful/service life will be assessed annually and the highest priority roads rehabilitated based on actual condition</i>	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
CSP Page 60 Survey 88%	Gravel Road Re-sheeting <i>Council's unsealed rural road network has been significantly impacted by rainfall events since 2008. Whilst natural disaster funding has been received to restore roads to pre-flood condition, available re-sheet allocations have been used to restore sections of pavement that have been rejected for Natural Disaster assistance. Insufficient funds have been available to re-sheet other areas not subject to flooding. In addition there is a need to improve the gravel quality on rural roads as traffic volumes have increased over time.</i>	100,000	100,000	100,000	100,000	100,000
Strategy 4.2.2	Playground Replacement - Replace non complying equipment and replace Softfall <i>Council undertakes regular inspections of playgrounds and audits them against relevant Australian Standards. Many non compliant playgrounds have been removed and</i>					

CSP and Community Survey Reference		2014/15	2015/16	2016/17	2017/18	2018/19
	<i>require replacement. The majority of softfall under existing playgrounds does not meet required standards and is being progressively replaced. The additional funding will allow Council to accelerate the current programs and reduce backlog works. Council has undertaken a Facilities Needs Review to assist with identifying priorities.</i>	20,000	20,000	20,000	0	0
Strategy 6.3.1	Public Toilet Refurbishment <i>Council's public conveniences are in poor condition. In the main, essential maintenance and vandalism repairs are the limit of current programs. The additional funding will allow facilities to be refurbished to reflect community expectations for condition with new fittings and fixtures, improved sustainability with energy and water consumption, as well as improve resistance to vandalism and reduced long term cleaning costs. Council has undertaken a Facilities Needs Review to assist with identifying priorities</i>	40,000	40,000	40,000	40,000	40,000
Strategy 4.2.2	Renewal Council Facilities and Parks <i>Improvement of general appearance and condition of facilities, park furniture and structures. Include painting structures, replacement of aged park furniture and improvement of appearance of parks through replacement plantings of non desired vegetation. Council has undertaken a Facilities Needs Review to assist with identifying priorities. All assets have been condition assessed and renewals identified however current funding levels are not adequate to address the backlog.</i>	100,000	100,000	100,000	100,000	100,000

CSP and Community Survey Reference		2014/15	2015/16	2016/17	2017/18	2018/19
	ADDITIONAL SERVICES					
CSP Page 79	Casino River Bank Presentation <i>Council has previously received many requests to improve the appearance of the banks of the Richmond River and environs. Previously works supported by the community were undertaken by participants in labour schemes at little cost to council other than equipment and materials however many of these programs have ceased and the initial benefit lost without ongoing maintenance. The additional funds will be used to improve vegetation management including additional mowing and vegetation reduction, weed removal, litter collection, replanting riparian areas, path cleaning, facilities cleaning, management of illegal dumping and post flood cleanup. There will be opportunities for community partnering particularly with our indigenous community.</i>	50,000	50,000	50,000	50,000	50,000
	Sealing of unsealed urban roads. <i>Council has many properties whose primary access is an unsealed urban lane or road. No funding has been available in previous years to undertake works to reduce dust, erosion, corrugation and potholing by sealing these pavements. Narrow unsealed pavements are difficult to maintain using heavy plant. Council receives significant numbers of requests to address community concerns and additional funding will allow a priority program to be implemented.</i>	75,000	75,000	75,000	75,000	75,000
CSP Page 46	Cultural and Art Facilities <i>Council has a growing creative industry sector</i>					

CSP and Community Survey Reference		2014/15	2015/16	2016/17	2017/18	2018/19
	<i>including an Indigenous art precinct and would like to encourage and facilitate the provision of culturally significant events and street art to showcase engender community pride its area.</i>	25,000	25,000	20,000	25,000	25,000
	CAPITAL IMPROVEMENTS					
Strategy 6.3.1	Casino Riverfront Amphitheatre and Footbridge and general access improvements/ connectivity <i>Council has several management plans and strategies developed with significant community consultation that require improved access to and amenity from the Richmond River within Casino. The current footbridge is a very low level structure and not suitable above low flows in the river. The proposed footbridge will address CPTED (Crime Prevention Through Environmental Design) associated with the existing bridge. The provision of a public performance space as a focus for community events adjacent to the amenity provided by the river is a desired outcome by the community.</i>			650,000	400,000	
Strategy 2.1.9	Woodburn Riverfront. <i>Plans for riverfront improvements have been prepared and consulted on for many years. There are strategies developed through the "Town Life" program in the past as well as recent consultation associated with the use of the river after the Pacific Highway bypasses Woodburn. The community has identified priorities and a desire for implementation.</i>					470,000
CSP Page 79	Evans CBD and Environs Carparking and Extension into Park Street <i>There is an existing CBD</i>					

CSP and Community Survey Reference		2014/15	2015/16	2016/17	2017/18	2018/19
	<i>master plan for Evans Head that has been subject to ongoing community consultation. The plan has been partially implemented and additional funding will progress agreed priorities for parking and enhancement.</i>				500,000	
CSP Page 79	Coraki Riverfront <i>Plans for riverfront improvements have been prepared and consulted on for many years. There are strategies developed through the "Town Life" program in the past as well as recent consultation in 2013 on community priorities. These priorities have been partially implemented however there is no additional funding for completion of the plan in the foreseeable future without this proposal for additional resources.</i>					355,000
CSP Page 79	Casino Showground Upgrades <i>This facility is unique in respect to community assistance with its maintenance and management. There are many users of the facility that work together to share facilities and improve the reserve. The majority of maintenance is undertaken by volunteers using plant supplied by council. There is a priority improvement plan developed that is unfunded.</i>		100,000			
CSP Page 78 Project 2	Casino Carparking <i>Council has made several strategic purchases of properties for future carparking in the Casino CBD, but has insufficient funds to physically construct the additional off street carparking requested by the community. Recently Council has commenced enforcement of timed parking to alleviate main street strain. The current</i>					

CSP and Community Survey Reference		2014/15	2015/16	2016/17	2017/18	2018/19
	<i>priority plan provides for the removal of the house behind the Cultural and Community Centre in Year 1 as well as sealing of the public car park behind the Tatts Hotel. Followed by construction of the car park in Year 2 in conjunction with demolition of the Baby Health Centre and old CWA building in Simpsons Parade. Year 3 will involve the construction of car parks at these locations. Year 4 involves the old Doctor's Surgery in Barker Street demolition and construction of car parking. Year 5 involves a program of shade sail installation</i>		130,000	160,000	160,000	130,000
Consultation	Evans Head Skatepark <i>This project involves the enhancement of the existing facility in consultation with users and the relocation of the basketball court from the rear of the surf club. This is a unique location for a skate park and highly desired by the community.</i>	100,000				
CSP Page 79	Crawford Square Regional Park <i>There are extensive improvements identified in the Facilities Needs Review to develop this facility as a regional park and major travel rest area.</i>				150,000	
CSP Page 79	Woodburn Skatepark <i>This project has been an identified priority for the Woodburn Community for sometime and included in the Community Strategic Plan. The community has obtained a grant under the Community Building Partnership Program for a basic facility in 2014/15 and these funds will be used to support the overall development. If the SRV is unsuccessful, a significantly reduced scope of works will be implemented.</i>	80,000				

CSP and Community Survey Reference		2014/15	2015/16	2016/17	2017/18	2018/19
CSP Page 79	Casino Skatepark <i>This project is an identified priority for the Casino Community and part of the development of a Regional Park at Crawford Square in accordance with the Facilities Needs Review. Consultation with users has been underway for some time to develop the scope.</i>		240,000			
	IMPROVED MAINTENANCE					
Survey	Playground maintenance <i>There is currently no allocation for maintenance of playgrounds other than routine parks activities and essential repairs. This funding will enable improved risk management. Softfall will be turned over on a regular basis and the parks assets will be maintained. We need to ensure we provide funding to maintain the assets that will be created and enhanced in other funding areas of the SRV</i>	15,000	15,000	15,000	15,000	15,000
Strategy 6.3.1	Toilet Cleaning Maintenance. <i>The community has requested increased service levels for public convenience cleaning above the current funded levels.</i>	15,000	15,000	15,000	15,000	15,000
Survey	Rural Road Drain Maintenance. <i>The community has requested increased resources for drainage maintenance of rural roads, particularly drain clearing during dry weather and the removal of spoil.</i>	50,000	50,000	50,000	50,000	50,000
	INCREASED CAPACITY					
CSP Page 67	IT Innovation Fund <i>Council is in the process of updating its antiquated Core software systems to Technology One. If Council is to take advantage of new systems such as e-Services, Business Intelligence, payment options, Customer</i>					

CSP and Community Survey Reference		2014/15	2015/16	2016/17	2017/18	2018/19
	<i>Service tracking and many others it needs investment that will return efficiency dividends and meet the expectations of customers for convenient and reliable services.</i>	40,000	40,000	40,000	40,000	40,000
Strategy 2.1.7	Public Wi Fi in Casino CBD, Woodburn, Evans Head <i>This is an Economic Development Strategy to attract business to Casino, Evans Head and Woodburn, the latter soon to be bypassed by the new motorway bypass. And needing other innovative ways to attract people to the town.</i>	50,000	50,000	50,000		
Strategy 2.1.9	Economic Development Plans (Growth)/Projects <i>A high priority of the Economic Development Advisory Panel who are the business leaders in the Region wishing to MAP out high level plans that will inform the development of detailed land use plans.</i>		40,000	50,000	50,000	25,000

The increased capacity program of expenditure was modified by Council in adopting the Amended Delivery Program 2013/2017 on 18 February 2014. As a result of feedback received and an internal review of loan borrowings, \$1,486,000 was dropped from the expenditure programs in the Increased Capacity category. Therefore in total the expenditure proposed was reduced from \$13,031,000 to \$11,545,000, and is reflected in the LTFPs.

7 Assessment criterion 5: Productivity improvements and cost containment strategies

Past Cost Containment Strategies

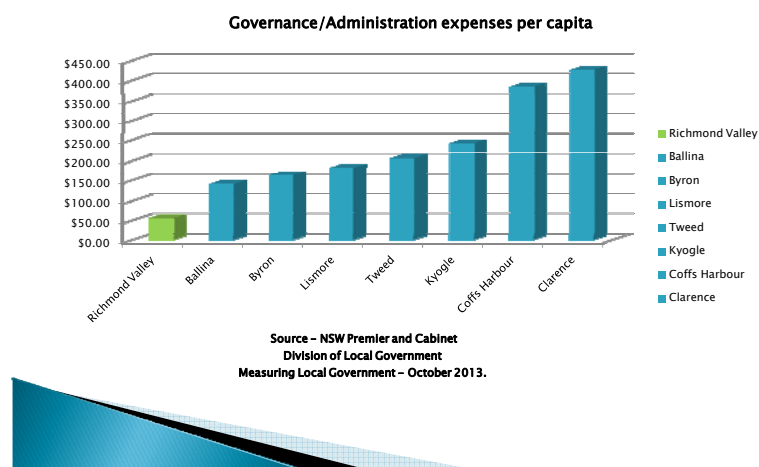
Following the appointment of a new General Manager in March 2012, Council has undergone transformational change, including a major restructure, industrial reform, new Executive and Management Team, Financial and Asset Management reform, introduced a new Performance and Customer Centric culture and refocused Council direction through a new Community Strategic Plan. In the past, Council has endeavoured to be entrepreneurial and raise revenue outside of the rate base. It set up a pre-fabricated bridge business to sell and install Doolan Decks which was profitable for a number of years and was an effective way to upgrade Richmond Valley Council's bridges by economies of scale, however was

closed in 2012. Changed market conditions saw its rate of return enter into negative numbers with no prospect of improving. Discontinuing this operation in 2012 has cut approximately a million dollars of losses from its operations.

Lowest Administration/Governance Costs in the Northern Rivers

It can be shown that the organisation historically being financially challenged has worked within its means to deliver core services, whilst keeping its administrative and governance costs as low as possible. The following graph demonstrates this prudence when compared to other North Coast Councils.

Lowest Admin/Governance Costs in the Northern Rivers.



TCorp Assessment of Cost Containment

Key Observations


- The overall trend in total expenses from 2009 to 2012 has been moderate growth, at a level of 1%, compounded annually.
- Full time equivalent employees have decreased from 229 in 2009 to 198 in 2012. Employee expenses fell by 0.3% as a result, however on a per employee basis, a growth of 4.7% pa in cost was experienced.
- Materials and contracts expenses are mainly related to raw materials and consumables, and these have fluctuated historically with works for Council, Roads and Maritime Services (RMS) and private works.
- Depreciation expense growth (4.8% p.a.) has been relatively consistent with net asset growth (6.7% p.a.) over the four year period.
- Other expenses have generally increased with CPI, with the exception of electricity which has grown by 13.1% p.a. NSW Rural Fire Service and waste levies have increased by a combined \$1.1m in 2012, and is the main driver of the 43.5% annual growth in 2012.

Council Survey – Performance Management

Performance Prior 2011

The perception of Council is changing. In surveys conducted in 2009 it was apparent that Council's general performance was well short of community expectations. A posted survey with 561 respondents showed substantial gaps between Importance and Performance. The following table is a snapshot from the survey report which demonstrated the enormity of the task to turn this around.

The results are qualified in that the sample results were not representative of the whole population and were significantly biased toward the over 55 age demographic. Financial management concerns at the time were the highest concern within the community

2009 Community Satisfaction Survey 				
3. ABOUT COUNCIL'S GENERAL PERFORMANCE				
Item No.	ITEM	IMPORTANCE	PERFORMANCE	GAP
1	Elected member representation of community issues	5.78	3.39	2.39
2	Council's leadership within the community	5.66	3.23	2.43
3	Opportunities for the community to participate in decision-making	5.70	2.74	2.97
4	Council as a good corporate citizen	5.60	3.13	2.46
5	Council reporting to the community through publications and meetings	5.84	3.62	2.22
6	Council support of local industry and business	5.85	3.31	2.53
7	Town Planning Policy	5.69	3.12	2.58
8	Council's financial management	6.10	2.68	3.42
9	Appearance of Casino CBD	4.72	3.33	1.39

COMMENTARY:

- Council's financial management was associated with the highest Importance mean, compared to other areas under Council's General Performance and the highest Gap mean of 3.42. Based on research conducted by Insync Surveys, note that a Gap size of 2.00 and above is considered substantial and suggests a need of attention.
- Almost all areas under Council's General Performance, with the exception of *Appearance of Casino CBD*, were associated with substantial Gap means. This finding suggests a high level of frustration within the community towards Council.

Richmond Valley Council
© Insync Surveys Pty Ltd

June 2009

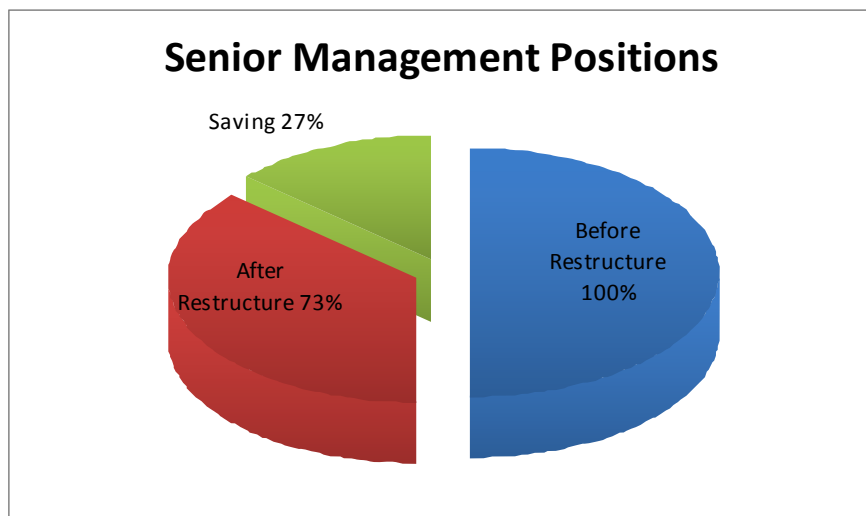
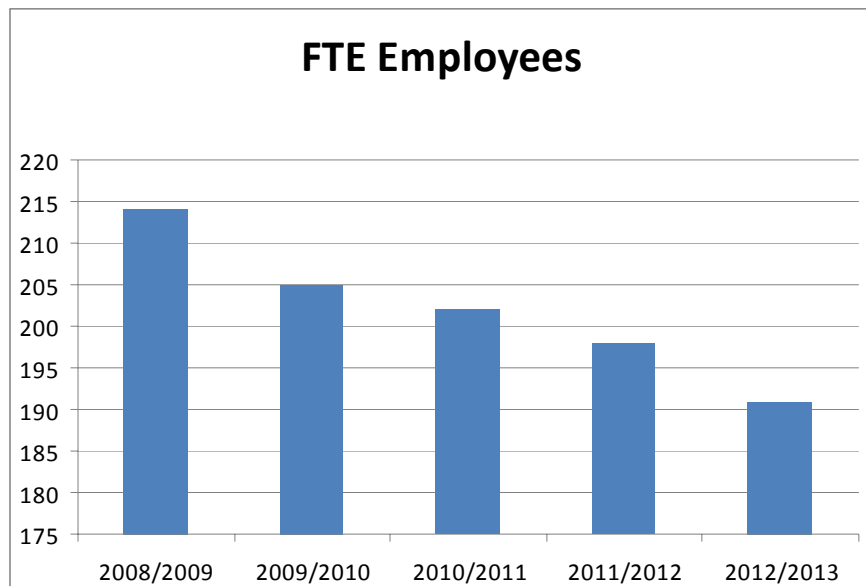
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Performance Post 2011

In the CSP Survey conducted by Micromex in 2012, 82% of residents gave Council an overall performance rating of somewhat satisfied to very satisfied. 55% percent of residents indicated that they had an opportunity to speak out about issues in Richmond Valley Council area. Two thirds of the population were aware that a new General Manager and Executive Team had been appointed and 79% said they were somewhat to very effective in making changes over the last 12 months.

Reduction of Staff Numbers

Salary savings of over \$1 million have been made over the last two years and senior management positions have been reduced by 27% through organisation restructures.

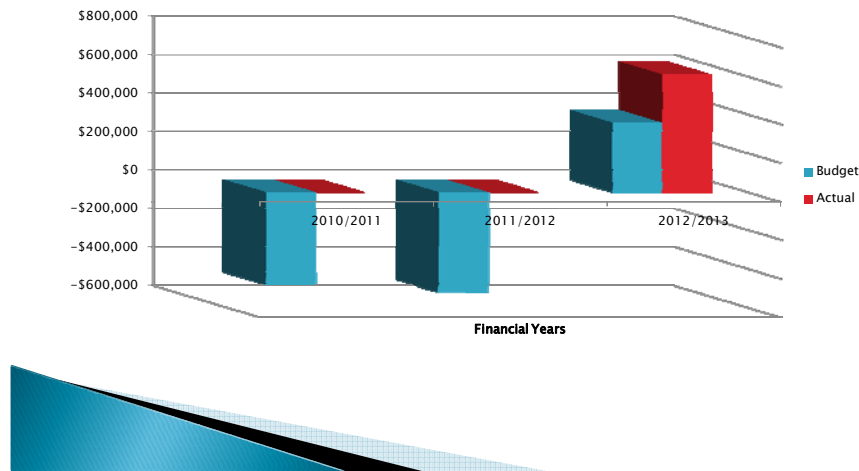


Cash Surpluses Achieved

Prior to 2011, Council was budgeting for cash deficits to balance the budget and keeping their head above water by not completing essential works and services. In the last two years, that has turned around.

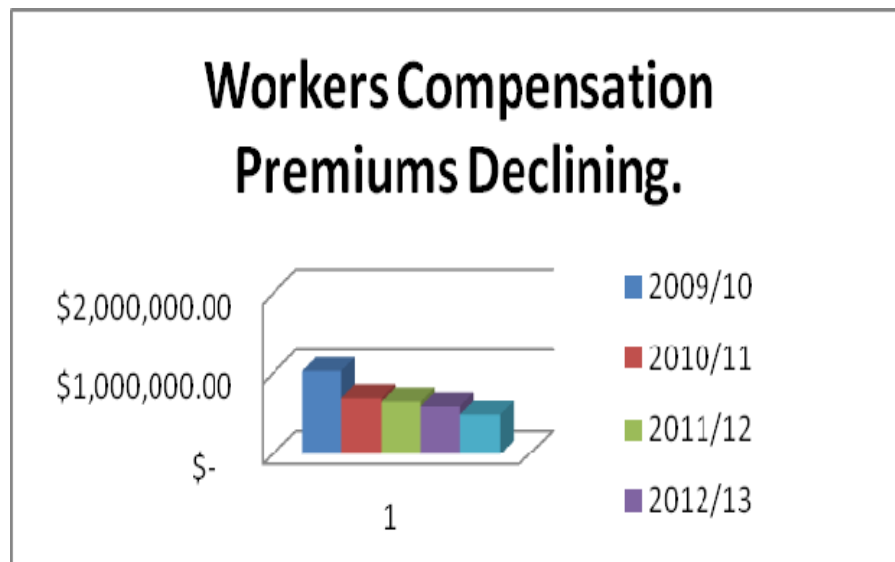
Turn around in Financial Management.

Turn around in addressing costs. Cash Surplus Position.



Improved Safety/Lower Insurance Premiums

Associated with a poor performing workforce were the overflow costs of an unsafe workplace with skyrocketing workers compensation claims. As can be seen from the below graph the premiums reached nearly a \$1 million for the 2009/2010 year. They are now trending down.



Future Cost Containment Strategies

Council is continually reviewing its operations and has refined its integrated planning and reporting methodologies as the centre of its operations.

A culture of performance measurement and reporting ensures that Council delivers on its contract with the community.

Other Organisational Initiatives

The introduction of a Customer Contact Centre and Call Centre in the last 12 months is now resulting in 80% of first contact with the Council being processed at this first point of contact. A new Contact Centre in Casino and one expected to be implemented in Evans Head in 2014, will result in higher levels of customer service and satisfaction.

The restructure has resulted in the refocus of resources in areas identified in the Community Strategic Plan as being important. Attrition of non productive management positions has funded the appointment of new managers in the areas of communication, customer service, training and economic development.

Through higher levels of performance and communication the Community has responded with some confidence that it would be happy with the proposed rate variation and Council's ability to deliver it.

Red tape reduction, lower development charges, an Economic Development Advisory Committee with key business stakeholders, a focus on promoting and growing local events, a focus on purchasing local, favouring local contractors and employing local labour, as opposed to external contractors has seen a new stimulus into the community and has been welcomed by locals. The rebranding of the Region and a new emphasis on civic pride is producing local confidence and energy not seen in the community for many years.

8 Other information

8.1 Previous Instruments of Approval

IPART refused an application for a 5.96% increase (including rate peg of 2.8%) in rates for the 2011/12 year. This was a one-off permanent change to the base to raise an additional \$474,978.

The reasons were set out in IPART'S determination. It stated that the community did not support the application, (from those who participated - 80 submissions), the Council was one of the poorest in NSW, council had not finished its IP&R processes, and it had not quantified the materiality of its productivity improvement program.

Council has in this application demonstrated its need for the SRV, completed its IP&R processes, has demonstrated conclusively community support for the application, made a strong case why the community has the capacity to pay this increase, demonstrated its pathway to financial sustainability, quantified its cost containment strategies, showed its search for additional revenue streams and made a case why it would be counterproductive to the Council region and its ratepayers and residents if the application was not approved.

8.2 Reporting to your community

All Council reporting with respect to the Variation will be strictly in accordance with IP&R requirements, DLG Guidelines and Council requirements. The Delivery Plan sets out the timeframes and KPI's around performance. Council's Delivery Plan links all its strategies to Functional Plans which are linked to annual performance appraisals. This is also the case with Capital projects.

Council's public financial reporting has always separately identified the expenditures associated with the revenue received from variation and has been externally audited.

8.3 Council resolution to apply to IPART

Council at its November 2013 Ordinary Meeting resolved that:

1. In accordance with Council's Community Strategic Plan, Council seek approval from the community and the Independent Pricing and Regulatory Tribunal (IPART) for a permanent Special Rate Variation under Section 508A of the Local Government Act 1993 of 10 percent above rate cap in the 2014/15 year, followed by four successive annual variations of three percent above cap.
2. Council hold an extraordinary meeting on Friday, 3 January 2014, to consider draft amendments to the four-year delivery plan which will be placed on public exhibition for a period of 28 days in accordance with Section 404 (4) of the Local Government Act 1993.
3. Council commission a telephone survey of residents during December 2013 in relation to Council's rate variation proposals.

Council at its February 2014 Ordinary meeting resolved that:

1. In accordance with Council's Community Strategic Plan, Council make application to the Independent Pricing and Regulatory Tribunal (IPART) for a permanent Special Rate Variation under Section 508A of the Local Government Act 1993 of 10 percent above rate cap in the 2014/15 year, followed by four successive annual variations of three percent above cap.
2. Council revise down the expenditure proposed in the variation application from \$13,031,000 to \$11,545,000 as detailed in the application, which will reduce the amount of funding proposed to be borrowed.
3. In accordance with the provisions of the Local Government Act 1993 and the Local Government (General) Regulations 2005, Council adopt the Draft Delivery Program 2013/2017 (including Financial Estimates) which reflects the Special Rate Variation amendments.
4. Council adopt the Special Variation Application which will form the basis of Council's application to IPART.

CONCLUSION

The sustainability of Richmond Valley is dependent on it putting in place, robust planning systems, becoming efficient and effective in delivering services, engaging its communities, and bringing its residents and business community together as partners to improve the region. The community surveys demonstrate that this demographic area, whilst all the indicators show it may be disadvantaged, doesn't want to stay that way.

It is the Council's function to deliver this region from a cycle of ageing infrastructure, high youth unemployment and social dislocation by promoting economic development, getting jobs in the region and engendering community pride and it can do this if it can become sustainable and work with others to achieve this. Much of this depends on this Application which has majority support and the support of the Richmond Valley Ratepayers and Residents Association.

This conclusion reiterates earlier comments that Council has in this application demonstrated its need for the SRV, completed its IP&R processes, has demonstrated conclusively mainstream community support for the application, made a strong case why the community has the capacity to pay this increase, demonstrated its pathway to financial sustainability, quantified its cost containment strategies, showed its search for additional revenue streams and made a case why it would be counterproductive to the Council region and its ratepayers and residents if the application was not approved. It may force the Council and the region into a spiral of failing infrastructure, recessive economic growth and decline in socio wellbeing and economic prosperity. Council's CSP makes it clear its aim is to improve economic welfare, socio-economic disadvantage, and education and occupation as measured by the ABS SEIFA indexes. *(see page 43 of CSP).*

Those charged with the future of Local Government such as the Independent Local Government Review Panel and the hundreds of submitters to its process of review, have recognised the challenges, and this Council has invested considerably in ensuring there is a balance between how much the ratepayers must and are willing to contribute to their future and how much is really necessary for Richmond Valley Council to deliver on its promises and the community's expectations.

This Special Rate Variation increases are modest and this Council and the majority of Richmond Valley Council residents request it be approved in total.

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9 Checklist of contents

The following is a checklist of the supporting documents to include with your Part B application:

Item	Included?
Relevant extracts from the Community Strategic Plan	<input checked="" type="checkbox"/>
Delivery Program	<input checked="" type="checkbox"/>
Long Term Financial Plan	<input checked="" type="checkbox"/>
Relevant extracts from the Asset Management Plan	<input checked="" type="checkbox"/>
TCorp report on financial sustainability	<input checked="" type="checkbox"/>
Contributions Plan documents (if applicable)	<input checked="" type="checkbox"/>
Media releases, public meeting notices, newspaper articles, fact sheets relating to the rate increase and special variation	<input checked="" type="checkbox"/>
Community feedback (including surveys and results if applicable)	<input checked="" type="checkbox"/>
Hardship Policy	<input checked="" type="checkbox"/>
Past Instruments of Approval (if applicable)	<input checked="" type="checkbox"/>
Resolution to apply for the special variation	<input checked="" type="checkbox"/>
Resolution to adopt the Delivery Program	<input checked="" type="checkbox"/>

10 Certification

APPLICATION FOR A SPECIAL RATE VARIATION

To be completed by General Manager and Responsible Accounting Officer

Name of council: **Richmond Valley Council**

We certify that to the best of our knowledge the information provided in this application is correct and complete.

General Manager (name): **John Walker**


Signature and Date:



24/2/14

Responsible Accounting Officer (name): **Ryan Gaiter**

Signature and Date:



24/2/2014

Once completed, please scan the signed certification and attach it to the Part B form before submitting your application online via the Council Portal on our website.