

**14.3 APPLICATION FOR SPECIAL RATE VARIATION AND ADOPTION OF DRAFT AMENDED DELIVERY PROGRAM 2013/2017**

**Reference:** Financial Management - Fees and Charges, Planning;  
Rates and Valuations - Fees and Charges

**Prepared by:** General Manager

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**RECOMMENDATION**

Recommended 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 2014/2015 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 \$11,605,000 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 reflect the Special Rate Variation amendments.
4. Council adopt the attached Special Rate Variation Application which will form the basis of its application to IPART.

The Mayor asked the General Manager to provide details of the deletion of \$1.486 million from the Delivery Program.

The General Manager advised that Council had revised down the expenditure proposed in the rate variation application from \$13,031,000 to \$11,545,000, which will reduce the amount of funding proposed to be borrowed. Areas reduced are IT innovation (a saving of \$50,000); wifi (\$20,000); traineeships (\$300,000); economic development plans (\$165,000); community engagement (\$190,000); and industrial land (\$761,000). These savings reduced borrowings by \$1.486 million.

**180214/ 15 RESOLVED (Cr Simpson/Cr Humphrys)**

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 2014/2015 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 reflect the Special Rate Variation amendments.
4. Council adopt the attached Special Rate Variation Application which will form the basis of its application to IPART.

FOR VOTE - All Council members voted unanimously.

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### **Executive Summary**

The consultation process achieved a (74%) level of awareness of Council's Special Rate Variation Plans. It resulted in thirty six written submissions being received (four in favour and 32 against). The random telephone survey of the whole population conducted in December 2013 and the selection of 400 residents resulted in a majority of 66% of residents being somewhat supportive of Council's proposal. This is an accurate and robust measure of the entire Richmond Valley Council community's attitude and not just the opinions of 400 residents.

Of the sixteen respondents who later answered the same questionnaire online or by paper submission, a majority 55.25% were somewhat supportive of the proposal. Straw polls at the public meetings also reflected a bias in favour of the variation proposals.

The submissions received have expressed a range of views about the Special Rate Variation proposal. The views and opinions have been considered and it is recommended that Council proceed with the application subject to one amendment, the reduction of the expenditure and borrowing program by \$1,426,000.

Council believes that in preparing its Special Rate Variation application it has achieved a balance between how much the ratepayers must and are willing to contribute to their future and how much it is really necessary for Richmond Valley Council to deliver on its promises, become sustainable and meet the community's expectations.

### **Community Strategic Plan Links**

Strategy 7.1.2 of the Community Strategic Plan sets out a revenue strategy to *"seek approval from the community and IPART for rate variations to produce revenues which will fund improved level of services, infrastructure and maintenance of existing assets"*.

## **Budget Implications**

Funds have been provided in the budget for costs associated with this application.

## **Report**

### 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 all 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.

In Evans Head the themes of discussion centred around where the money was going to be spent especially in Evans Head and much of the 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.

### Mail Out to all Residents and Ratepayers

On 20 November 2013, 9,134 residents and ratepayers were posted 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.

### Delivery Program 2013/2017

Before an application can be made to IPART for a Special Rate Variation, Council must include the impacts of the variation within its four year delivery program. At an Extraordinary Meeting held on 3 January 2014, Council considered an amended Delivery Program and resolved that it be placed on public exhibition for the statutory period of 28 days. During that period three submissions were received and have been identified and included in the table of submissions included in this report.

A summary of the submissions and comments are presented to Council with a recommendation to proceed to adopt the amended Delivery Program 2013/2017.

### Special Rate Variation

The day after Council's Ordinary meeting on 19 November 2013, 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).

In total, 36 written responses were received by email, mail or in the form of a submission and one verbal response. (Three related to the amended Delivery Program.) These were mostly from individuals, with just two organisations lodging submissions, the Richmond Valley Ratepayers Association and the Evans Head Memorial Aerodrome Committee. Four Non farm businesses and several farm businesses business proprietors lodged submissions. All the submissions were acknowledged.

It is noted that of the two organisations responding, the Richmond Valley Ratepayers and Residents Association was supportive of the proposal whereas the Evans Head Memorial Aerodrome Committee was against.

In total four submitters comments were supportive and 32 were against the proposal. A summary of the submissions received has been included in the report.

There were common themes relating to cost of living pressures, the efficiency of Council, the lack of services, comparisons of services between city and country and some provided no reasons. A lengthy submission was received by the Evans Head Memorial Aerodrome Committee and the issues are addressed in Council's Special Rate Variation Application to IPART. Some points were subjective opinion and other arguments were not strong. Council's response to all of the submissions will be forwarded to IPART.

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

Council must form the opinion that the submissions received are few in number and do not provide enough support for Council to reject its proposal.

### Council's Website

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

### Survey Monkey Results

Sixteen additional phone survey responses were received; ten from the Internet and six handed in after the public meetings. The results show that 55.5% were supportive to very supportive and 44.5% were not very supportive to not at all supportive.

During the thirteen week period, the Mayor and Councillors were active in their communities listening to the views of their constituents. The General Manager actively canvassed support for the proposal from Service Groups, Lions Club, Rotary Club, Chamber of Commerce, Ratepayers and Residents Association, the Council's Business and Industry Advisory Panel and the Local Businessman's Group.

Static displays were also arranged at the Evans Head Fly-In in from 10-12 January 2014, an event that attracted over 3,000 people over three days.

### **Consultation**

The consultation period for the Rate Variation was conducted over a thirteen week period and the amended Delivery Program over a 28 day statutory period.

The feedback from several people concerning the group of expenditures around capacity and its own re-evaluation of the amount of leverage proposed, has seen the total expenditure scaled back by \$1,426,000 dollars which was to be funded by loan borrowings.

### **Conclusion**

Council believes it has fully consulted with the Community and that it has received community support for the application to proceed. The next step in the process is to make application to IPART and meet their criterion for approval of the application. Council's Special Rate Variation Application which will form the basis of Council's application to IPART is included in this report.

Copies of the Draft Amended Delivery Program 2013/2017, Draft Financial Estimates 2013/2017 and Draft Long Term Financial Estimates 2013/2025 have been circulated separately to each Councillor.

Note: A copy of the Amended Delivery Program 2013/2017, Financial Estimates 2013/2017 and Long Term Financial Estimates 2013/2025 were attached to the archived Minutes of this Meeting.

No		For/ Against	
1		Against	
2	s	Against	
3		For	
4		Against	
5		Against	
6		Against	
7		Against	
8		Against	
9		Against	
10		Against	
11		Against	
12		Against	
13		For	
14		For	
15		Against	
16		Against	
17		Against	
18		Against	
19		For	

No		For/ Against	
20		Against	
21		Against	
22		Against	
23		Against	
24		Against	
25		Against	
26		Against	
27		Against	
28		Against	
29		Against	
30 **		Against	
31 **		Against	
32		Against	
33		Against	
34		Neutral	
35		Against	
36 **		Against	

**\*\* Indicates submission in relation to Draft Amended Delivery Program 2013/2017**



## **Richmond Valley Council**

# **Application for Special Rate Variation**

**“Councils are failing in their duties if they do not make applications for Special Rate Variations above the rate pegging cap” (Independent Local Government Review Panel 2013)**

**Adopted by Council  
18 February 2014**



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## **1. EXECUTIVE SUMMARY (IPART CRITERIA 1)**

Richmond Valley Council is applying to IPART for a rate variation to raise an additional \$7.6 million in revenue over five years and with borrowings achieve an expenditure program of \$11.6 million. The purpose of the expenditure is to address its infrastructure backlog, estimated at \$27 million, improve levels of maintenance and services, fully deliver projects identified in the Community Strategic Plan, and to position Council on a path to financial sustainability, by funding depreciation and achieving acceptable operating ratios and other financial measures as identified by NSW Treasury Corporation (TCorp 2013) through these and other improvements to its financial management.

Council will deliver over \$5.5 million in additional road expenditure from this rate variation alone.

The Richmond Valley is in a low socio economic area, however rates by any measure have fallen disproportionately below similar “group four” Councils and contiguous Councils threatening its sustainability and the future wellbeing of the area.

Trust between Council and the Community in the last two years has been rebuilt by a new Council and management that have addressed efficiency and cost cutting, surplus cash budgets, restructuring, labour reform, transformational community engagement and communication. This is evidenced by the recently conducted whole of Council area telephone polling survey in relation to this application which resulted in 66% of residents indicating a level of support for the increases as proposed, with 73% of residents being at least “somewhat supportive” of Council to being able to introduce the rate variation. A majority 94% of persons believed it is important that Council introduces better infrastructure and services.

Modelling in this application will show that with the variation and within five years, Council will be financially sustainable and will deliver ongoing operating surpluses that will be applied to removing its infrastructure backlog.

This report will argue that the community can afford and does support, (including the Richmond Valley Ratepayers and Residents Association) the modest additional increases. It will show that those on fixed incomes, the unemployed, pensioners and those on welfare who are ratepayers or residents enjoy substantially lower rates in Richmond Valley, compared to similar groups who reside in neighbouring Council areas. It is this group that has the most to gain from a sustainable Council intent on breaking the poverty cycle by generating jobs, services and economic and social wellbeing.

## **2. INTRODUCTION**

Council at its November 2013 Ordinary Meeting resolved that:

- 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.

- 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.
- Council commission a telephone survey of residents during December 2013 in relation to Council's rate variation proposals.

## 2.1 Overview of the Richmond Valley Council

Richmond Valley Council	
Locality and Size	
Locality	Richmond Tweed
Area	3,051.4 km <sup>2</sup>
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.*

## 3. COMMUNITY STRATEGIC PLAN – COMMUNITY MANDATE

Council adopted its Integrated Planning and Reporting suite of documents in June 2013 including its Community Strategic Plan (CSP) following a nine month community engagement process. 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 this 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).

#### **4. IPART CRITERIA FOR SPECIAL RATE VARIATIONS**

##### **4.1 Purpose of Application (IPART Criteria 1-3.1)**

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 \$11.6 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 2.3% and 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.

#### 4.1.1 Community Benefit

Schedule of works that are proposed for the rate variation.

<b>INFRASTRUCTURE RENEWAL</b>	
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
<b>ADDITIONAL SERVICE</b>	
Casino River Bank Presentation	\$ 250,000
Sealing of unsealed urban roads	\$ 375,000
Cultural and Art Facilities	\$ 120,000
<b>CAPITAL IMPROVEMENTS</b>	
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
<b>IMPROVED MAINTENANCE</b>	
Playground maintenance	\$ 75,000
Toilet Cleaning Maintenance	\$ 75,000
Rural road drain maintenance	\$ 250,000
<b>INCREASED CAPACITY</b>	
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
<b>TOTAL</b>	<b>\$ 13,031,000</b>

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 will reduce 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 (Expenditure 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.

## 4.2 Need for the Application (IPART Criteria 1-3.1)

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.

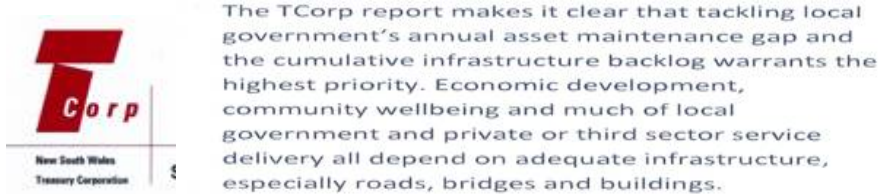
The need for the variation is evident if Council is to be responsible and provide the best outcomes for its community. This view is shared by the Independent Local Government Independent Review Panel (ILGRP).



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 many cases the more responsible approach is to face up to the need to increase rates and charges in order to achieve an operating surplus and undertake essential asset maintenance; and then where necessary to borrow additional funds to tackle infrastructure backlogs.

(ILGRP 2013)

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



*(TCorp 2013)*

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

#### Community Needs (IPART Criteria 1–3.1)

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.

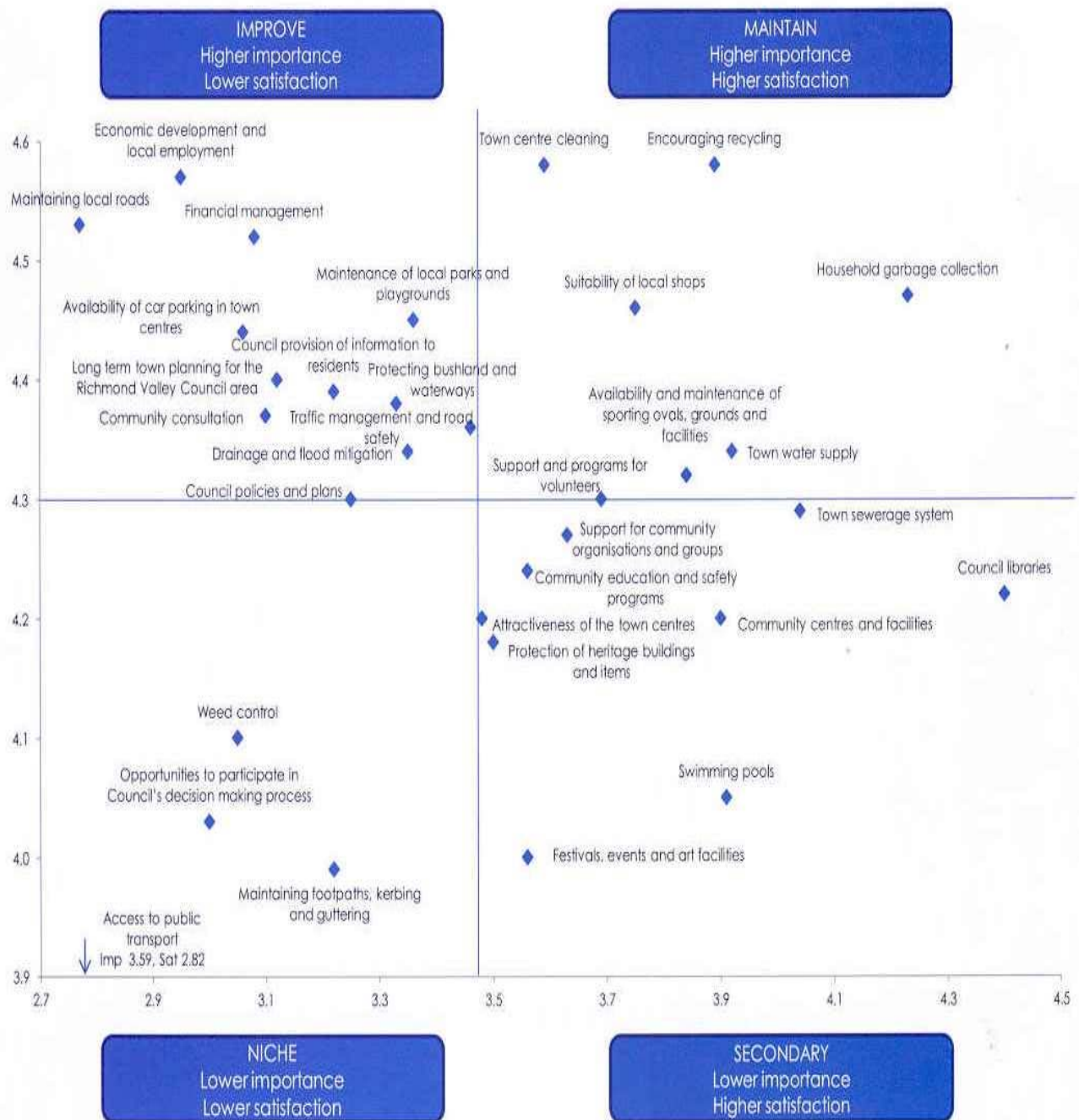
It found in its Quadrant Analysis that the community considered Council's financial management ranked the third highest out of a scale of 5, with Financial Management ranking 4.52 in importance. Only Maintaining Local Roads (4.53) and Economic Development and Local Employment (4.57) ranked higher.

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.

#### **4.2.1 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.
- 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 nearly three million dollars 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.

#### **4.2.2 10 Year Period Sustainability (IPART Criteria 1-3.3)**

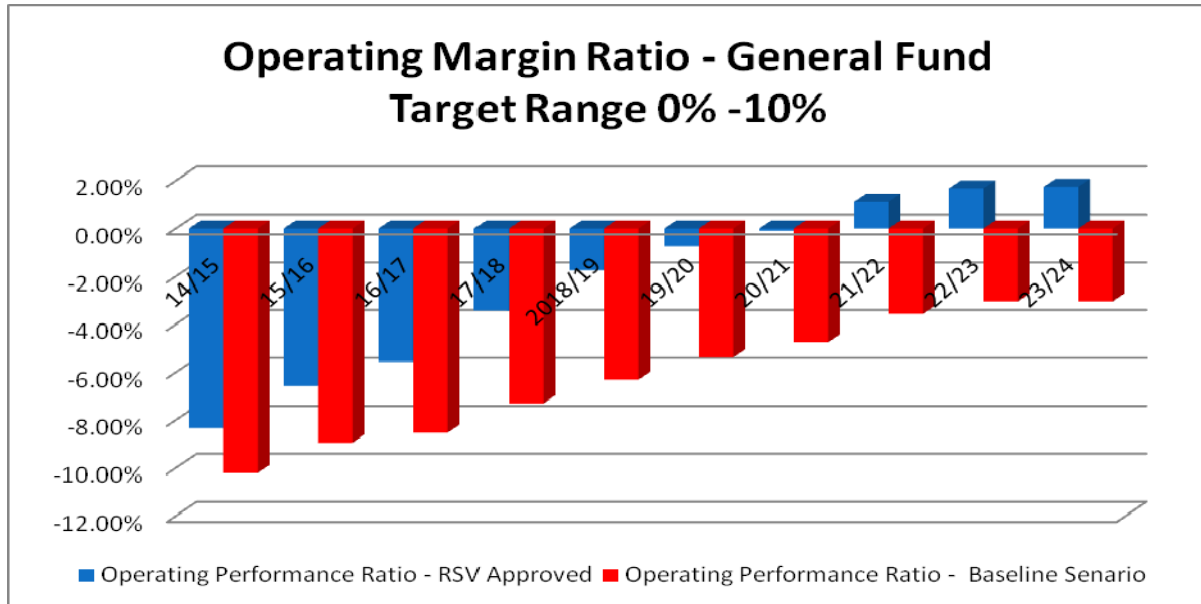
The rate variation is crucial to Council's long term financial sustainability and has been modelled against its 10 year long term financial plans in two scenarios; a base line (without the variation) scenario and one with the variation. The following TCorp indicators show the positive impact the variation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

#### **4.2.3 Operating Performance Ratio**

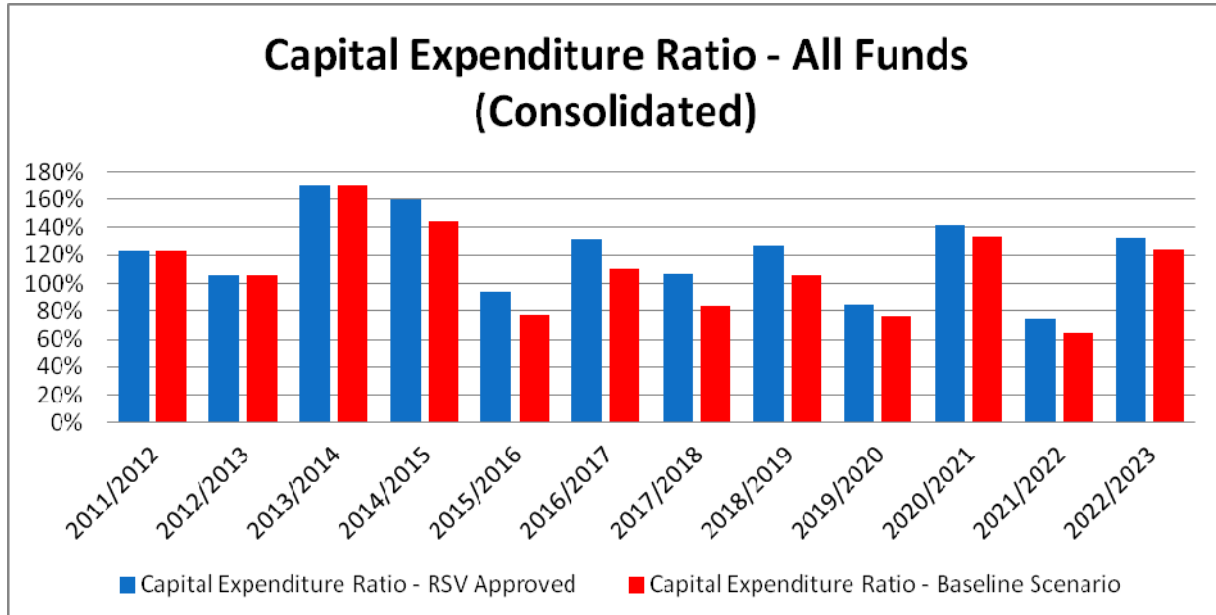
This is considered one of the most important sustainability ratios.

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.



#### 4.2.4 Capital Expenditure Ratio

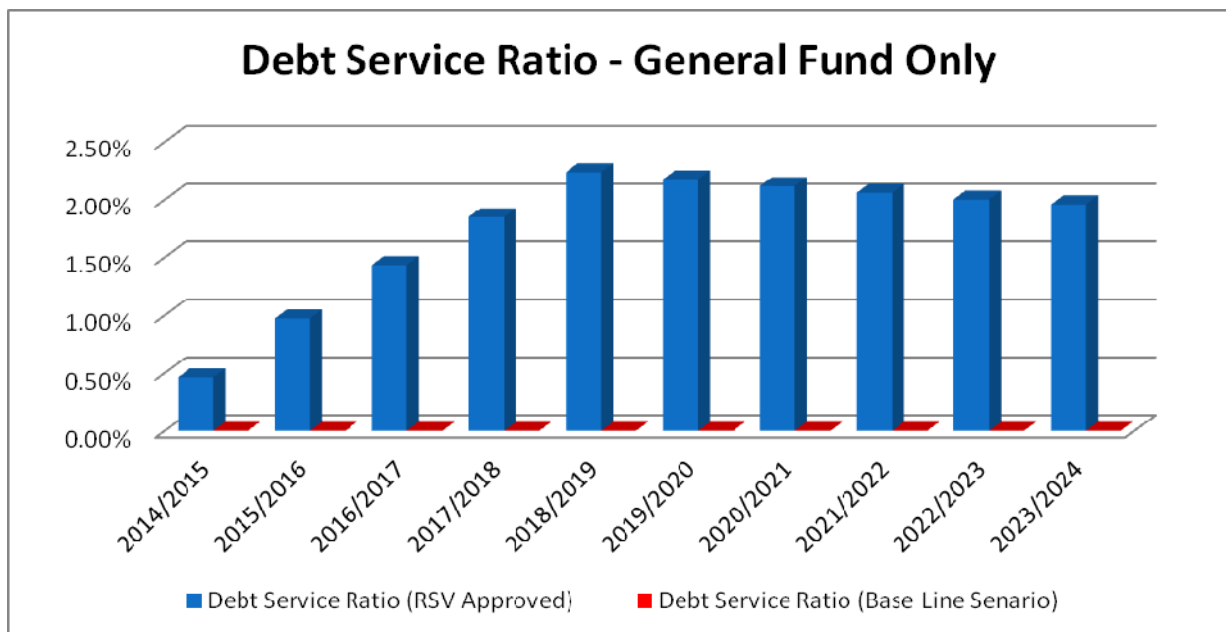
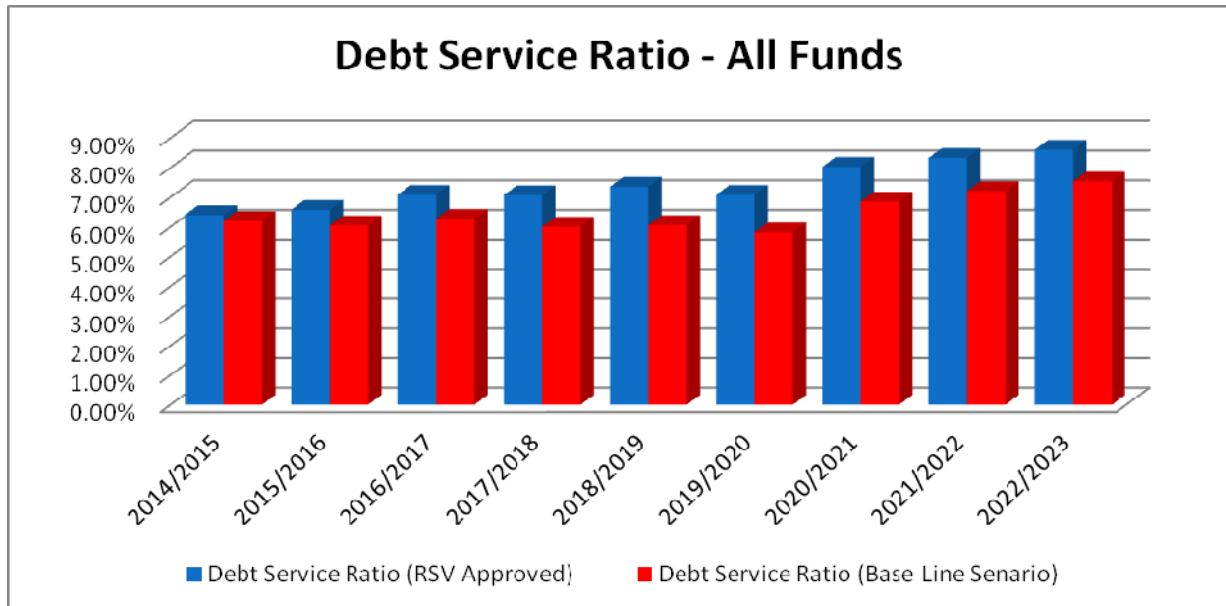


Councils should be spending a minimum of 110% of depreciation costs on capital expenditure (TCorp 2013).

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.

#### 4.2.5 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.



## 5. COMMUNITY AWARENESS OF PROPOSAL AND ENGAGEMENT

As previously mentioned, 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.

### 5.1 Communications Plan (IPART Criteria 2-4.1)

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).

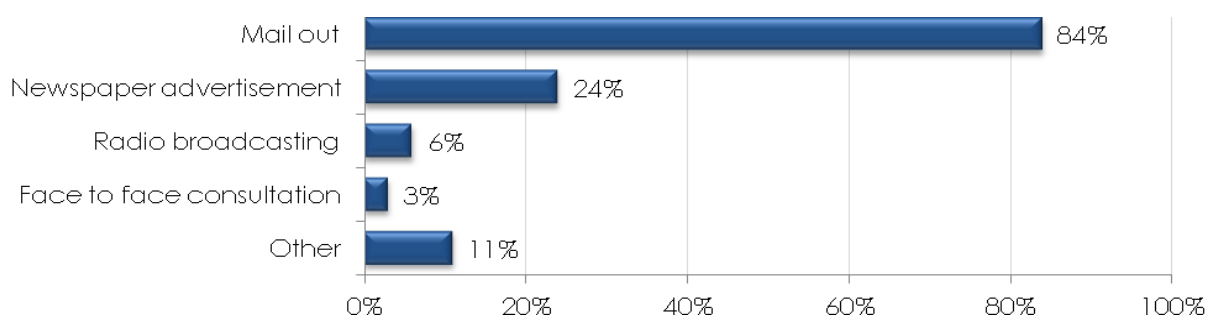
In order to ensure the community was aware of this special rate variation application, a further Communications Plan was adopted. It comprised a mail out of a detailed report to all ratepayers, residents and landowners. Council's quarterly newsletter also reproduced the letter that had been forwarded 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 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).

### 5.2 Telephone Sample Survey (IPART Criteria 2-4.1)

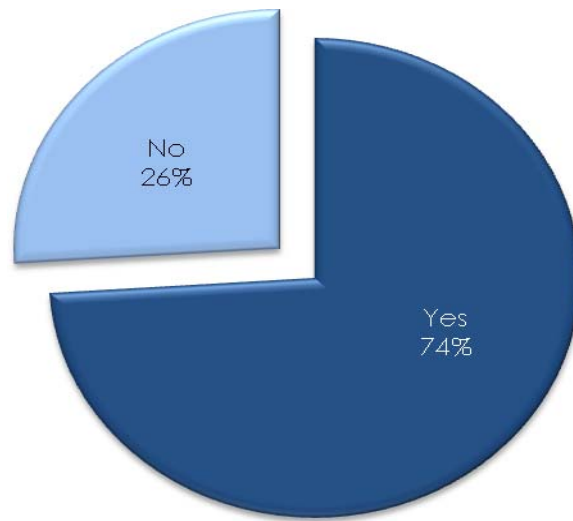
In order to quantify the awareness of the rate variation application, a random telephone survey of n=400 was commissioned from Micromex. Results show that Council was effective in making the community aware of its proposal.

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.

### **5.3 Public Meetings (IPART Criteria 2-4.1)**

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 once-off three percent above cap proposed special rate variation increase.

#### **5.4 Mail Out to all Ratepayers and Residents (IPART Criteria 2- 4.1 and 4.3)**

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.

#### **5.5 Council Website (IPART Criteria 2-4.1)**

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.

#### **5.6 Amended Delivery Plan – Public Exhibition. (IPART Criteria 2-4.1 and 4.3)**

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 \$1,426,000 to \$11,605,000. (See Paragraph 4.1.1).

#### **5.7 Online Survey (Survey Monkey) (IPART Criteria 2-4.1 and 4.3)**

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

#### **5.8 Results of the Consultation (IPART Criteria 2-4.3)**

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.

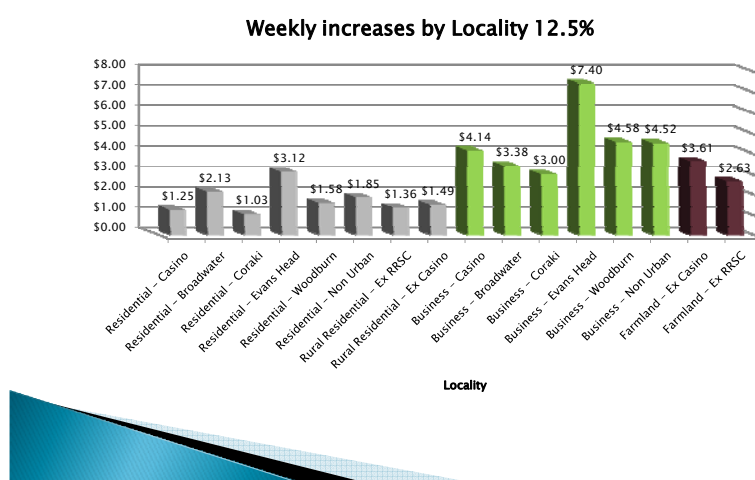
Council at its 18 February Meeting unanimously formed the opinion that the submissions received are few in number and do not provide enough support for Council to reject its proposal.

## 6. IMPACT ON RATEPAYERS AND THEIR CAPACITY TO PAY

### 6.1 Rates Impact on Ratepayers

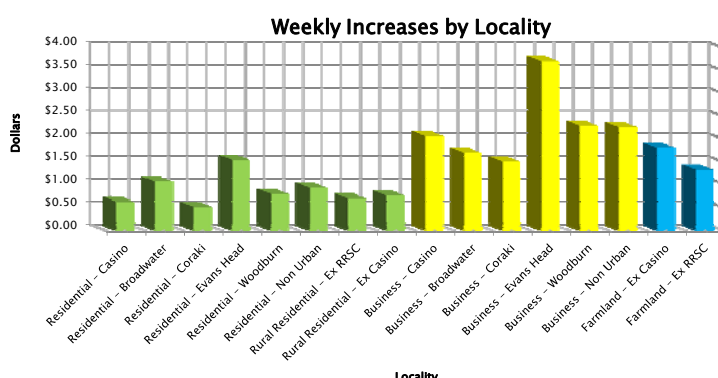
The impact on ratepayers has been calculated and communicated to ratepayers in all Council communication, public meetings, web pages and mail outs to all residents and ratepayers. It is not considered to be an onerous impact, although the percentage increase seems high. The reason for this is that the 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?





## How much extra will I pay in Year 2-5?



	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. 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 Year 1 increase has cost Council tens of thousands of dollars and months to prepare to meet IPART requirements. Other States give autonomy to local government to set their own rates.

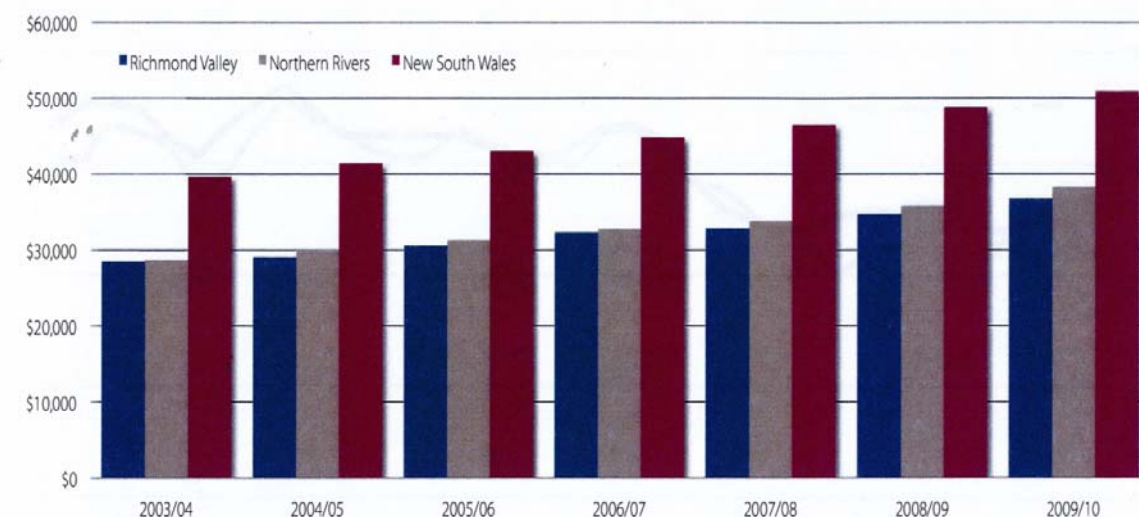
## 6.2 Council Demographic (IPART Criteria 2–4.4)

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.

### **6.3 Rates Review (IPART Criteria 2–4 .2)**

Council reviewed its rating structure in June 2013 in a briefing report, 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).

### **6.4 Fees and Charges (IPART Criteria 2–4.2)**

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.

### **6.5 Other Business Activities (IPART Criteria 2–4.2)**

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.

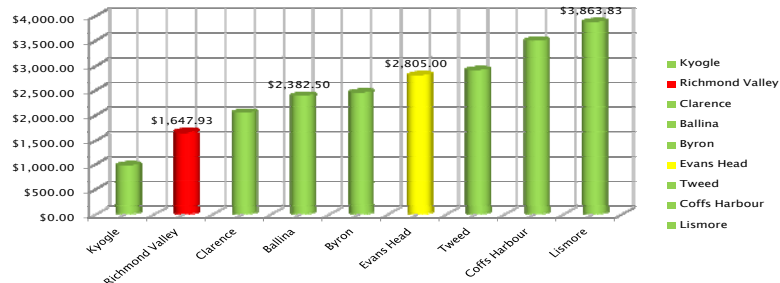
Council like many other Councils owns some quarries which it leases to external contractors. Likewise it is not seen as a business that will generate significant revenues and profits in the medium term.

### **6.6 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.

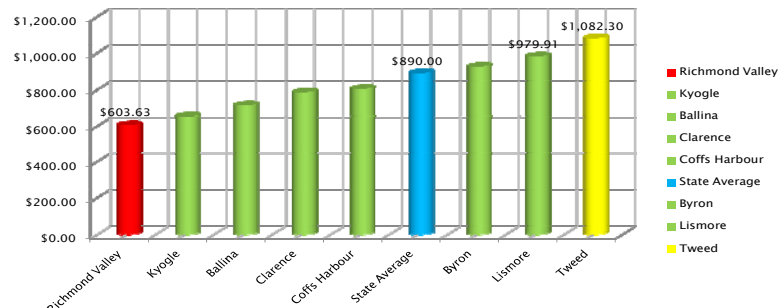
## Comparison to Neighbouring Councils

Comparison Average Business Rates 2011/12



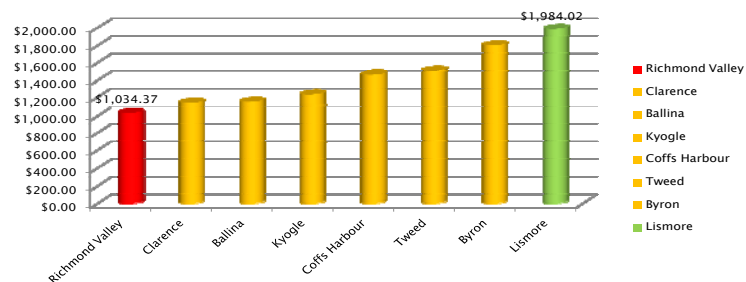
## Comparison to Neighbouring Councils

Average Residential Rate Comparison 2011/12



## Comparison to Neighbouring Councils

Average Farmland Rate Comparison



In a 2013 survey by the Municipal Association of Victoria, Victorian Councils were expected to raise their rates by an average of \$76.00 per year, which represented on average a 4.6% increase to address cost issues (CM Magazine 2013). Contrast this to the 12.5% increase proposed by Richmond Valley in the first year that is \$90.00 per week. Clearly the increases are not unreasonable or excessive by comparison and demonstrate how low the Richmond Valley Council Ordinary Rates are.

### **6.7 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.

### **6.8 Impact of Amalgamations - Independent Local Government Review Panel**

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 reduces Council's backlog and returns 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.

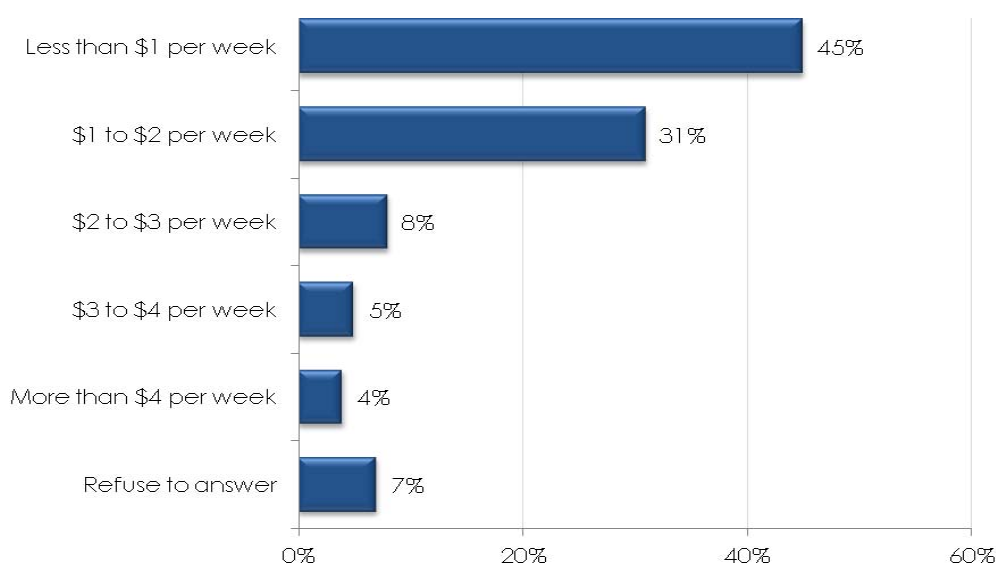
### **6.9 Council Survey**

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.

### 6.10 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 him drinking four schooners of beer a day at the local RSL. 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.

### 6.11 Council Rate Instalment Options

For ratepayers who are facing hardship Council has a Hardship Policy that allows tailoring of instalments to suit individual circumstances. This policy can be found on Council's website. (Richmond Valley Council Financial Hardship Policy–2012).

## 7. EVIDENCE OF REALISTIC ASSUMPTIONS IN LTFP

### 7.1 Assumptions in the Five Year Plan, 10 Year Long Term Financial Plan (LTFP) and Delivery Plan

The following assumptions have been built into Councils 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 2.5%
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.

## 8. PRODUCTIVITY IMPROVEMENTS AND COST CONTAINMENT (IPART 7)

### 8.1 Past Cost Containment Strategies

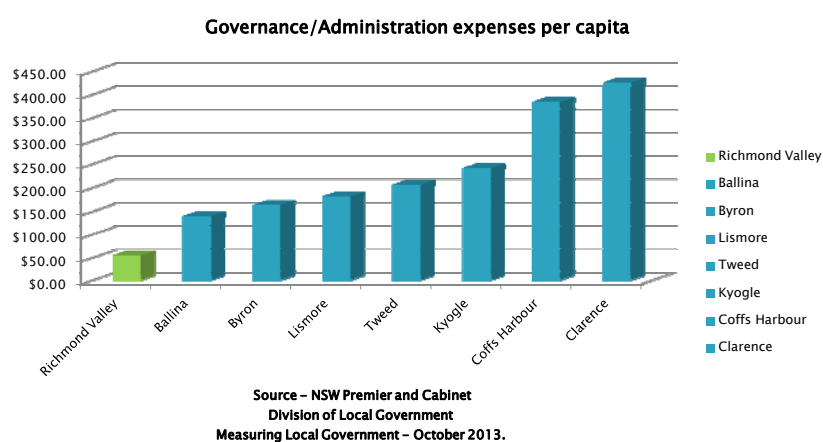
Following the appointment of a new General Manager in March 2012, Council has undergone transformational change, including a major restructure, industrial reform, new Executive and Management Team, Financial and Asset Management reform, introduced a new Performance and Customer Centric culture and refocused 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.

#### 8.1.1 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.



### 8.1.2 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.


### 8.1.3 Council Survey – Performance Management

#### 8.1.3.1 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 below table is a snapshot from the report which demonstrates 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  
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June 2009

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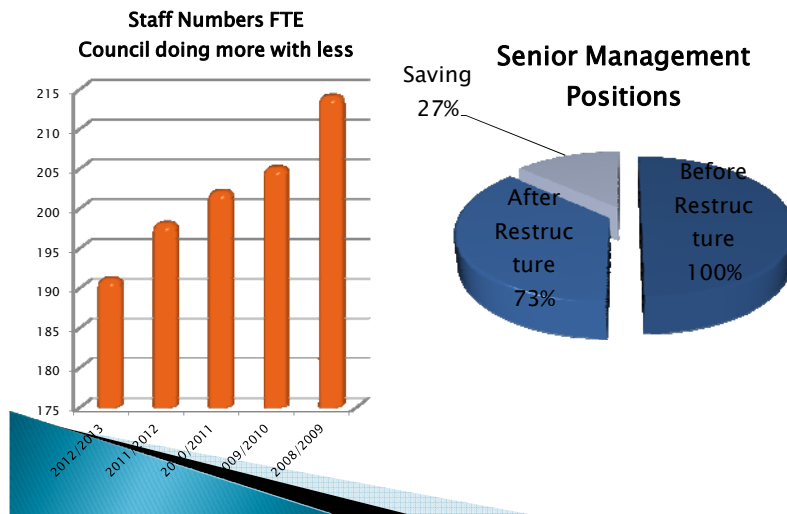
### 8.1.3.2 Performance Post 2011

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.

### 8.1.4 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.

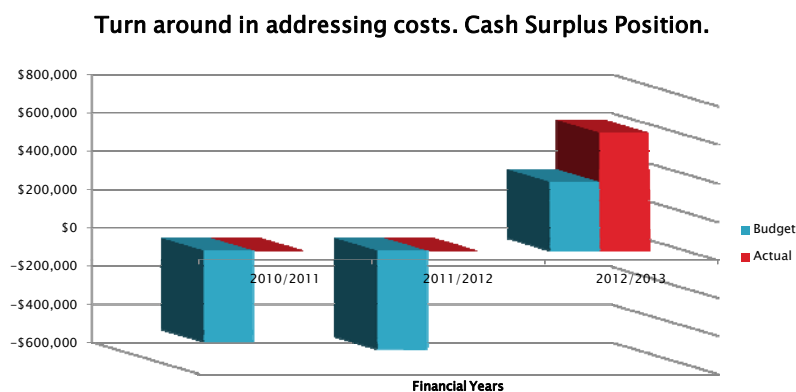
### Salary costs savings of over \$1 million per year



#### 8.1.5 Cash Surpluses Achieved

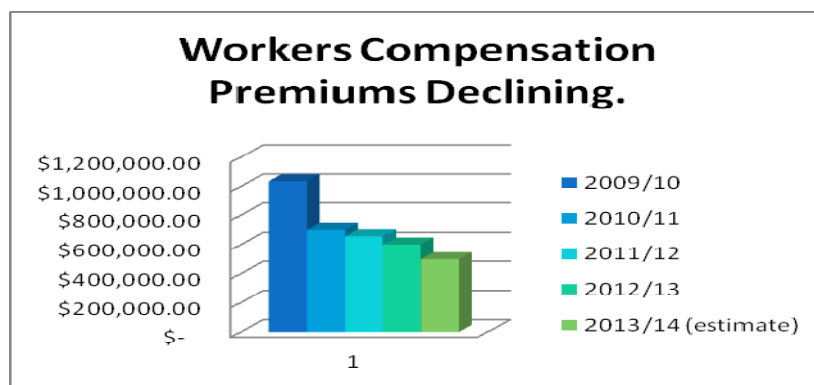
Prior to 2011, Council was budgeting for cash deficits to balance the budget and keeping their head above water by not completing essential works and services. In the last two years, that has turned around.

### Turn around in Financial Management.



### 8.1.6 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.



### 8.1.7 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.

### 8.1.8 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.

## **9. OTHER INFORMATION (IPART CRITERIA 8)**

### **9.1 Previous Instruments of Approval**

IPART refused an application for a 3.16% increase in rates above cap for the 2011/12 year. This was a one-off permanent change to the base to raise an additional \$300,000 (excluding rate peg.)

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. It would force the Council and the region into a spiral of failing infrastructure, recessive economic growth and a cycle of poverty and socio wellbeing and economic decline.

### **9.2 Reporting to the 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.

### **9.3 Council Resolution to apply to IPART**

The following resolution to lodge this application was adopted by Council on 18 February 2014:

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.

## 10. 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.

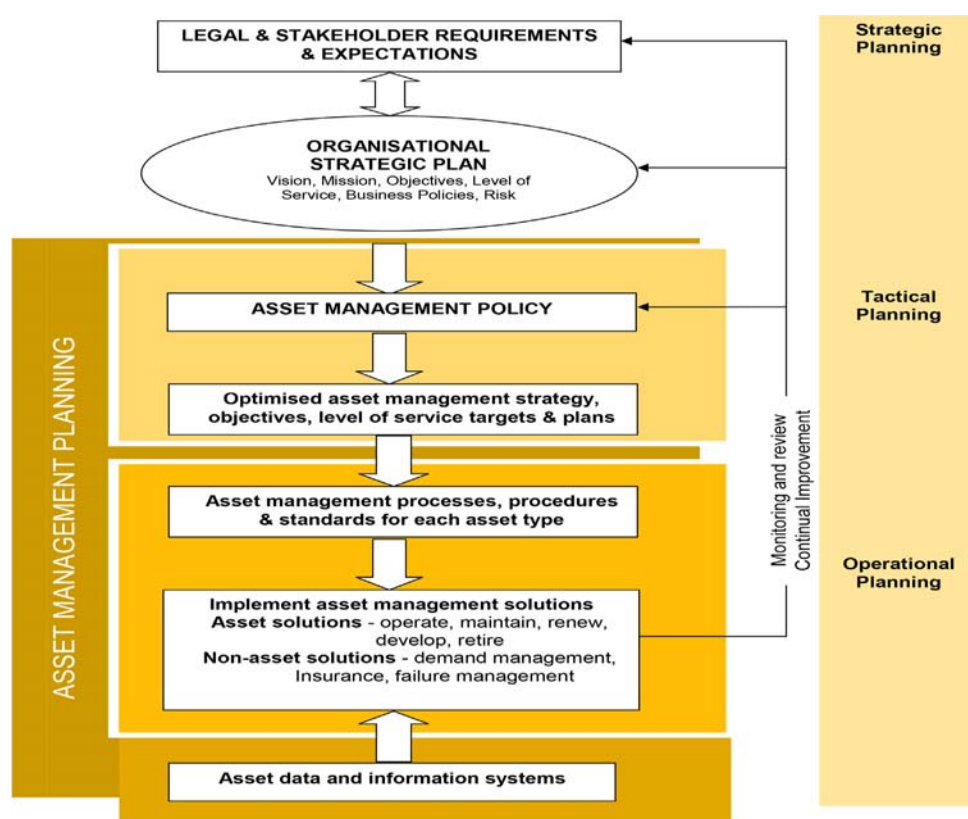


Figure 1: Strategic Asset Management Planning Process  
(International Infrastructure Management Manual, 2006)

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%.

## 10.1 Key Performance Measures (IPART Criteria 1–3.3)

### 10.1.1 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%

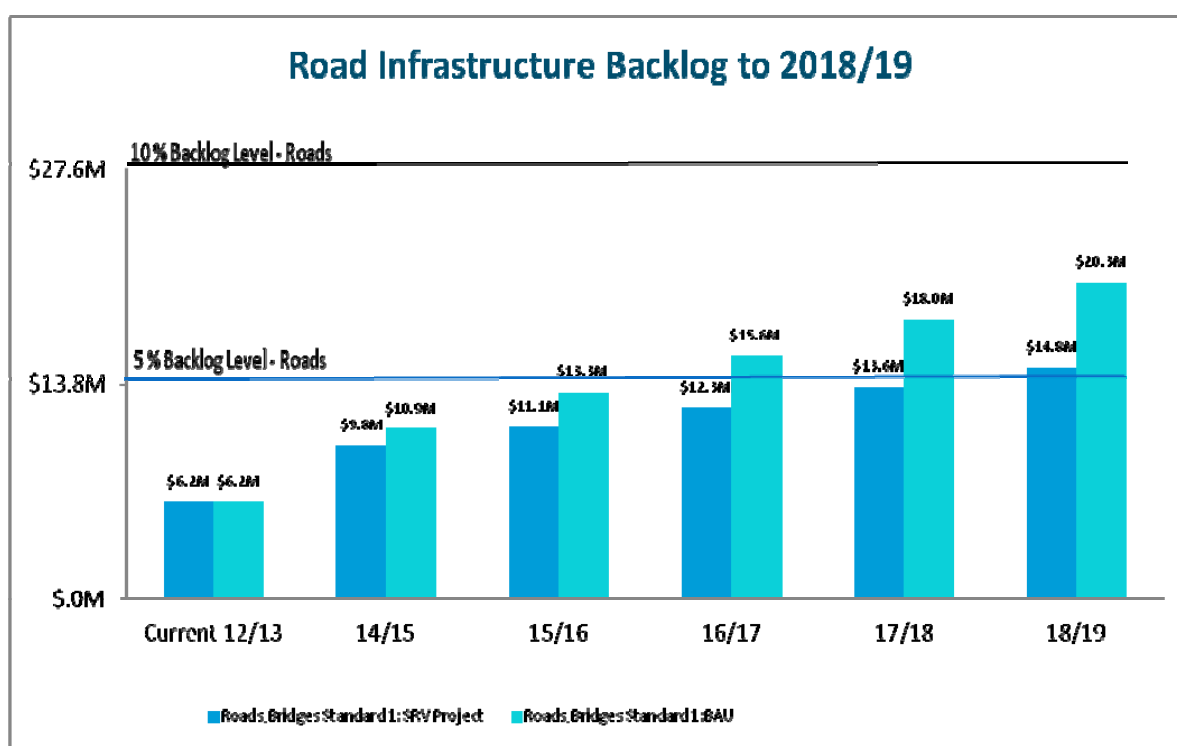
## 10.2 Infrastructure Backlog

### 10.2.1 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

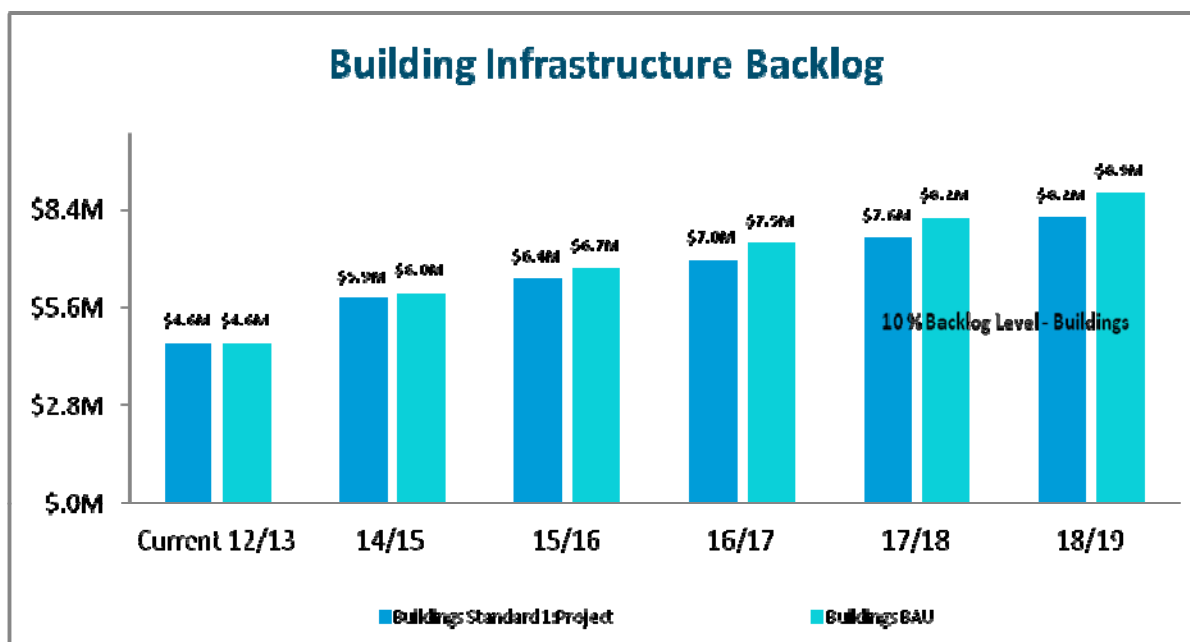


### 10.2.2 Building Infrastructure

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.



## 11. EXPENDITURE PROPOSED

### 11.2 Council Delivery Plan

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.



# Richmond Valley Council – Special Rate Variation

CSP Reference		2014/15	2015/16	2016/17	2017/18	2018/19
	<b>RENEWALS</b>					
P60, Survey (88%)	Sealed Road Rehabilitation. Increase in annual expenditure on sealed road rehabilitation by \$1,000,000 for years to be funded from borrowings	1000000	1000000	1000000	1000000	1000000
P60, Survey (88%)	Gravel Road Re-sheeting	100000	100000	100000	100000	100000
Strat 4.2.2	Playground replacement - replace non complying equipment and replace softfall	20000	20000	20000	0	0
Strat 6.3.1	Public Toilet refurbishment	40000	40000	40000	40000	40000
Strat 4.2.2	Renewal Council facilities and parks.	100000	100000	100000	100000	100000
	<b>ADDITIONAL SERVICE</b>					
P79	Casino River Bank Presentation	50000	50000	50000	50000	50000
P60, Survey (88%)	Sealing of unsealed urban roads	75000	75000	75000	75000	75000
	Cultural and Art Facilities.	25000	25000	20000	25000	25000
	<b>CAPITAL IMPROVEMENTS</b>					
Strat 6.3.1	Casino Riverfront Amphitheatre & Footbridge and general access improvements/connectivity			650000	400000	
Strat 2.1.9	Woodburn Riverfront					470000
P79	Evans CBD and environs Carparking and Extension Park St				500000	
P 79	Coraki Riverfront					355000
P 79	Casino Showground Upgrades		100000			
p78 project 2	Casino Carparking		130000	160000	160000	130000

## Richmond Valley Council – Special Rate Variation

Consultation	Evans Head Skatepark	100000				
P79	Crawford Square Regional Park.				150000	
P 79	Woodburn Skatepark.	80000				
P79	Casino Skatepark		240000			
	IMPROVED MAINTENANCE					
Survey	Playground maintenance	15000	15000	15000	15000	15000
Strat 6.3.1	Toilet Cleaning Maintenance	15000	15000	15000	15000	15000
Survey	Rural road drain maintenance	50000	50000	50000	50000	50000
	INCREASED CAPACITY					
P67	IT Innovation Fund	40000	40000	40000	40000	40000
2.1.7	Public Wi Fi in Casino CBD, Woodburn, Evans Head	50000	50000	50000		
Resource Strategy	Capacity Building Youth Traineeship Program					
Strat 2.1.9			40000	50000	50000	25000
Strat 7.3	Community Engagement/ Customer Research/Communications.					
Strat 5.1.4	Industrial Land Development					

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.

## 12. CONCLUSION

The sustainability of Local Governments including Richmond Valley is dependent on it putting in place, robust planning systems, becoming efficient and effective in delivering services, engaging their communities, and bringing its residents and business community on board 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

rejects the notion of being put into a poverty trap because of a Government criterion that says if it's poor it can't pay any more and therefore must stay poor.

It is the Council's function to deliver this region from its downward cycle of ageing infrastructure, promote economic development, get jobs in the region, engender community pride and it can do this if it can become sustainable and work in partnership with others to achieve this. Much of this depends on this Application which has the unconditional 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 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 would force the Council and the region into a spiral of failing infrastructure, recessive economic growth and a cycle of poverty, hopelessness and decline in socio wellbeing and economic prosperity.

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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