

Council's Reference:
DS/AP

Telephone Enquiries to:
Derek Swanborough

4 December 2013



Ms Alison Milne
Director, Local Government
IPART
PO Box Q290
QVB POST OFFICE NSW 1230

Dear Ms Milne

I wish to notify IPART of Council's intention to apply for a special rate variation for five years commencing 2014/2015.

At the Ordinary Meeting on 19 November 2013, Council resolved as follows:

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.*
4. *A report be provided monthly on the update/progress on this issue."*

A copy of the report submitted to the 19 November 2013 Meeting is also enclosed.

It is also advised that Council has commenced the formal community engagement process to advise the public of the details of the Council's rate variation proposal and to amend its Delivery Plan, in accordance with the community mandate contained within the Community Strategic Plan. Following this consultation period, the matter will be considered at Council's February 2014 Ordinary meeting prior to an application being made to IPART on or before 24 February.

Yours faithfully


Derek Swanborough
Executive Manager Corporate and Community

Enc

All correspondence should be addressed to:

The General Manager,
RICHMOND VALLEY COUNCIL

Administration Office: Cnr. Walker St. & Graham Place (Locked Bag 10) CASINO NSW 2470

APPLICATION FOR SPECIAL RATE VARIATION

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

Prepared by: General Manager

RECOMMENDATION

Recommended 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.
-

Executive Summary

Council must advise IPART of its intention to lodge an application for a rate variation by 13 December 2013. The final application is due by 24 February 2014.

The variation seeks to raise an additional \$7.6 million over five years to begin to address its 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, fund all unfunded projects the community identified as priorities and place Council on a path to financial sustainability.

Council will spend a total of \$13.03 million over five years, as identified in the report, which will include \$5 million on road expenditure. IPART has advised the rate cap next year is expected to be 2.5 percent and these funds raised will be in addition to the rate cap. Council will seek community support for the rise through a comprehensive communication and engagement process commencing immediately over the next three months.

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 shown in the report.

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 2013/14 rates.

Report

The Richmond Valley Council, whilst achieving cash surplus budgets in the past two years and driving efficiency across its operations (staff reductions of 32 FTE staff), is not on a path to financial sustainability because its revenues simply are insufficient to renew its infrastructure which is depreciating at a faster rate than it is being renewed. In addition, the public has requested increased service levels in areas such as road maintenance, parks and playgrounds, toilet and street cleaning to name a few, better financial management and a focus on economic development. Modest amounts of new infrastructure were identified in the CSP, but until now remain unfunded. These projects will now proceed and will create jobs, stimulate tourism, build social and community capital and improve the standard of living and welfare of families, business, youth and the disadvantaged.

TCORP Review

Last year the NSW Treasury Corporation (TCORP) analysed Council's long-term financial outlook and benchmarked its performance against a group of 31 similar sized councils and said that for the main indicator of financial health, Council's revenues compared to its expenses (the operating ratio) was consistently below the group for the review period of the past four years and that deficit positions would be expected for the next 10 years until 2022 and then only reaching negative 13.3 percent. This is a serious position with the benchmark set at negative four percent but only allowable for a small number of years before returning to a positive ratio. It demonstrates that Council's financial strength is weak and is unlikely to be improved without additional revenues. It is noted that only 52 Councils (34 percent) reported an operating surplus in 2011/12 and that in NSW the accumulated deficits in the past four years from all councils was \$1.283 billion. Councils are surviving on unreliable and ever-reducing State and Federal grants.

Council has an infrastructure backlog of \$27 million, which is the amount of spending that is required to restore its building, parks, stormwater, roads and bridges assets to a good condition which can be maintained and not allowed to deteriorate. This variation request will invest \$6.2 million in the next five years and allow further investment in the years beyond to catch up this backlog so our children and grandchildren will not see these assets fall into disrepair.

Council has a low rate base

Council's rates in the comparison group of 31 councils are low in all categories.

Average Rate	Group 4 Councils (31 councils)	Richmond Valley Council	RVC Percentage lower than group
Residential	\$ 836.70	\$ 603.63	38.61%

Business	\$2,982.91	\$1,647.93	81.01%
Farmland	\$1,733.41	\$1,043.37	76.58%

Impact on Rates

Council has one of the lowest rate bases in NSW and the impact of the rate increases per week has been modelled.

Rate Category	12.5% Year 2014/15	5.5% Rise/Year 2015/16 – 2018/19
	Average rate per week increase	Average rate per week increase each year
Residential	\$1.73	85 cents
Business	\$4.50	\$2.25
Farmland	\$3.12	\$1.56

Expenditure Proposed

Under a Special Rate Variation the funds raised must be spent on the areas nominated in the four-year delivery plan as adopted. These plans have to be adopted after community consultation. The expenditures are audited annually by an external auditor.

Funds are proposed to be spent in the following categories:

Category	Amount \$
Infrastructure renewal (loan)	6,260,000
Additional services	745,000
Capital improvements	3,625,000
Improved maintenance	400,000
Increased capacity	2,001,000
Total	13,031,000

Community Strategic Plan

Last year Council undertook an exhaustive process to review its Community Strategic Plan with extensive communication in accordance with its engagement policy. Council relied on both qualitative and quantitative inputs to accurately record the community expectations of service levels and performance, the community vision and capital priorities. It became clear that ageing infrastructure, sound financial management, and economic development were listed with the highest priorities. At the time Council assets were being assessed to determine their true useful lives in order that Council would have a stronger understanding of its true financial position. This work has now been completed and Council can now accurately plan its budgets to both meet community expectations and achieve financial sustainability. This will, therefore, necessitate a delivery plan modification to reflect the new spending on infrastructure and services in accordance with section 404 (4) of the Local Government Act 1993

The following projects will be delivered over a four-year period subject to approval from the community and IPART.

INFRASTRUCTURE RENEWAL	
Sealed road rehabilitation - urban and non urban roads	\$ 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 SERVICE	
Casino riverbank presentation	\$ 250,000
Sealing of unsealed urban and non urban roads	\$ 375,000
Cultural and art facilities	\$ 120,000
CAPITAL IMPROVEMENTS	
Casino riverfront amphitheatre and footbridge and general access improvements/connectivity	\$ 1,050,000
Woodburn riverfront	\$ 470,000
Evans Head CBD and environs car parking and extension Park Street	\$ 500,000
Coraki riverfront	\$ 355,000
Casino Showground upgrades	\$ 100,000
Casino car parking	\$ 580,000
Evans Head skate park	\$ 100,000
Crawford Square regional park	\$ 50,000
Woodburn skate park	\$ 80,000
Casino skate park	\$ 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 wifi 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

Conclusion

This variation is important to the long-term future of the Richmond Valley Council and will ensure Council is able to meet the expectations of its residents, achieve financial sustainability and improve the economic and social welfare of all its residents.