

INVERELL SHIRE COUNCIL

NOTICE OF MEETING

ECONOMIC & COMMUNITY SUSTAINABILITY COMMITTEE

8 April, 2016

An Economic & Community Sustainability Committee Meeting will be held in the Committee Room, Administrative Centre, 144 Otho Street, Inverell on Wednesday, 13 April, 2016, commencing at 10.30am.

Your attendance at this Economic & Community Sustainability Committee Meeting would be appreciated.

P J HENRY PSM

GENERAL MANAGER






A G E N D A

SECTION A	APOLOGIES CONFIRMATION OF MINUTES DISCLOSURE OF CONFLICT OF INTERESTS/PECUNIARY AND NON-PECUNIARY INTERESTS BUSINESS ARISING FROM PREVIOUS MINUTES
SECTION B	ADVOCACY REPORTS
SECTION C	COMMITTEE REPORTS
SECTION D	DESTINATION REPORTS
SECTION E	INFORMATION REPORTS
SECTION F	GENERAL BUSINESS
SECTION H	GOVERNANCE REPORTS
SECTION G	CONFIDENTIAL MATTERS (COMMITTEE-OF-THE-WHOLE)

Quick Reference Guide

Below is a legend that is common between the:

- Inverell Shire Council Strategic Plan
- Inverell Shire Council Delivery Plan
- Inverell Shire Council Management Plan.

<i>Destinations</i>	<i>Icon</i>	<i>Code</i>
<p>1. A recognised leader in a broader context.</p> <p>Giving priority to the recognition of the Shire as a vital component of the New England North West Region through Regional Leadership.</p>		R
<p>2. A community that is healthy, educated and sustained.</p> <p>Giving priority to the Shire as a sustainable and equitable place that promotes health, well being, life long learning and lifestyle diversity.</p>		C
<p>3. An environment that is protected and sustained.</p> <p>Giving priority to sustainable agriculture, the protection and conservation of rivers, waterways bio diversity and the built environment.</p>		E
<p>4. A strong local economy.</p> <p>Giving priority to economic and employment growth and the attraction of visitors.</p>		B
<p>5. The Communities are served by sustainable services and infrastructure.</p> <p>Giving priority to the provision of community focused services and the maintenance, enhancement and upgrade of infrastructure.</p>		S

ECONOMIC & COMMUNITY SUSTAINABILITY COMMITTEE MEETING

Wednesday, 13 April, 2016

Table of Contents

SECTION/PAGE

2016/2017 Draft Estimates and Operational Plan, and Long Term Financial Plan	D	14
2016/2017 Rate Peg for NSW Councils	D	98
Australian Local Government Women's Association 2016 NSW Conference	B	1
Display of Street Banners In CBD	D	10
Expiring Licence Agreements	D	1
Governance - Monthly Investment Report	H	1
Inverell & District Lapidary Club - Request for Assistance	D	11
Social Housing Community Improvement Fund 2015	E	1
Yetman Community Bus	D	13

MINUTES OF THE ECONOMIC & COMMUNITY SUSTAINABILITY COMMITTEE
MEETING HELD IN THE COMMITTEE ROOM, INVERELL SHIRE COUNCIL, 144
OTHO STREET, INVERELL ON WEDNESDAY, 9 MARCH, 2016, COMMENCING AT
10.30AM.

PRESENT: Cr J A Watts (Chairperson), Crs D F Baker, P J Girle, P J Harmon and
A A Michael.

Also in attendance: Crs B C Johnston and D C Jones.

Paul Henry (General Manager), Ken Beddie (Director Corporate and
Economic Services), Brett McInnes (Director Civil and Environmental
Services) and Stephen Golding (Executive Manager Corporate and
Community Services).

SECTION A

APOLOGIES:

An apology was received from Cr H N Castledine.

RESOLVED (Harmon/Baker) that the apology from Cr Castledine be noted.

1. CONFIRMATION OF MINUTES

*RESOLVED (Girle/Michael) that the Minutes of the Economic and Community
Sustainability Committee Meeting held on 10 February, 2016 as circulated to
members, be confirmed as a true and correct record of that meeting.*

2. DISCLOSURE OF CONFLICT OF INTERESTS/PECUNIARY AND NON-
PECUNIARY INTERESTS

There were no interests declared.

3. BUSINESS ARISING FROM PREVIOUS MINUTES

Nil.

SECTION B
ADVOCACY REPORTS

Cr Jones NBN Services

Cr Jones advised that NBN coverage is now accessible to the
Fernhill Road area.

SECTION D
DESTINATION REPORTS

1. REQUEST TO LICENCE LAND – REEVES S5.10.154

CSOP-A *RESOLVED (Harmon/Girle) that the Committee recommend to Council that:*

- i) *Council enter into a Licence Agreement with Mr Graham and Felicity Reeves
for Lot 8, DP 188692 and Lot 7, DP 1101540 Rifle Range Road, Inverell for a
two (2) year period with a further two (2) year option;*
- ii) *the Licence fee be \$500.00 per annum (GST Inclusive) with a 3% increase per
annum; and*

- iii) *the Licence Agreement be subject to any other terms and conditions as negotiated by Council's General Manager.*

2. FIT FOR THE FUTURE – SUPPLEMENTARY ROADS RENEWAL AND ENHANCEMENT PROGRAM 2015/2016 – 2016/2017 S15.8.23/10

DCS-A *RESOLVED (Baker/Michael) that the Committee recommend to Council that:*

- i) *the additional \$2.1M to be received for the 2016/2017 Roads to Recovery Program be allocated to Shoulder Widening and Pavement Strengthening MR 187, south of Wallangra; and*
- ii) *the following additional high priority Rural Road Projects be funded in the 2015/2016 Budget;*
- a) *Swanbrook Road Upgrade – Moore Street to Runnymede Intersection (Shire Road). \$ 0.30M*
 - b) *Kings Plains Road Shoulder widening/Pavement Strengthening, north of Swanbrook Bridge. \$ 0.10M*
 - c) *Auburnvale Road shoulder widening and re-alignment, McBride's Lane to Minnamurra Lane (Shire Local Road). \$ 1.00M*

(Total additional Rural Roads Program 2015/2016 – 2016/2017 \$3.5M)

3. ASHFORD OVAL - NEW AMENITIES BLOCK/CANTEEN S21.8.4

DCS-A *RESOLVED (Harmon/Johnston) that the Committee recommend to Council that the \$146K funding shortfall be provided from the Building Upgrade and Refurbishment Internally Restricted Asset.*

SECTION E INFORMATION REPORTS

1. STATECOVER MUTUAL LIMITED 2015/2016 WORK HEALTH AND SAFETY FINANCIAL INCENTIVE S27.1.11
2. LANDFILL CONSOLIDATION GRANTS S15.8.61 & S15.8.62 & S15.8.60
3. CLUBGRANTS - INVERELL SPORTS COMPLEX S15.8.59

RESOLVED (Girle/Michael) that the items contained in the Information Reports to the Economic & Community Sustainability Committee Meeting held on Wednesday, 9 March, 2016, be received and noted.

SECTION F QUESTIONS WITHOUT NOTICE

Cr Harmon IPWEA Regional Conference

Cr Harmon noted that he provided the opening address at the IPWEA Regional Conference recently held in Inverell.

MTM-A Cr Baker Air Service S30.16.4

Cr Baker asked if Council could approach an airline to seek interest in one-off services for events of Council, such as pre sold seats.

The Mayor provided a response of the requirements to be able to deliver the adhoc 'chartering of a plane'.

		The request will be further investigated by Council's Manager Tourism and Marketing.
	General Manager	<u>Sapphire Windfarm</u>
		The General Manager noted that the Terms of Reference for the Community Development Fund will be provided to the next Council Meeting.
GM-N	General Manager	<u>Arts North West</u> <u>S26.5.4</u>
		The General Manager noted the approach from Arts North West regarding Council becoming a member.
		<i>RESOLVED (Baker/Harmon) that the Committee recommend to Council that Council provide Arts North West the opportunity to present the benefits of becoming a member.</i>
	Cr Watts	<u>Delungra District Development Council (DDDC)</u>
		Cr Watts advised that she will be unable to attend the next three (3) meetings of the DDDC and requested that another Councillor attend in her absence.
		Cr Johnston indicated that he would be pleased to attend.
DCS-A	Director Corporate and Economic Services	<u>Visitor Signage</u> <u>S28.27.17</u>
		Council has an opportunity to acquire 'Billboard' advertising located on the NSW and QLD border at Wallangarra. As Wallangarra is classed as the gateway for NSW/QLD on the New England Highway, this would represent a significant promotion opportunity. The Billboard company has provided a cost effective offer for the space and the installation of the Tourism media.
		<i>RESOLVED (Baker/Michael) that the Committee recommends to Council that Council take up the offer to advertise in this prominent location.</i>

SECTION H GOVERNANCE REPORTS

	1.	<u>STORES & MATERIALS STOCKTAKE</u>	<u>S23.16.5/09</u>
EC-A		<i>RESOLVED (Girle/Harmon) that the Committee recommend to Council that:</i>	
	i)	<i>the stores and materials Stocktake information be received and noted; and</i>	
	ii)	<i>the adjustment of \$871.80 be made in the Stores Ledger.</i>	
	2.	<u>STORES & MATERIALS STOCKTAKE</u>	<u>S23.16.5/09</u>
EC-A		<i>RESOLVED (Girle/Harmon) that the Committee recommend to Council that:</i>	
	i)	<i>the stores and materials Stocktake information be received and noted; and</i>	
	ii)	<i>the adjustment of \$721.43 be made in the Stores Ledger.</i>	

3. GOVERNANCE - MONTHLY INVESTMENT REPORT S12.12.2/09

RESOLVED (Baker/Michael) that the Committee recommend to Council that:

- i) the report indicating Council's Fund Management position be received and noted; and*
- ii) the Certification of the Responsible Accounting Officer be noted.*

There being no further business, the meeting closed at 11.28am.

CR J A WATTS

CHAIRPERSON

TO ECONOMIC & COMMUNITY SUSTAINABILITY COMMITTEE MEETING 13/04/2016

ITEM NO:	1.	FILE NO: S4.3.1
DESTINATION 2:	A recognised leader in a broader context.	R
SUBJECT:	AUSTRALIAN LOCAL GOVERNMENT WOMEN'S ASSOCIATION 2016 NSW CONFERENCE	
PREPARED BY:	Cr Dianna Baker	

SUMMARY:

Attendance by Cr Dianna Baker at the recent Australian Local Government Women's Association 2016 NSW Conference.

COMMENTARY:

Councillor Di Baker attended the Australian Local Government Women's Association 2016 NSW Conference held on 10-12 March, 2016 in Gunnedah.

The theme of the conference was "Overcoming the Divide".

Sarah Mitchell MLC, Kevin Anderson MP and Cr Vicki Scott welcomed everyone. National President, Cr Coral Ross from Victoria also addressed the conference.

Most of the speakers were inspiring, successful women who could not work in the traditional way, so they started their own businesses. They included:

Dr Gill Hicks, a survivor of the 2005 London bombing. She was a remarkable lady, a double amputee who displayed a keen awareness of valuing and using each minute of each day through her foundation 'Making a Difference', for peace.

Jo Scard described her life as a political advisor and journalist. Jo and Melissa Doyle co-authored "The Working Mothers Survival Guide". Losing men and women from the workplace costs the country and she argued for a more flexible workplace. 500,000 women run their own business in Australia. "People are not opting out, and brains don't stop working with flexible work options".

Glenise Anderson's business SR Consulting, won a bronze award in New York last year. In presenting Tricks of the Trade, she said presentation is important because 55 percent was the first impression, 38 percent is the voice and only 7 percent is your message. Women ranked higher in 12 out of 16 leadership competencies taken over 16,000 world leaders.

Nicole Campbell encouraged women at the conference to study the certificate in Local Government at UTS for \$2,500. Enquiries to Nicole.Campbell@uts.edu.au

Dr Simone Ryan, former Australian basket baller and thoracic surgeon, now CEO and founder of 'One Life, Live It', heads a team educating employees about preventative medicine and well being for best performance. Her clients include Qantas and many large businesses. She urged women to just do one (1) percent more to be successful.

The AGM saw each executive position filled, with a strong financial position once again reported with total assets of \$193,517.58, \$191,481.21 being cash at bank.

Some of the motions passed included:

- ALGWA lobby for a third category of Councils, 'Peri Urban'.
- ALGWA develop guidelines for LG gender indicators based on Boards 'Gender Balance Performing and Reporting Australia'.
- ALGWA NSW does not support forced amalgamations.
- ALGWA survey NSW's Councils as to whether they have a Domestic Violence policy in place.

The Gunnedah conference was very well run and informative.

RECOMMENDATION:

That the information be received and noted.

TO ECONOMIC & COMMUNITY SUSTAINABILITY COMMITTEE MEETING 13/04/2016

ITEM NO:	1.	FILE NO: S5.10.65
DESTINATION 5:	The communities are served by sustainable services and infrastructure.	S
SUBJECT:	EXPIRING LICENCE AGREEMENTS	
PREPARED BY:	Hayley Nichols, Corporate Support Officer - Publishing	

SUMMARY:

The Committee is advised of 10 Licence Agreements that are due to expire 30 June, 2016. The Committee is requested to consider the Licence holders for new Agreements.

COMMENTARY:

10 Licence Agreements are due to expire 30 June, 2016. The listed Licence Agreements herein have been audited for compliance of Licence conditions and payment of associated fees.

All have been found to be compliant to the required conditions and to meeting Council's expectation of maintaining the quality of Council land.

It is noted that the licences are issued subject to the licensee providing Public Liability Insurance for \$10M. These Policies now cost over \$500 p.a.

The Committee is asked to consider the following Licence holders to be offered new Agreements, under the same terms and conditions for a three (3) year period with a three (3) year option.

5.10.19	Macintyre High School	01/07/14 - 30/06/16
5.10.37	Mr Mervyn Fenton	01/07/14 - 30/06/16
5.10.40	Mr Peter and Mrs Jennifer Dixon	01/07/14 - 30/06/16
5.10.45	Kameg Pty Ltd	01/07/14 - 30/06/16
5.10.51	Mr Hilton Gordon	01/07/14 - 30/06/16
5.10.54	Mr T & C Rainger	01/07/14 - 30/06/16
5.10.66	Mr Garry and Robyn Brown	01/07/14 - 30/06/16
5.10.70	Mr Grant Hoscher	01/07/14 - 30/06/16

1. **Licence Agreement, Macintyre High School - Lot 1, DP 771853, Corner Brissett & Killean Streets, Inverell.**



The authorised use of the land is for the purpose of grazing or holding of stock and agricultural purposes. The land is operated as part of the schools Ag Plot.

Public Liability insurance is required to the amount of \$10M.

An inspection of the area confirms use is in accordance with the Licence Agreement.

Last amount billed \$55.00 (GST inclusive).

RECOMMENDATION:

That the Committee recommend to Council that:

- i) Council renew the agreement with Macintyre High School for Lot 1, DP 771853 Brissett Street, Inverell for a three (3) year period with a further three (3) year option under the same terms and conditions;*
- ii) the licence fee be \$60.00 per annum (GST inclusive); and*
- iii) the Licence Agreement be subject to any other terms and conditions as negotiated by Council's General Manager.*

2. Licence Agreement, Mr Mervyn Fenton - Part Road adjoining Lot 2, DP 704034, Old Bundarra Road, Inverell.



The authorised use of the land is for the purpose of grazing stock. Public Liability insurance is required to the amount of \$10M.

An inspection of the area confirms use is in accordance with the Licence Agreement.

Last amount billed \$57.96 (GST inclusive).

RECOMMENDATION:

That the Committee recommend to Council that:

- i) Council renew the agreement with Mr Mervyn Fenton for Part Lane adjoining Lot 2, DP 704034, Old Bundarra Road, Inverell for a three (3) year period with a further three (3) year option under the same terms and conditions;*
- ii) the licence fee be \$60.00 per annum (GST inclusive); and*
- iii) the Licence Agreement be subject to any other terms and conditions as negotiated by Council's General Manager.*

3. Licence Agreement, Mr Peter and Mrs Jennifer Dixon - Part Public Reserve, Old Bundarra Road, Inverell.



The authorised use of the land is for the purpose of grazing stock. Public Liability insurance is required to the amount of \$10M.

An inspection of the area confirms use is in accordance with the Licence Agreement.

Last amount billed \$1214.02 (GST inclusive).

RECOMMENDATION:

That the Committee recommend to Council that:

- i) Council renew the agreement with Mr Peter and Mrs Jennifer Dixon for Part Public Reserve, Old Bundarra Road, Inverell for a three (3) year period with a further three (3) year option under the same terms and conditions;
- ii) the licence fee be \$1250.00 per annum (GST inclusive) with a 3% increase per annum; and
- iii) the Licence Agreement be subject to any other terms and conditions as negotiated by Council's General Manager.

4. Licence Agreement, Kameg Pty Ltd - Part of Ring Street, Adjacent to Lot 3, Section 1 DP 5609, Inverell.



The authorised use of the area is for a truck weighbridge location.

An inspection of the area confirms use is in accordance with the Licence Agreement.

Last amount billed \$781.30 (GST inclusive).

RECOMMENDATION:

That the Committee recommend to Council that:

- i) Council renew the agreement with Kameg Pty Ltd for Part of Ring Street, Adjacent to Lot 3, Section 1 DP 5609, Inverell, for a three (3) year period with a further three (3) year option under the same terms and conditions;*
- ii) the licence fee to be \$805.00 per annum (GST inclusive) with a 3% increase per annum; and*
- iii) the Licence Agreement be subject to any other terms and conditions as negotiated by Council's General Manager.*

5. Licence Agreement, Mr Hilton Gordon - Part Closed Lane adjoining Lot 1, DP 567233, Wynne Street, Inverell.



The authorised use of the land is for the purpose of grazing stock. Public Liability insurance is required to the amount of \$10M.

An inspection of the area confirms use is in accordance with the Licence Agreement.

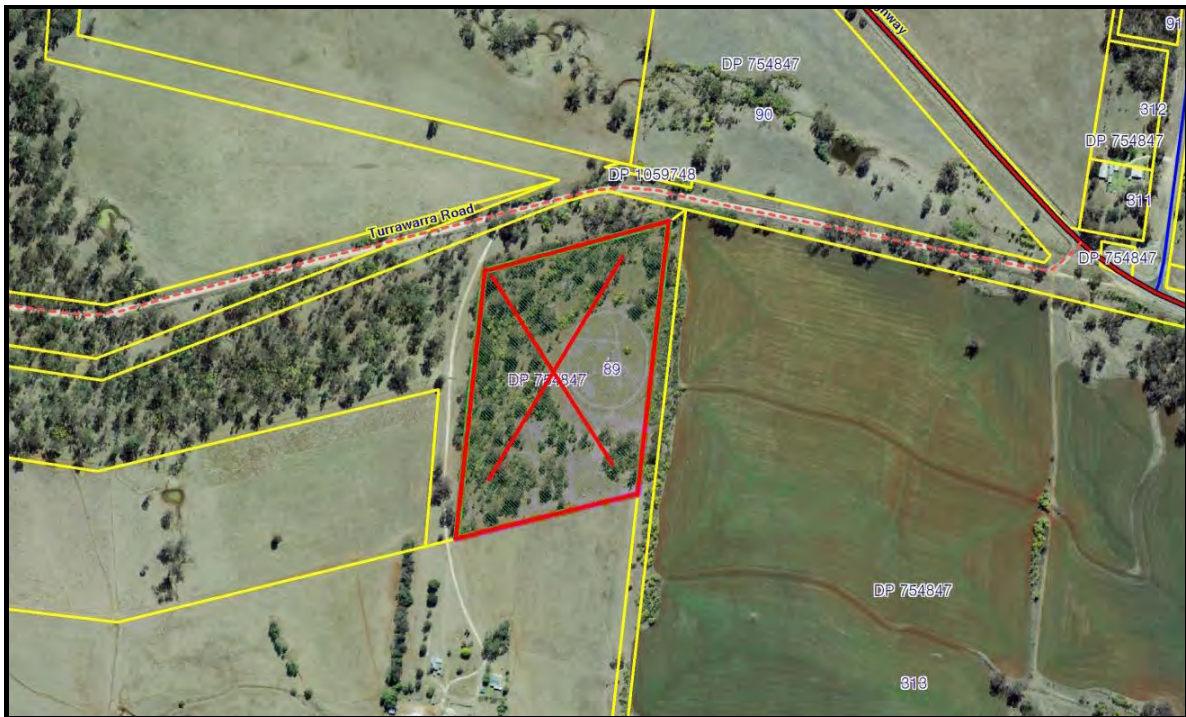
Last amount billed \$90.16 (GST inclusive).

RECOMMENDATION:

That the Committee recommend to Council that:

- i) Council renew the agreement with Mr Hilton Gordon for Part Closed Lane adjoining Lot 1, DP 567233, Wynne Street, Inverell, for a three (3) year period with a further three (3) year option under the same terms and conditions;*
- ii) the licence fee to be \$95.00 per annum (GST inclusive) with a 3% increase per annum; and*
- iii) the Licence Agreement be subject to any other terms and conditions as negotiated by Council's General Manager.*

6. Licence Agreement, Mr Terry and Mrs Catherine Rainger - Lot 89, DP 754847, Little Plain Recreation Reserve.



The authorised use of the land is for the purpose of grazing stock. Public Liability insurance is required to the amount of \$10M.

An inspection of the area confirms use is in accordance with the Licence Agreement.

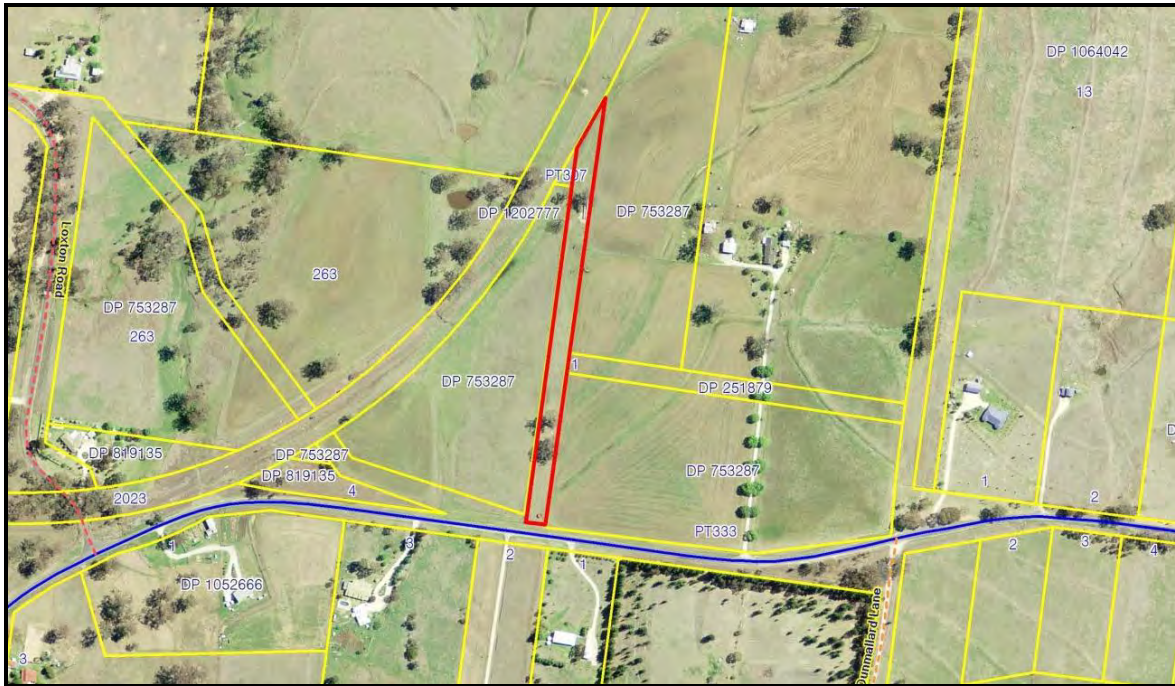
Last amount billed \$369.66 (GST inclusive).

RECOMMENDATION:

That the Committee recommend to Council that:

- i) Council renew the agreement with Mr Peter and Mrs Catherine Dixon for Lot 89, DP 754847, Little Plain Recreation Reserve, for a three (3) year period with a further three (3) year option under the same terms and conditions;*
- ii) the licence fee to be \$380.00 per annum (GST inclusive) with a 3% increase per annum; and*
- iii) the Licence Agreement be subject to any other terms and conditions as negotiated by Council's General Manager.*

7. Licence Agreement, Mr Garry and Mrs Robyn Brown – Part Unformed Road, Eastern Boundary of Lot 263, DP 753287, Inverell.



The authorised use of the land is for the purpose of grazing stock. Public Liability insurance is required to the amount of \$10M.

An inspection of the area confirms use is in accordance with the Licence Agreement.

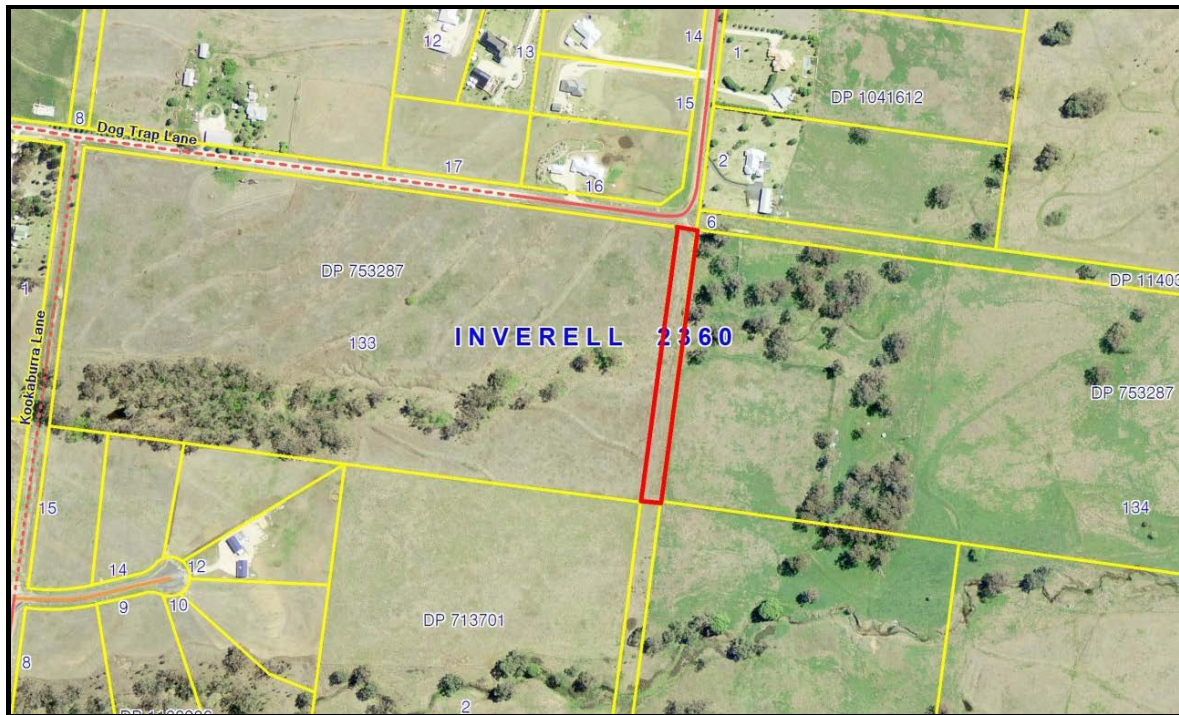
Last amount billed \$85.34 (GST inclusive).

RECOMMENDATION:

That the Committee recommend to Council that:

- i) Council renew the agreement with Mr Garry and Mrs Robyn Brown for Part Unformed Road, Eastern Boundary of Lot 263, DP 753287, Inverell, for a three (3) year period with a further three (3) year option under the same terms and conditions;*
- ii) the licence fee to be \$90.00 per annum (GST inclusive) with a 3% increase per annum; and*
- iii) the Licence Agreement be subject to any other terms and conditions as negotiated by Council's General Manager.*

8. Licence Agreement, Mr Grant Hoscher - Part Unformed Road adjoining Lot 133, DP 753287, Dog Trap Lane, Inverell.



The authorised use of the land is for the purpose of grazing stock. Public Liability insurance is required to the amount of \$10M.

An inspection of the area confirms use is in accordance with the Licence Agreement.

Last amount billed \$51.69 (GST inclusive).

RECOMMENDATION:

That the Committee recommend to Council that:

- i) Council renew the agreement with Mr Grant Hoscher for Part Unformed Road adjoining Lot 133, DP 753287, Dog Trap Lane, Inverell, for a three (3) year period with a further three (3) year option under the same terms and conditions;*
- ii) the licence fee to be \$65.00 per annum (GST inclusive) with a 3% increase per annum; and*
- iii) the Licence Agreement be subject to any other terms and conditions as negotiated by Council's General Manager.*

ITEM NO:	2.	FILE NO: S2.23.1
DESTINATION 5:	The communities are served by sustainable services and infrastructure	S
SUBJECT:	DISPLAY OF STREET BANNERS IN CBD	
PREPARED BY:	Hayley Nichols, Corporate Support Officer - Publishing	

SUMMARY:

Additional information, as requested by the Committee, regarding the installation of a secondary banner location in the CBD.

COMMENTARY:

As Committee members would be aware, the Committee recently considered a report regarding the possibility of the installation of a second banner location, which resulted in a request for additional information to assist in making a final determination in this matter.

A quote has been provided by a local business to fabricate and paint two (2) banner winch poles. The quote is for the amount of \$12,320 (GST inclusive). Council's Manager Civil Engineering has advised that it would be an additional \$6-\$8K for the poles to be erected. Thus bringing the total project cost to between \$18,320 and \$20,320 (GST inclusive).

Furthermore, Council's Manager Civil Engineering has suggested that the most appropriate location would be in Byron Street, in front of the 2NZ Radio Station and McDonalds Restaurant.

The Committee is requested to determine if it wishes to proceed with the installation and if the location as indicated is suitable.

RELATIONSHIP TO STRATEGIC PLAN, DELIVERY PLAN AND OPERATIONAL PLAN:

Strategy: S.06 Established population centres are revitalised and people have pride in the community in which they live.

Term Achievement: S.06.01 A program of renewal for village facilities is implemented that contributes to a sense of community identity and cohesiveness.

Operational Objective: S.06.01.01 Work with residents to create and revitalise places and spaces to reflect their local identity, making public places more appealing for use by broad range of community members.

POLICY IMPLICATIONS:

The current Management Policy, Street Banners Display in CBD includes the following:

- a) Banners may only be displayed by community and charitable organisations, service clubs and sporting clubs;
- b) The event being promoted must be for community benefit or participation;
- c) The banner is to be between 800mm and 1200mm high, with one line of lettering between 700mm and 1100mm high;
- d) Banners may be displayed for up to two (2) weeks prior to the event and removed on the first working day after the event. The display time prior to the event may be varied depending on the number of events held each year;
- e) The banners will be installed and removed by Council at no cost to the organisation;

- f) Any damaged banners will be removed by Council and returned to the owners;
- g) The organisation providing the banner is to have relevant Public Liability Insurance covering the display; and
- h) The display of CBD flagpole banners be subject to individual consideration by Council.

CHIEF FINANCIAL OFFICERS COMMENT:

Project funding could be provided from the Industry Promotions Budget Allocation.

LEGAL IMPLICATIONS:

Nil.

RECOMMENDATION:

A matter for the Committee.

ITEM NO:	3.	FILE NO: S26.4.19
DESTINATION 2:	A community that is healthy, educated and sustainable	C
SUBJECT:	INVERELL & DISTRICT LAPIDARY CLUB - REQUEST FOR ASSISTANCE	
PREPARED BY:	Paul Henry, General Manager	

SUMMARY:

The Club wishes to expand its facilities at their McIlveen Street site and seeks financial assistance from Council. The Committee is requested to form a position on the request.

COMMENTARY:

Councillors have been forwarded correspondence, under separate cover, from the Club in relation to their need to expand the facilities at their Clubhouse. The Club wish to establish a training room, storage for Club equipment (currently stored at members' private homes) and housing of display showcases.

The Club secretary, Mr Ross Provis, has indicated that the expanded facilities are required for the following reasons:

- Since the demise of the TAFE 'Faceting Certificate Course' the Club has been requested to offer this training to members and potential members,
- Club equipment is not stored in one location,
- The Club is growing. When the McIlveen Street facilities were established the Club had 12 members, current membership is 112 (visitors to Inverell can join and participate in Club activities).

The Secretary indicated that the Club has attempted to help itself in Stage 1 of their McIlveen Street development. The Club expended \$75K and many volunteer hours in building fit-out and landscaping.

Mr Provis indicated that the cost of a concrete slab and purchase of the shed would cost approximately \$34K. Club members would erect the shed and undertake the fit-out.

The Club requests Council to consider providing financial support to purchase the shed and meet the cost of the concrete slab.

Background

1. Land Tenure

The Club occupies a parcel of Crown Land. The Club pays annual rent to Council as Council is the trustee of the site. There is no Certificate of Title and therefore if Council wishes to have 'security' for any financial assistance granted then some mechanism other than a mortgage would need to be instigated.

2. Previous Assistance

In 2010 Council resolved to assist the Club establish its Clubroom by agreeing to enter into a 20 year lease of the site, providing a 50% reduction in the lease fee, and providing financial assistance of \$11K to establish drainage structures on the site (swale drain and a piped driveway crossover).

3. Club Finances

The Club pays an annual rent, Council rates and operating expenses from its income streams. The Secretary indicated that there is little surplus cash – perhaps \$2K per annum. This is an aspect of the Club's approach that would need to be further explored if Council is prepared to consider the approach.

Council is now requested to form a view on the approach by the Club.

RELATIONSHIP TO STRATEGIC PLAN, DELIVERY PLAN AND OPERATIONAL PLAN:

Strategy: C.07 Provide local opportunities for recreation, cultural and social activities.

Term Achievement: C.07.01 Council has locally focused cultural programs and initiatives that facilitate forums, networks and training opportunities that are conducive to strengthening relationships between tourism, arts, heritage, sports and recreational interests.

Operational Objective: C.07.01.01 To provide and assist community groups in the provision of recreational and cultural facilities and services for the enjoyment of all residents and visitors to the Shire

POLICY IMPLICATIONS:

Nil.

CHIEF FINANCIAL OFFICERS COMMENT:

Nil.

LEGAL IMPLICATIONS:

Nil.

RECOMMENDATION:

A matter for the Committee.

ITEM NO:	4.	FILE NO: S23.7.18
DESTINATION 2:	A community that is healthy, educated and sustainable	C
SUBJECT:	YETMAN COMMUNITY BUS	
PREPARED BY:	Paul Henry, General Manager	

SUMMARY:

The Yetman Hall Committee is asking Council to be the registered owner of the Community Bus. The Committee is requested to consider their request.

COMMENTARY:

Following the completion of the 2000 Sydney Olympics, the Yetman Community were granted a 12 seater bus used during the event. Since that time the bus has been used by the Community for a variety of purposes. Bus usage fees plus grants have met the operating costs and enabled the establishment of a sinking fund to meet the costs of replacing the bus.

The person elected to the position of Yetman Hall Treasurer has been the registered owner of this vehicle in the past; however the person that has recently taken up this role is not prepared to continue this tradition. Therefore the Hall Committee has requested Council to consider being the registered owner, as they view Council as the custodian of community assets. The Hall Committee has no legal status and therefore cannot be the registered owner of the vehicle. The Hall Committee is a section 355 Committee of Council and any assets associated with the Hall are Council assets.

Risk Management

There are a number of risk issues that need to be considered in respect of this proposal:

- a) Responsibility as the Registered Owner – the requirement to be responsible for registering and insuring the vehicle will require Council to ensure the financial operations of the service generate sufficient revenue to meet these and other operating costs.
- b) Scheduled Maintenance – Council will need to ensure all scheduled and regular maintenance/inspections are carried out.
- c) Roadworthiness – Council would need to ensure the safety of users by satisfying itself that the bus is roadworthy and remains in that state.
- d) Operator Fitness – there will need to be clear and detailed operating protocols to ensure only qualified persons operate the bus.
- e) Replacement of Bus – There maybe an expectation that Council will assume responsibility for meeting the costs of replacing the bus when this time arrives. Therefore, bus charges for its use and/or Council grant may be needed to give effect to this matter.

RELATIONSHIP TO STRATEGIC PLAN, DELIVERY PLAN AND OPERATIONAL PLAN:

Strategy: C.07 Provide local opportunities for recreation, cultural and social activities.

Term Achievement: C.07.01 Council has locally focused cultural programs and initiatives that facilitate forums, networks and training opportunities that are conducive to strengthening relationships between tourism, arts, heritage, sports and recreational interests.

Operational Objective: C.07.01.01 To provide and assist community groups in the provision of recreational and cultural facilities and services for the enjoyment of all residents and visitors to the Shire.

POLICY IMPLICATIONS:

Nil.

CHIEF FINANCIAL OFFICERS COMMENT:

Council's budget allocation for village grants was increased in 2015/2016 to provide an increased level of support for special projects in a village, that that community proposed. The current allocation for Yetman is \$6K – an increase of \$2K over previous years.

LEGAL IMPLICATIONS:

Nil.

RECOMMENDATION:

A matter for the Committee.

ITEM NO:	5.	FILE NO: S12.5.3
DESTINATION 5:	The communities are served by sustainable services and infrastructure	S
SUBJECT:	2016/2017 DRAFT ESTIMATES AND OPERATIONAL PLAN, AND LONG TERM FINANCIAL PLAN	
PREPARED BY:	Paul Henry, General Manager	

SUMMARY:

The purpose of this report is to consider the draft 2016/2017 Operational Plan and Budget, the Long Term Financial Plan and the Road Infrastructure Asset Management Plans, and to make a recommendation to Council in this matter.

COMMENTARY:

Enclosed with this Business Paper is a copy of the draft 2016/2017 Operational Plan and Budget, Long Term Financial Plan and Road Infrastructure Asset Management Plans.

DRAFT OPERATIONAL PLAN AND BUDGET:

The draft Operational Plan indicates the “major” actions, which will be undertaken by Council during the financial year 2016/2017, and the draft Budget indicates how these Activities will be funded.

The budgets for the three (3) Activities (General, Water and Sewerage) have been compiled utilising the following principles:

- (1) The sustainable provision of core Local Government Services and Infrastructure to the community.

Some votes have been reduced below the 2015/2016 level due to “special one off” expenditure being included in the votes in that year being excluded and also due to ongoing cost savings being identified.

The Budget has been predicated on the principle that the maintenance of existing facilities should be paramount and therefore maintenance votes in the works area have been maintained. The implications of this principle are raised in later sections of this report. This principle and its implications warrant special consideration at today’s meeting.

- (2) The continuation of Council’s Strategic Capital Infrastructure and Projects Fund as a vehicle for Council to be able to undertake strategic projects which enhance the amenity of the community and which provide Council with a capacity to attract grant funding. (Most grant funding now requires \$ for \$ matching contributions).
- (3) A “Balanced” Budget for all Activities is to be presented to the Committee for consideration.

Under these principles, a “Balanced” and “Operationally Sound” Budget, that is a Budget that provides for the continuation of all Council’s existing Programs and Services at the existing Service Levels with no service cuts, has been presented. No “Surplus Funds” have been identified for allocation later in 2016/2017 as needs arise, with all revenues being matched to expenditures to maintain the Budget in balance.

The Budget recommends the continuation of all of Council’s existing Services and provides substantial funding for the ongoing implementation of Council’s Asset Management Program, which is a major requirement of the State Government under the Integrated Planning and Reporting Guidelines, 2013.

A. Factors Impacting the Budget:

When preparing the Budget, it was necessary for the following external factors (beyond Council’s ability to control income/expenditure) to be taken into account. The factors include:

- Ratepegging limit – IPART has advised Council of the maximum permissible increase. The draft estimates have been prepared on the basis of Council utilising the full 1.8% increase in the General Activities rate income for 2016/2017. The 1.8% increase yields Council additional revenue of \$190K. It is recommended that Council again take the maximum permissible increase allowed. Failure to do so will negatively impact Council’s sustainability. The NSW Independent Local Government Review Panel noted in November, 2012 that the average Rates in NSW are \$120 per capita or 22% less than the average Rates across the remainder of Australia (based on Inverell’s Shire population of 16,846 people this \$120 per capita equates to an amount of \$2.02M or a rate increase of 21.23%).
- Fixed Cost increases in the General Fund of \$187K, Water Fund of \$196K and a decrease in Sewerage Fund of \$27K.
- The Electricity Costs included in the draft Budget are \$559K General Fund, \$756K Water Fund and \$170K Sewer Fund for a total of \$1.485M (due largely to Council’s energy efficiency and solar generation initiatives).
- Wage and salary increases averaging 2.8% (Local Government State Award increase effective 1 July, 2016), on top of a 2.7% in July 2015, 3.5% in July 2014, 3.25% in July 2013, have been allowed for, including increases in respect of Staff movements within Council’s Salary System. The Superannuation Guarantee Charge has been allowed for at the legislated 9.5%. It is a fact that each year the Award Increase has exceeded the Rate Peg. The inadequate Rate Peg index only provided for a 2.4% increase in Wage and Salary Costs which they have not explained.
- Insurance Premium decreased across the three (3) Funds totaling \$6.8K.

- The Finance Assistant Grant has been included at \$3.4M, the ACRD Road Grant at \$1.9M the same level as 2013/2014 noting the Federal Governments three (3) year indexation freeze on this grant, the Roads to Recovery Grant at \$3.01M (including a special one-off supplementary allocation of \$2.1M) and the Regional Roads Block Grant at \$2.4M.
- Cost shifting is now reported by Local Government New South Wales (LGNSW) to be costing Councils 6% of their Total Annual Revenues (in the General fund this equates to \$1.6M or a 15.2% Rate Increase). Cost Shifting occurs when Federal and State Governments transfer the costs of delivering services and infrastructure onto Local Government, without providing the funding to Local Government to fund the service and infrastructure delivery.

Accordingly, Council does not have the financial capacity to fund new Services or any Capital Projects other than those detailed in the Budget Report in the General Fund 2016/2017 draft Budget. The Water and Sewer Fund (these funds are restricted in their use by legislation and cannot be utilised outside of these activities) continue to have the capacity to fund new Services and Capital Projects on a priority basis; however, the major focuses within the Water and Sewerage Funds are asset management and asset renewal.

On a cash basis, the General Fund will return a Cash Surplus of \$1,556, Water Fund a Cash Surplus of \$1,036 and Sewerage Fund a Cash Surplus of \$131 for a Combined Fund Cash Surplus of \$2,723. The 2016/2017 General Fund Budget does not meet all the required Fit for the Future (FFF) Benchmarks. Council's IPART approved FFF Roadmap, however, puts in place a strategy for the achievement of all the Benchmarks by 2020. It is mandatory that a Council achieves the Benchmarks by 2020.

B. Background Information:

The following additional background information is provided for the Committee's consideration, noting Council's and the community's ongoing discussions in respect of Road Asset Service Levels and the Road Asset Works Program which consumes at a minimum 37% of Council's Annual General Fund Budget, and the ongoing inadequacy of the Rate Peg Limit to provide sufficient funding to enable Council to address this matter.

ROAD NETWORK AND ROAD FUNDING:

A major issue discussed on a continuing basis and at each Budget Meeting, is Council's Road Network and the funding of Maintenance, Asset Renewal and Road Upgrades. These matters have again been extensively reviewed in the preparation of the 2016/2017 draft Budget and the following information is provided.

i) STATE HIGHWAY:

The Gwydir Highway is owned and controlled by the State Government. Council is contracted on a fee for service basis to undertake Maintenance (approx. \$0.42M pa.) and Upgrade Works (as required) on the Highway. These works, which are not guaranteed, generate a small profit to Council, but more importantly enable Council to bring additional economies of scale and efficiencies into its Works Program and Operations. Specifically these works have enabled Council to purchase high cost equipment (Road Reclaimer, Cement/Lime Spreader etc.) that are then utilised across the Shire's Regional and Local Road Network to generate efficiencies and a higher level of service than could otherwise be provided for Shire residents.

ii) REGIONAL ROADS:

The Regional Road Network was previously owned by the State Government who transferred its ownership to Councils by legislation. The Network is currently funded by NSW Roads and Maritime Services (RMS), however, the funding is barely adequate to keep the network in an acceptable condition. The RMS have advised that it is their view that Councils should utilise their own Rate Income to supplement the RMS Funding and if necessary, raise additional Rate income for this purpose.

The following Roads are currently classified as Regional Roads:

REGIONAL ROAD NETWORK		km
MR462 Bruxner Way (Was Bruxner Highway)		104.04
MR63 Warialda Road		32.28
MR73 Bundarra Road		16.00
MR134 Bingara Road		18.12
MR135 Guyra Road		29.71
MR137 Ashford/Bonshaw Road		93.92
MR138 Texas Road		3.50
MR187 Yetman Road		92.98
TOTAL SEALED LENGTH		390.55
TOTAL UNSEALED LENGTH		-

The RMS funding includes funding for the sections of these roads that are both in the Rural and Urban Areas. The RMS provide two (2) sources of Grant Funding as follows:

- | | | |
|----------------------------|----------------|----------------------------|
| • RMS Block Grant | \$2.41M | |
| • RMS Repair Program Grant | <u>\$0.47M</u> | – Varies from year to year |
| | TOTAL | \$2.88M |

These funds are a Specific Purpose Grant and can only be utilised on the Regional Road Network.

In addition to the physical Roads, Council is also responsible for the following associated Regional Road Infrastructure:

- 105 Bridges and Major Culverts,
- 912 Culverts and Causeways.

The Committee will be aware that Council, as shown above, has no-unsealed Regional Roads. This is not the case for many other Councils.

iii) RURAL (SHIRE) LOCAL ROADS:

Council has extensive Rural Local Road Assets. The Roads are:

- Sealed Local Roads 341 km
- Gravel Local Roads 1,248 km

In addition to the Roads, Council is also responsible for maintaining the following associated Rural Local Road Infrastructure on the Regional Road Network from the Block Grant:

- 69 Bridges and Major Culverts,
- 3,157 Culverts and Causeways.

Council has one (1) Concrete/Steel/Timber Bridge left in the Shire, being the Bridge at Nullamanna over Frasers Creek which was assessed in 2015 by independent specialist Contractors as being in a “satisfactory condition” and one (1) concrete/timber culvert structure on Sheep Station Creek Road which has also been assessed as being in a “satisfactory condition”.

Council will spend \$6.6M on the Rural Local Road Network in 2016/2017 (this is in addition to the continuing Special Road Asset Infrastructure Backlog Program Works).

iv) URBAN ROADS:

The \$2.8M 2016/2017 Urban and Villages Road Network Program (121km Sealed and 13km of unsealed back lanes) is funded from the Residential Rates and Business Rates (\$6.47M total) and a small proportion of the Finance and Assistance Grant (\$176K in 2016/2017 for Urban and Village Bitumen Reseals).

The 2016/2017 Urban Construction Budget remains at the historic low of \$517K and again will be utilised for projects such as Urban Street Renewal, CBD Renewal and Upgrades, Footpaths/Cycleways, Kerb and Gutter, Urban Drainage etc (see recommended Program below). The \$517K Budget is funded entirely from the Residential Rates and Business Rates. In respect of the core CBD area, (as shown on the map on page D22) Council collects \$1.25M or 12% of its General Rates from the 235 Businesses in this area.

In respect of Urban Asset renewal and upgrade funding, it is noted the allocation was previously \$1M per annum provided from the Residential and Business Rates, however, Council in 2010/2011 transferred \$0.5M of this amount to Rural Local Roads.

In addition to the Roads, Council is also responsible for the maintenance, renewal and upgrade of the following associated Urban Road Infrastructure:

- 7 Bridges and Major Culverts,
- 12 Culverts and Causeways,
- A wide range of other Transport assets including Carparks, Footpaths, Cycleways, Kerb and Gutter, and Drainage.

The expenditure on Rural Local Roads and Urban Roads is funded from the following funding sources:

v) FINANCE AND ASSISTANCE GRANT – LOCAL ROADS COMPONENT:

The Finance and Assistance Grant - Local Road Component is Federal Government Funding provided to Council on an annual basis, based on Council's population, local road length and bridge length. Council receives \$1.9M each year from this funding source. These funds are not tied and can be expended by Council for any purpose; however, Council has always and continues to expend these funds entirely on the Rural and Urban Road Network. This grant has always been indexed by the CPI; however, in 2014/2015 the Federal Government froze indexation on this Grant for a three (3) year period. The resulting loss in revenue is a very significant hit on Council's Road Funding Budget.

While Council allocates these funds between Urban Local and Rural Local Roads on an annual basis according to Council's Asset Management needs, the large majority of these funds have always been allocated to Rural Local Roads maintenance and upgrade. The allocation to Rural Local Roads in 2015/2016 was \$1.724M, with Urban Local Roads receiving \$0.176M of this amount, which is representative of Council's annual allocations.

If Council allocated these funds according to the Grants Commission Distribution Formula used to allocate these funds to Council, the allocation would be 72.46% Rural Local Roads being \$1.38M and 27.54% Urban Local Roads being \$0.52M. This would result in a reduction in Rural Local Road Funding of \$0.36M, to the benefit of Urban Local Roads.

vi) ROADS TO RECOVERY FUNDING – FEDERAL GRANT:

The objective of the Federal Government's Roads to Recovery Program is to contribute to the Nation's Infrastructure Investment Programme through supporting maintenance of the nation's local road infrastructure asset, which facilitates greater access for Australians and improved safety, economic and social outcomes.

Council currently receives \$0.91M p.a. from this grant. This funding is currently only guaranteed to 2018/2019. These funds may be expended by Council anywhere on the Rural or Urban Road Network in accordance with the Program Guidelines and are distributed on the same formula as for the Finance and Assistance Grant Local Roads Component. The eligible projects include;

- Road – Maintenance, Renewal and Upgrade;
- Traffic signs and control equipment;
- Street lighting equipment;
- Vehicular ferries;
- Bridges or tunnels, including pedestrian bridges or tunnels;
- Bicycle paths and footpaths (only when directly associated with a road); and
- Drainage projects where the purpose of the project is connected to a road e.g. culverts.

In providing the funding to Councils, the Federal Government is seeking Key Outcomes in the following areas:

- Road safety,
- Regional economic development,
- Achievement of asset maintenance strategy,
- Improved access for heavy vehicles,
- Promotion of tourism,
- Improvements of school bus routes,
- Access to remote communities,
- Access to intermodal facilities,
- Traffic management,
- Improved recreational opportunities,
- Amenity of nearby residents,
- Equity of access (remote areas),
- Other.

Since the Scheme's inception in 2000, Council has allocated the full \$14.7M received entirely to the Rural Local Road Network. If Council allocated these funds according to the Grants Commission Distribution Formula used to allocate these funds to Council, the allocation would be 72.46% Rural Local Roads and 27.54% Urban Local Roads. This would have resulted in a reduction in Rural Local Road Funding of \$4.05M per to the benefit of Urban Local Roads.

In 2016/2017 the Federal Government is providing a supplementary allocation of the Grant being an additional \$2.1M. Council has allocated these funds to Shoulder Widening and Pavement Strengthening of MR 187, south of Wallangra. This will complete approximately 6km of works.

vii) GENERAL RATES:

The 2016/2017 Budget provides for the following General Rates:

% OF REVENUE FROM CATEGORIES			
RESIDENTIAL	40.23%	\$	4,318,703
RURAL RESIDENTIAL	7.49%	\$	804,466
FARMLAND	32.15%	\$	3,452,089
BUSINESS	20.13%	\$	2,160,959
MINING	0.00%	\$	-
TOTAL GENERAL RATE REVENUE		\$	10,736,216

When Inverell Shire Council was established in 1979 the Farmland Ratepayers (1,336 Assessments) paid approximately 40% of the General Rates. This has reduced over time to the existing 32% with Rural Residential Ratepayers contributing the difference. The Farmland Rates would be 29% higher had this not occurred.

As a comparison, the following surrounding Councils generate a significantly higher proportion of the 2015/2016 General Rate Revenue from their Farmland Rating Categories:

- Moree Plains Shire Council 67 % \$14.34M
(Have had two 30% Rate Increases)

- Gwydir Shire Council 80 % \$ 5.25M
(15.0% Rate Increase granted for 2015/2016. Pursuing a total 32.25% permanent Rate Increase for Roads Expenditure for 2016/2017 and 2017/2018 which would see the Farmland Rates increase by a further \$1.60M to \$6.41M being double the Inverell Shire Farmland Rate Income)

- Glen Innes Severn Shire Council 44 % \$ 2.66M

- Guyra Shire Council 70 % \$ 1.92M
(Have had one 30% Rate Increase)

In respect of Farmland Rates, the issue has been noted that as some farmland rated properties are consolidated, that the cost burden for the gravel roads contained in those properties is removed from Council. Any funds freed up by this farmland property consolidation are maintained in the Rural Roads Budget and utilised for other required works across the Rural Local Road network. The funds are not transferred to other Council expenditure areas. It is often the case also, that the owners have the Valuer General's Land Valuations for these properties amalgamated for rating purposes, which ultimately results in a reduced combined valuation and less Farmland Rates being levied on the consolidated property.

In the General Fund it is noted that the Inverell Residential and Inverell Business Ratepayers pay the large majority of the costs associated with the delivery of Council's wide range of non-road related services.

INVERELL CORE CBD BUSINESS RATE AREA – 2015/2016 BUSINESS RATES \$1.25M.



Attachments 3 and 4 in the Operational Plan provide a detailed breakdown of Council's Road Funding and its allocation.

viii) RATE PEGGING:

As reported by Council on a continuing basis, the NSW IPART Rate Pegging Limit has not kept pace with increases in Council's costs, which due to the nature of Council's Operations, generally rise at a level higher than the Consumer Price Index (CPI). The 2016/2017 Rate Peg of 1.8% will generate an additional \$190K in General Rate Income, however, this barely covers (\$3K surplus) the \$187K increase in Council's Fixed Costs and does not provide for any increases in Council's Maintenance, Works or other Service provision costs. It is noted that the Legislated 2.8% increase in Council's 2016/2017 Wages bill, due to the normal NSW Local Government State Award annual increase, is above the 2.4% provision in the Rate Peg amount. It is noted that Inverell Shire Council remains as one of the few large Rural Shires in NSW that have not applied for and been granted a Special Rate Variation for Asset Maintenance and Upgrade purposes, with 30% being the norm. Long Term planning has consistently highlighted that Council will require the indicated FFF Roadmap Special Rate Variation of 14.25% to maintain its existing Service Levels in 2017/2018 and beyond.

ix) OTHER FUNDING:

Council has on a continuing basis been able to attract additional Grant Funding for Road Upgrade Projects, with strong success in the area of Sealing MR 187 (Roads and Maritime Services - NSW) and the Copeton Northern Foreshores Road (Fisheries NSW) and Bridge Replacements (Roads and Maritime Services – NSW). Council has also submitted a number of applications to the State Government's "Fixing County Roads Program". It is fact, however, that very few funding avenues exist for funding further Road Maintenance, Road Renewal or Road Upgrades outside of Council General Rates revenues.

x) OTHER INFORMATION:

The Office of Local Government produce a number of Industry Performance Benchmarks for Large Rural Councils and the following figures for 2014/2015 are noted:

	<u>Inverell</u>	<u>Group Average</u>
<i>Governance and Administration Expenditure Per Capita</i>	\$ 165.86	\$ 365.90
(Council spends 55% less on Governance and Administration than other similar sized Councils, freeing up more funds for service and infrastructure delivery, and maintenance).		
<i>Average Farmland Rate p.a. (1,336 Assessments)</i>	\$ 2,455.22	\$ 2,690.66
<i>Average Residential Rate p.a. (5,015 Assessments)</i>	\$ 765.71	\$ 722.76
<i>Average Business Rate p.a. (413 Assessments)</i>	\$ 3,220.04	\$ 1,955.50
<i>Bitumen Reseal Cost - Rural</i>	\$ 3.70/square metre	\$ 4.72/square metre
<i>Bitumen Reseal Cost - Urban</i>	\$ 3.90/square metre	\$ 4.79/square metre

Council currently spends on average, 37% or approximately \$10M of its annual General Fund Budget on Roads and Road related Infrastructure, with 73% of this amount being expended in the Rural Area. These figures exclude special funding allocations. Over the 10 year period ending 30 June, 2017 Council will have spent \$65.5M on Road Asset renewals and Upgrades and \$45M on Road Asset Maintenance for a total Spend of \$110.5M. This does not include expenditures on the State owned Gwydir Highway where Council also carries out the majority of the works for the NSW Road and Maritime Service.

xi) WHAT IT WOULD COST TO PROVIDE A HIGHER LEVEL OF SERVICE ON LOCAL ROADS:

a) Rural Local Road gravel roads maintenance and gravel Resheeting:

An additional 1% increase in the Farmland Rate would generate \$34K:

- \$34K would provide for an additional 37km of Grading with the Water Cart and Roller (current cost \$913/km),
- \$34K would provide for an additional 27km of Grading with the Water Cart and Roller if the grade included doing the table drains (current cost \$1,245/km),
- \$34K would provide for an additional 2.48km of Gravel Sheetting.

It is noted that the FFF Roadmap provides for some increases in Service Levels from 2017/2018 while also addressing the remaining Infrastructure Backlog. Also, the 2016/2017 draft Budget provides for an additional 80km of Grading with the Water Cart and Roller to ensure Service Levels are met.

b) Rural Local Road gravel road upgrade to bitumen standard:

Council's current Budget does not provide funding to enable the upgrade of Rural Local Roads from Gravel to Bitumen Standard, and then for the ongoing higher cost of maintaining a bitumen pavement. This is the case for almost all Rural Councils and many Rural Councils now have in place "No new Bitumen Policies".

If Council were to upgrade one (1) kilometre of Rural Local Road per annum to Bitumen Road standard (\$250K to \$400K per kilometre depending on topography, soil types etc) and then maintain that new bitumen road funded from the Farmland Ratepayers, the rate increase required to be paid by the Farmland Ratepayers would be 12%. This Rate increase would double to 24% if two (2) kilometres of Rural Local Road were to be upgraded to Bitumen Road Standard each year.

It is noted that the FFF Roadmap provides for some increases in Service Levels from 2020/2021 on, in this matter while also addressing the remaining Infrastructure Backlog.

c) Rural Local Sealed Roads:

The cost of rehabilitating one (1) kilometre of Rural Local Sealed Road is approximately \$250K. If Council wished to rehabilitate an additional one (1) kilometre of bitumen Rural Local Road each year at \$250K per kilometre, this equates to a Farmland Rate increase of 7%.

It is noted that the FFF Roadmap provides for some increases in Service Levels from 2020/2021 on, in this matter while also addressing the remaining Infrastructure Backlog.

d) Urban Local Roads:

The cost of rehabilitating one (1) Residential Urban Block is approximately \$250K-\$300K for a standard street but up to \$450K for major high traffic streets. If Council wished to rehabilitate an additional block each year, this equates to a Residential Rate increase of 6.9%. The cost of rehabilitating Commercial/Industrial Precinct Streets varies substantially dependant on its location/services etc. For example, Brissett Street cost \$825K.

Council is currently undertaking significant Urban Local Road and Drainage Upgrades in Gilgai which should be completed over the next five (5) years. These works are funded from the \$517K Urban Construction Budget and the \$139K Urban Stormwater Management Levy.

It is noted that the FFF Roadmap provides for some increases in Service Levels from 2020/2021 on, in this matter while also addressing the remaining Infrastructure Backlog.

xii) GENERAL RATE INCREASE – ALL RATEPAYERS:

Should Council wish to consider a General Rate increase across all General Fund Ratepayers, it is noted that a 1.0% Special Rate Variation would provide an additional \$105K.

xiii) COST PRESSURES ON OTHER COUNCIL SERVICES:

As noted above, Council is facing significant cost pressures, noting the continuing inadequate IPART determined Rate Pegging amounts and the Federal Government's three (3) year freeze on Finance and Assistance Grant Indexation. The 2016/2017 Budget, while being delivered as a "Balance Budget", will be the sixth Budget in which Budget Allocations have been largely frozen at their 2011/2012 level, other than unavoidable increases in fixed costs.

Council has been able to manage in this environment since 2011/2012 by implementing additional efficiency and effectiveness measures, including energy efficiency; however, Council has now reached a point where further significant efficiency and effectiveness gains are unlikely past the end of 2015/2016. As noted above for example, Council already has Governance and Administration costs which are 50% lower than the NSW Council average and has reduced its Real Operating Cost per Capita by 21% over the last 7 years.

C. 2016/2017 Draft Budget:

The following matters require determination by the Committee:

1. GENERAL ACTIVITIES

Councillors will be aware of the continuing cost pressures being faced by Local Government. These are highly evident in the General Fund which is also impacted by Rate Pegging and State Government Cost Shifting. LGNSW have advised that State Government Cost Shifting now costs Councils 6% of their total income, being \$1.6M p.a. for Inverell Shire. Increasing community demands for improved services and infrastructure are also noted. The Federal Government's three (3) year freeze on indexation of the Finance and Assistance Grant will cost the General Fund \$436K in 2016/2017.

These matters are having a very significant impact on Council's operations, and as shown above the maximum increase allowed in Council's General Rate income for 2016/2017 barely meet increases in Council's fixed costs, let alone increases in the remainder of Council's annual operational and capital budget. This has had a very significant impact on the 2016/2017 draft Budget and will impact Council's capacity to deliver services and infrastructure in future Budgets.

1.1 Urban Works Program:

The Urban Works program is a multi-component joint program involving the General Fund and the Water Fund, supplemented by some minor grant funds. The General Fund funds Drainage, Kerb and Gutter, Roadworks, Pedestrian Works and Beautification Works. The Water Fund funds the replacement and relocation of the Water Mains out of the Road into the footpath. Councillors will be aware that General Fund monies can be used for any purpose while Water Fund monies can only be utilised for activities of the Water Fund.

In previous years, it had been the practice of Council to allocate up to \$1.0M from the General Fund (funded directly from rates collected in the Inverell Residential and Business area) for certain works in the Asset Renewal and Upgrade Works in the Urban areas (Inverell and Villages – the Villages are subsidised by the Inverell Residential Ratepayers in respect of the Urban Works Program).

These works were carried out in the following areas:

- i) Urban improvement works/Kerb and Gutter;
- ii) Pavement widening;
- iii) Sealing of village streets/village works/beautification;

- iv) Footpath Construction; and
- v) Urban Drainage Reconstruction.

Council in late 2009, adopted a new 10 Year Road Infrastructure Financial and Asset Management Plan and, with its adoption, it was determined that 2010/2011 would be a transition year and that 2011/2012 would be the first year that the full amended categorisation of works would be undertaken. This transition saw the available funds for the Urban Works Construction/Asset Renewal Program reduce to \$517K with the remainder of the Urban Works Construction/Asset Renewal Funding being transferred to Rural Local Roads.

Noting the limited remaining funds available in this area, the following major work categories are now used as sub-components of the Urban Works Program:

- A. Inverell and Villages - Urban Renewal and Upgrade
- B. Footpaths and Cycleway
- C. Urban Drainage Construction/Reconstruction

In addition to these categories, the following categories are also part of the Urban Works Program:

- D. Village Works – Community suggested projects
- E. Asset Maintenance Program

The Urban Construction Budget allocation at \$517K represents only 7.3% of Council's 2016/2017 Road Construction Budget, despite 67% of Rates being collected in the Urban Areas. As noted above, Council receives a substantial proportion of its Finance and Assistance Grant – Local Roads Component, and the Roads to Recovery Grants on the basis of its Urban Population and Road Length. The Committee will be aware that a view exists in some sections of the community that this remaining \$517K Urban Construction funding should also be allocated to Rural Roads. This fails to recognise that strong, vibrant, growing Urban Centres are needed to support the viability and sustainability of the rural economy and also disregards the Urban Populations infrastructure provision and renewal needs and the equity issues associated with this matter. The Committee will be aware that under Council's IPART approved FFF Roadmap, Council's major infrastructure focus over the next five (5) years is, however, on the Road Asset Infrastructure Backlog (Rural Roads) and that only minimal funding will be available until after 2020/2021 for any major Urban Construction Projects which must each compete on a priority basis.

At the March, 2016 Meeting Council resolved that its priority for Urban Construction Program for the remainder of 2015/2016 and for 2016/2017 will be as follows:

- a) Chisholm Street (Brae St to Brown St) \$630K;
- b) Old Bundarra Road Pavement Rehab (Macintyre St to Lions Park) \$245K;
- c) PAMP/Cycleway Program \$70K \$ for \$ with RMS;
- d) Captain Cook Drive / Wood St intersection pavement and asphalt \$85K;
- e) Gilchrist Street Shoulders, Kerb and Gutter replacement (Bannockburn Rd to Jack St) \$50K; and
- f) Town Centre Renewal Plan Works \$300K.

(The Resolution also noted that the TCRP works include stage 1 drainage in Byron Street (cost \$30K to overcome ongoing drainage issues at that location), centre median Design Works in Otho Street, continued staged removal of Plane Trees and further development of CBD tree planting options; and that the designs as presented for the future upgrade of Byron Street between Lawrence and Woods Streets be endorsed).

As noted in the Report to the March, 2015 Committee Meetings, the costs of upgrading Byron Street between Lawrence and Wood Street is \$3.863M. As detailed in Council's FFF Roadmap, under the IPART approved FFF Roadmaps implementation, no significant funding is available for an extension of the existing \$517K Urban Construction Program to 2020/2021 or beyond. It is noted that the focus of the FFF Roadmap is on addressing the ongoing maintenance and Asset Renewal needs of the Rural Road Network and the Infrastructure Backlog while maintaining Council's existing Service Levels and renewing the wide range of other community Infrastructure as required.

In this matter, it is noted that the highest priority projects being items "a)" and "b)", can be funded from the remaining 2015/2016 Urban Construction Funds, and as such these two (2) projects will be brought into the 2015/2016 Urban Construction Program in the 31 March, 2016 Budget Review. This leaves items "c)", "d)", "e)" and "f)" to be funded in the 2016/2017 Budget.

Accordingly, the Urban Construction Works proposed to be funded in the \$517K 2016/2017 Urban Works Program are as follows:

A.	<u>Inverell and Villages - Urban Renewal and Upgrade</u>	<u>General Fund</u>	<u>Water Fund</u>
	Captain Cook Drive/Wood Street Intersection	\$ 85K	\$ 0K
	Gilchrist Street Shoulder, Kerb and Gutter	\$ 50K	\$ 0K
	Town Centre Renewal Plan Works		
	– Byron Street Drainage Works adjacent to KFC	\$ 30K	
	– Other Renewal Works	\$ 270K	
	Minor Urban Projects	\$ 12K	
		\$ 447K	
B.	<u>Footpaths and Cycleway</u>		
	\$ for \$ Contribution to PAMP Program with RMS	\$ 70K	
C.	<u>Urban Drainage Construction/Reconstruction</u>		
	Drainage Constructions – Funded from Stormwater Management Service Charge – See separate section below		
	TOTAL	\$ 517K	\$ 0K
D.	<u>Village Works – Community suggested projects</u>		
	Ashford	\$ 6K	
	Delungra	\$ 6K	
	Gilgai	\$ 5K	
	Yetman	\$ 6K	
	Oakwood	\$ 1K	
	Bonshaw	\$ 1K	
	Graman	\$ 1K	
	Nullamanna	\$ 1K	
	Elsmore	\$ 1K	
	Stannifer	\$ 1K	
	Gum Flat	\$ 1K	
E.	<u>Asset Maintenance Program</u>	\$ 100K	
	GENERAL FUND GRAND TOTAL	\$ 647K	
	WATER FUND TOTAL		\$ 0K

A list of priority works for consideration in futures years was provided to the March, 2016 Civil and Environmental Services Committee Meeting.

RECOMMENDATION:

That the Committee recommend to Council that the following works be funded from the Urban Works Vote and be included in the 2016/2017 Budget:

A. <u>Inverell and Villages - Urban Renewal and Upgrade</u> General Fund, Water Fund		
Captain Cook Drive/Wood Street Intersection	\$ 85K	\$ 0K
Gilchrist Street Shoulder, Kerb and Gutter	\$ 50K	\$ 0K
Town Centre Renewal Plan Works		
- Byron Street Drainage Works adjacent to KFC	\$ 30K	
- Other Renewal Works	\$ 270K	
Minor Urban Projects	\$ 12K	
	\$ 447K	
B. <u>Footpaths and Cycleway Construction</u>		
\$ for \$ Contribution to PAMP Program (RMS approved the 2016/2017 Program)	\$ 70K	
C. <u>Urban Drainage Construction/Reconstruction</u>		
Drainage Constructions – Funded from Stormwater Management Service Charge – See separate section below		
D. <u>Village Works – Community suggested projects</u>		
Ashford	\$ 6K	
Delungra	\$ 6K	
Gilgai	\$ 5K	
Yetman	\$ 6K	
Oakwood	\$ 1K	
Bonshaw	\$ 1K	
Graman	\$ 1K	
Nullamanna	\$ 1K	
Elsmore	\$ 1K	
Stannifer	\$ 1K	
Gum Flat	\$ 1K	
E. <u>Asset Maintenance Program (new Item)</u>	\$ 100K	
GENERAL FUND GRAND TOTAL	\$ 647K	
WATER FUND TOTAL		\$ 0K

1.2 Finance and Assistance Grant – Local Roads Component (ACRD) 2016/2017 Program

The Finance and Assistance Grant – Local Roads Component (Formerly ACRD) Grant is a Federal Government Grant which provides approximately \$1.9M per year. The grant is not tied; however, Council has traditionally allocated the grant exclusively for expenditure on Rural Local Roads and Urban Local Roads within the Shire. Council is one of the few Councils who continue to allocate this grant entirely to Roads.

Council in late 2009 adopted a new 10 Year Road Infrastructure Financial and Asset Management Plan and with its adoption it was determined that 2010/2011 would be a transition year and that 2011/2012 would be the first year that the full amended categorisation of works would be undertaken. Accordingly, the following work categories are now the sub-components of the Program and are recommended for the 2016/2017 Budget:

- A. Gravel Resheeting Program,
- B. Blackspot Program,
- C. Bitumen Reseals Program – Rural and Urban,
- D. Pavement Management Program,
- E. Culverts/Causeways/Bridges Program,

- F. Bitumen Renewal/Heavy Patching Program,
 G. Environment Works,
 H. Local Shire Roads Asset Maintenance Program.

Accordingly, the \$1.9M proposed program for 2016/2017 is as follows:

A. Gravel Resheeting

Arterial and Collector Roads	\$ 291.4K
Local Roads	<u>\$ 332.1K</u>
TOTAL	\$ 623.5K

(Priority of Works to be determined from Asset Management System)
 (Minor Roads Gravel Resheeting allocation of \$77.5K funded from Council's Revenue Funded Program in addition to \$95K for gravel patching are additional to this Program)

Based on Council's ongoing efficiencies in this area, it is expected that an additional quantum of Gravel Resheeting on top of the budgeted 34.73km will be delivered. Council is currently reviewing its Gravel Resheeting costs based on the ongoing efficiencies that have been delivered into this program.

B. Blackspot Program \$ 22K

(Priority of Works to be determined from Asset Management System for Shire Local Gravel Roads)

C. Bitumen Reseals Program

Bitumen Reseals – Rural	\$ 565K
Bitumen Reseals – Urban	\$ 160K
Bitumen Reseals – Villages	<u>\$ 16K</u>
TOTAL	\$ 741K

(Priority of Works to be determined from Asset Management System)

D. Pavement Management \$ 24K

E. Culverts/Causeways \$ 114K

F. Bitumen Road Renewal/Heavy Patching \$ 118.7K

(Priority of Works to be determined from Asset Management System)

G. Environmental Works \$ 5K

H. Asset Maintenance Program \$ 270K

TOTAL PROGRAM \$ 1.9182M

RECOMMENDATION:

That the Committee recommend to Council that:

- i) the budget allocations for the 2016/2017 ACRD Program be noted; and*
- ii) a further report be presented to the Civil and Environmental Services Committee in respect of the funding allocations and individual works proposed to be undertaken under this program.*

1.3 RMS Supplementary Block Grant Program

The RMS Supplementary Block Grant Program (previously 3x4 Program) provides tied funds of \$160,000 to be utilised on the Regional Road Network for upgrade/major maintenance works. This amount has not increased in over 19 years.

It is proposed that the allocation of these funds in 2016/2017 be the subject of a further report to the Civil and Environmental Services Committee once this review is completed.

RECOMMENDATION:

That the Committee recommend to Council that the allocation of the \$160K RMS Supplementary Block Grant Program be the subject of a further report to the Civil and Environmental Services Committee Meeting.

1.4 Roads to Recovery Program

The allocation of funds for 2016/2017 will be \$0.91M plus a special one-off additional \$2.1M allocation of funds. The works to be completed under this program require Federal Government approval in accordance with the Program Guidelines. The following program is proposed for 2016/2017 being entirely on the Rural Local Road Network, despite 27.54% of the Grant being provided on the basis of the Shires Urban Population and Road Length (i.e. \$829K provided on the basis of the Shires Urban Population and Road Length).

Gravel Resheeting

Rural Local Roads	\$ 373K
TOTAL	\$ 373K
(Priority of Works to be determined from Asset Management System)	

Based on Council's ongoing efficiencies in this area, it is expected that an additional quantum of Gravel Resheeting on top of the budgeted 20.16km will be delivered.

Culverts/Causeways/Bridges

\$ 100K

(Subject to a further report to Civil and Environmental Services Committee - the 2014/2015 Culverts and Causeways Technical Condition Assessment and Revaluation Review will inform this Report).

Bitumen Road Renewal

(Priority of Works to be determined from Asset Management System)

\$ 300K

Note: Council has already allocated the \$2.1M 2016/2017 Roads to Recovery Budget allocation to Shoulder Widening and Pavement Strengthening on MR 187 south of Wallangra.

Heavy Patching

(Priority of Works to be determined from Asset Management System)

\$ 137K

It is noted that these matters will be subject to a report to the Civil and Environmental Services Committee and then adoption by Council prior to any works commencing.

TOTAL ROADS TO RECOVERY PROGRAM **\$3.01M**

Councillors should note that the funding provided to Council under this program is not ongoing. Funding is only guaranteed under Federal Legislation for this program to the end of the current program in 2019. If this program is not continued, the impacts on Council's Rural Shire Road Assets and Workforce will be significant.

RECOMMENDATION:

That the Committee recommend to Council that:

- i) the budget allocation for the 2016/2017 Roads to Recovery Program be endorsed; and*
- ii) a further report be presented to the Civil and Environment Committee in respect of the specific projects to be funded.*

1.5 Block Grant Program – Regional Roads

Council will receive \$2.41M from NSW Roads and Maritime Services (RMS) Block Grant Program in 2016/2017 and \$0.471M from the RMS Repair Program for the carrying out of maintenance and improvement works on the Regional Road Network. These funds cannot be expended outside of the Regional Road Network and this Program is subject to ongoing RMS audit. The 2016/2017 Program is as follows:

Repair Program – Council Contribution	\$ 471K
Asset Management/Pavement Management Program	\$ 15K
Traffic Facilities Program	\$ 112K
Regional Roads – Other Programs	\$ 100K
Regional Roads Bitumen Reseals and Maintenance Program	<u>\$ 1,715K</u>
Sub Total	\$ 2,413K
Repair Program – RMS Contribution	<u>\$ 471K</u>
Total	\$ 2,884K

A report on the projects for the Roads and Maritime Services approved Repair Program for 2016/2017 will be provided to the Civil and Environmental Services Committee once advice has been received in this matter.

RECOMMENDATION:

That the Committee recommend to Council that the 2016/2017 Block Grant Program for the Regional Road Network be endorsed.

1.6 Variations to Budget

1.6.1 Significant Variations/One off Expenditure Increases

Again, as in previous years, the 2016/2017 draft Budget does not allocate funds to any "Non-recurrent Discretionary Expenditure". The draft Budget provides for only minimal or in a significant number of cases, no increased budget allocations in ongoing programs. The draft Budget does not provide for any new programs or services.

Noting the above, and the need for Council to take actions to ensure it continues to be sustainable in the long term, during 2016/2017 it will again be required that Council continue to review and consolidate its Programs, Service Levels and Service Delivery Methods. It will also be required going forward, that Council continue to carefully consider the impact that any new project, infrastructure or initiative will have on Council's Operational Budget.

While Council has been able to absorb a range of cost increases in the past, this is now becoming increasingly difficult. The Committee will be aware that in the General Fund, Council has now reached a point where only very minimal further energy costs savings will be possible. This has been an area where major cost savings have been realised through Council utilisation of Solar Energy Systems and energy efficient Lighting.

It is noted that while increases in Budget Allocations over and above inflation from general revenues were made in many Budget areas over the 10 year period to 30 June, 2011, since that time the majority of budgets have been frozen outside of fixed cost increases. This like the Energy Cost savings has resulted in improved efficiencies and cost savings, however, Council has now reached a point where any further cost savings will largely only come about as a result of reduced Service Levels in future years.

Council will be aware that in 2010/2011 an amount of \$400K was permanently transferred from the Strategic Capital Infrastructure and Projects Fund to Road and Road Infrastructure maintenance activities on a continuing basis, along with \$500K being transferred from the Urban Works Program to Rural Local Roads maintenance. This action resulted in the total quantum of Council's Road and Road Infrastructure funding increasing by 44% over the 11 years to 30 June, 2016 as opposed to a Rate Pegging Increase of only 27.2% over the same period. These increases were complimented by revised Plant Fleet management practices which have seen only minimal increases in Council's Plant Hire Rates, resulting in a significantly increased capacity to undertake works (rates would normally increase by 3% each year). As detailed below, the large proportion of the ongoing cost savings identified in 2015/2016 have again been allocated to Rural Roads.

i) INCREASES IN COUNCIL'S FIXED COSTS:

The increases in fixed costs across Council's General Fund have largely been in the areas of Employment Costs, Contracts, Materials, Electricity/Gas and Fuel, Insurances and Legislative Compliance. Examples of these cost increases are as follows:

a) Insurance:

Council's insurances increased by over 500% during the period 1 July, 1998 to 30 June, 2016. The following costs are expected in 2016/2017.

<u>BUDGET</u>	<u>2015/2016</u>	<u>2016/2017</u>
General Fund	\$ 549,130	\$ 548,664
Water Fund	\$ 66,482	\$ 63,030
Sewer Fund	\$ 40,051	\$ 37,235
TOTAL	\$ 655,663	\$ 648,929

Note: As shown, Council has been able to achieve a small cost saving in this area due to Council's ongoing strong Risk Management performance.

b) Legislative Compliance:

It is difficult to calculate the current cost to Council of Legislative Compliance, as it is now a significant factor in almost all of Council's operations, especially in respect of the WH&S Act.

A summary of the easily identified significant increases in fixed costs incurred by Council in respect of Environmental Legislative Compliance costs is as follows:

<u>Environmental Costs</u>	<u>2015/2016</u>	<u>2016/2017</u>
• Garbage Tip EPA Licence	\$ 3,600	\$ 3,600
• Garbage Tip Environmental Monitoring	\$30,500	\$30,500
• Environmental Works – Maintenance/Construction Programs	\$10,000	\$10,000
TOTAL	\$44,100	\$44,100

Fortunately, Council's Waste Operations are not subject to the State Based Waste Levies at this time. Should these become applicable to Council, a very substantial cost would apply which would need to be passed directly onto Shire Ratepayers.

Council also pays a Load Based License Fee for discharge from the Sewerage Treatment Works of approximately \$92.5K per annum.

c) Employment Costs – Combined Fund:

	General	Water	Sewer	TOTAL
Wages/Oncost	12,469,639	1,080,624	300,751	13,851,013
Superannuation	1,284,549	152,657	48,748	1,485,955
TOTAL 2016/2017	13,754,188	1,233,281	349,499	15,336,968
Wages/Oncost	11,817,843	859,760	291,316	12,968,919
Superannuation	1,268,011	128,461	55,675	1,452,146
TOTAL 2015/2016	13,085,854	988,221	346,991	14,421,065
Increase/(Decrease)	668,335	245,060	2,508	915,903

As shown above, the Total Net Cost increase in Employment Costs for 2016/2017 will be \$915,903 across the three (3) Funds with the Legislated Award increase again being greater than the Rate Peg amount. The above increase includes \$406,147 in additional wages for new positions for Waste Management. Council will resume operational management of all Landfills effective 1 July, 2016. An additional Engineer has been provided for the Water Fund at \$159,033. This position will be absorbed into the existing Water Fund Staff Structure in the medium term. Taking these new positions into account, the above net increase is only \$350,723.

The continuing large deficit in the now closed Defined Benefits Superannuation Scheme continues to impact Employer Superannuation Contribution Costs.

Continuing actions are being taken to contain Employment Costs and to deliver further efficiencies. Council's continuing strong performance in respect of having one of the lowest Workers Compensation premiums for NSW Councils at \$1.67 for every \$100.00 of wages paid is noted (the Industry average is \$3.60). Across the region over the last three (3) years and again in 2015/2016, a number of Councils have and will again be reducing Employment Costs by way of significant decreases in employment numbers, which then has a negative flow on effect to service and infrastructure delivery, negatively impacting their economic and population growth. Inverell Shire has had the highest population growth in the Northern Tablelands Electorate over the last five (5) years.

d) Contracts, Materials, Electricity and Fuel:

These increases have now flattened out and reduced as a result of Council's Energy Efficiency Initiatives.

In the 2016/2017 Budget the following costs have been provided for in the Combined Fund:

	General Fund	Water Fund	Sewer Fund	TOTAL
• Contracts	\$ 600,485	\$ 9,150	\$ 5,300	\$ 614,935
• Electricity	\$ 559,285	\$ 756,000	\$ 170,000	\$ 1,485,285
Total	\$ 1,159,700	\$ 765,150	\$ 175,300	\$ 2,100,220

The following are the cost increases/(decreases) above the 2015/2016 budget:

• Contracts	\$ (419,525)	\$ 70	\$ 0	\$ (419,455)
• Electricity	\$ (62,150)	\$ (46,000)	\$ (27,000)	\$ (135,150)

Total	\$ (481,675)	\$ (45,930)	\$ (27,000)	\$ (554,605)
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As noted above, the Council will resume operational management of all Landfills effective 1 July, 2016. Accordingly the reduction in Contracts in the General Fund needs to be offset against the increase in Wages in the General Fund. The \$62K decrease in Electricity Costs in the General Fund has been used to partly fund a number of cost increases in the General Fund Budget as detailed below.

The expected electricity cost savings flowing from the installation of the LED Street Lighting have not been included in the 2016/2017 draft Budget on the basis Essential Energy are seeking an increase in Street Lighting Maintenance Charges in 2016/2017 equivalent to Council's expected annual cost savings. It is also advised that Council has indicated that the savings realised in this area would be utilised in future years to fund new Street Lights.

It is noted that this Total Net Increase in Council's fixed costs across the Combined Fund of \$355K comes on top of a cost increase of \$400K in 2015/2016, \$290K in 2014/2015, \$508K in 2013/2014, \$379K in 2012/2013, \$231K in 2011/2012, \$453K in 2010/2011, \$174K in 2009/2010, \$226K in 2008/2009 and \$311K in 2007/2008.

The impact of Fuel and other costs increases is not known at this time, however, it is expected that Council's Plant Hire Rates will not need to be increased at 1 July, 2016.

The abovementioned information however, highlights that Council must utilise the maximum increase allowed under rate pegging each year combined with sound and justifiable increases in its other fees and charges, if Council wishes to maintain its services to a minimum level and to be sustainable in the medium and long term. As indicated this must be linked with a continued review and consolidation of Council's services and programs.

Based on the abovementioned information, it will be necessary for Council to implement its IPART approved FFF Roadmap in 2017/2018.

ii) **OTHER BUDGET INCREASES – ADMINISTRATIVE AND OTHER PROGRAMS:**

In respect of Council's Revenue funded Administrative and Other Programs, outside of increases in the Budget to cover increases in fixed costs, the only increases provided have been provided to the following Budgets:

• Local Heritage Program	\$ 20,000
• Opera in the Paddock (Program Re-instated)	\$ 5,000
• Grafton to Inverell	\$ 1,000
• Administration Postage	\$ 2,700
• Finance Postage	\$ 1,575
• Library Postage	\$ 900
TOTAL	\$ 31,175

With the exception of the \$20K proposed allocation to the Local Heritage Program and re-instatement of a \$5K contribution to Opera in the Paddock the remaining cost increases, being postage, are unavoidable.

These increases have been funded from ongoing efficiency gains and related cost savings realised in the last 12 months and expected to be carried in to 2016/2017 and future budgets.

No other Budget increases can be provided for without a Special Rate Variation in 2016/2017.

iii) SERVICE LEVELS – WORKS AND MAINTENANCE PROGRAMS:

In the preparation of the 2016/2017 draft Budget as indicated above, all fixed cost increases have been provided for.

In respect of Council's Revenue funded Works and Maintenance Programs, outside of increases in the budget to cover increases in fixed costs and some Grant Funded Programs, the only increases provided have been provided to the following Budgets:

• Road Grading (budget to meet service levels)	\$ 73,000
• Cameron Park Maintenance	\$ 15,000
• May Street Park Maintenance (New Budget)	\$ 3,000
• Public Toilets Maintenance	\$ 5,000
• Lake Inverell Maintenance	\$ 3,000
• Central Business District Maintenance	\$ 4,000
• Cycleway Maintenance	\$ 2,000
• Ashford Oval Expenses	\$ 1,000
• Victoria Park Expenses	\$ 1,000
• Campbell Park Expenses	\$ 1,000
• Bellevue Park Expenses	\$ 3,000
TOTAL	\$ 111,000

These increases have been funded from ongoing efficiency gains and related cost savings realised in the last 12 months and expected to be carried in to 2016/2017 and future budgets.

As shown, the major beneficiary is in the area of Council's Rural Road Budget – Grading, with the 2016/2017 draft Budget providing a 6.5% increase in the Rural Roads Grading Budget to meet Service Levels in this area. This provides for an additional 80km of grading with the Grader, Watercart and Roller. The Total Grading Budget is now \$1.2M per annum.

The remaining additional budget allocation increases are to meet increased operating costs in the identified areas.

No other Budget increases can be provided for without a Special Rate Variation in 2016/2017.

1.6.2 Industry Promotions and Assistance

The 2016/2017 Operational Plan includes an allocation for the assistance and promotion of Business and Industry of \$150K. These funds may be utilised, subject to a Resolution of Council, for works on Private Lands or for the provision of direct financial assistance to private individuals and businesses during 2016/2017.

Council will shortly be undertaking the next Stage of the Rifle Range Road Industrial Subdivision and it is recommended that these funds be allocated to these works noting the limited number of Industrial Blocks available in Inverell.

1.6.3 Strategic Capital Infrastructure/Projects Fund

Council recognises the need to ensure the long term financial sustainability and growth of its Community, and that substantial funds must be available for strategic projects which enhance and strengthen the Shire Community economically, culturally and socially. The expenditure of funds in these areas usually results in a flow on increase in Council's general revenues. Council also recognises that any new project or initiative undertaken, must not negatively impact financially or otherwise on Council's ability to meet its current and future service and infrastructure maintenance and renewal needs.

In this regard, Council has been financially responsible and quarantined the funds previously allocated to loan repayments specifically for projects which would have otherwise been funded by way of loans or which assist the economic, cultural and social growth of the Community.

This highly successful strategy has and continues to enable this Council to undertake a range of very successful projects (eg CBD Redevelopment, Visitors Centre, Campbell Park Upgrade, Library Redevelopment, new Rural Bitumen Seals and accelerating the Urban Works Program) which have resulted in Inverell emerging as a Regional Centre.

In 2010/2011 Council, following the adoption of a 10 Year Road Infrastructure Financial Plan and Asset Management Plan allocated an amount of \$250K from this fund on a continuing basis to Council's Road and supporting Infrastructure Maintenance Program. A further \$250K was allocated into Council's Road Asset Renewal Program, the majority of which was allocated to Gravel Resheeting on Local and Minor Roads (Budget Allocation to Roads etc increased by 25% over four (4) years to end of 2010/2011). This reduced the annual quantum of funds available in 2010/2011 from \$1M to \$560K. The proposed allocation for 2016/2017 is \$515K, being the same level as 2014/2015 and 2015/2016.

If Council is to be in a position to fund strategic projects which grow the Shire and subsequently generate new revenues for Council, it is critical that this fund not reduce below this amount. The annual provision of these funds is essential to Council's ability to attract special State and Federal Government Grants all of which basically now require at least a matching Council contribution.

The 2016/2017 Budget allocates the \$515K to the following priority areas as resolved by Council in the development of Council's new Four (4) Year Delivery Plan:

- Community Building Partnerships Program \$ for \$ \$ 60K
- Local Government Election Expenses \$ 95K
- John Street, Inverell – Upgrade and Seal \$ 20K
- Urban Works – Oliver Street Extension
to Swanbrook Road and Intersection Works \$ 340K

RECOMMENDATION:

That the Committee recommend to Council that:

- i) the information be noted;*
- ii) Council provide an allocation of \$150,000 for joint industry promotions and assistance;*
- iii) the following 2016/2017 Strategic Capital Infrastructure/Projects Program projects be endorsed:*
 - Community Building Partnerships Program \$ for \$ \$ 60K
 - Local Government Election Expenses \$ 95K
 - John Street, Inverell – Upgrade and Seal \$ 20K
 - Urban Construction – Oliver Street Extension to
Swanbrook Road and Intersection Works \$ 340K
- iv) the transfers to and from Internally Restricted Assets be endorsed.*

1.7 Rates

1.7.1 General Comments

The rate increase allowable in terms of Section 506 of the Act (Ratepegging Section) for the 2016/2017 rating year is 1.8% and has been included to fund the increase in fixed costs in the General Fund. Revenue generated from levying the estimated maximum permissible increase of 1.8% is \$190K. The increase in Council's "fixed costs" in the General Fund totals \$187K (Contracts -\$419K including the reversion of Tip Management to day labour, Electricity -\$62K being further reduction in costs flowing from new Solar Energy Systems and Wages \$668K being reversion of Tip Management to day labour and 2.8% State Award Increase).

This leaves a nominal amount of \$3K in funding available to fund increases in Maintenance, Works and Service Provision Budgets (Non Fixed Cost budgets) which have largely not increased for the last five (5) years. This less than adequate Rate Peg amount comes on top of a Fixed Cost coverage shortfall in 2015/2016 of \$165K and a 2014/2015 shortfall of \$146K. This also comes on top of the three (3) year freeze on indexation on Council's Finance and Assistance Grant.

The annualised CPI movement to 31 December, 2015 was 1.7%. IPART have calculated the Local Government Cost Index increase to September, 2015 at 1.78%, then deducted 0.05% for efficiency gains ignoring the growth needs of Councils and the communities increasing demands and then rounded up to 1.8%. A separate report has been provided to the Committee in respect of the 2016/2017 Rate Peg calculation and the fact that the "one size fits all" Rate Peg calculation negatively impacts large Rural Councils.

It is recommended that the maximum permissible increase allowed by IPART be taken. Failure to take the maximum increase allowed will further negatively impact on Council's sustainability in future years noting the inadequacy of the 2016/2017 increase.

Accordingly, the Budget has been prepared on the following basis:

- Utilising the full allowable increase to fund increases in Council's fixed costs,
- Continuation of the existing rating structure ie. Base amount and an ad valorem rate; and
- A base rate of \$185.00.

It is of concern that this is now the eighth year in which Council has had to apply the rate increase against fixed cost increases and that increases in Council's fixed costs continue to largely outstrip rate increases. Rate Pegging under IPART, continues to deprive Council of Surplus Funds which could be directed to infrastructure renewal, new services and increased Service Levels, despite IPART advising in their FFF Assessment process that they believe Councils should have access to "Discretionary Funds" on a continuing basis. This matter dictates that the ongoing consolidation and review of Council's Service Levels and Service Delivery methods must continue during 2016/2017 as part of Council's Operational Efficiency and Effectiveness Program to ensure Council's medium and long term sustainability.

Attachment 2 of the Operational Plan details the information included above in respect of Variations to the Budget and trends over the last 10 years. Details of Council's Major Works Programs are included in Attachments 3 and 4.

RECOMMENDATION:

That the Committee recommend to Council that Council utilise the maximum permissible rate increase allowed by the IPART/State Government of 1.8%.

1.7.2 Rating Structure

Rating Options:

As indicated above, the draft Estimates have been prepared on the following basis:

- The continuation of the existing rating structure, utilising a base amount and ad valorem rates, with no additional rating categories to be introduced.
- A base rate of \$185.00 (on 7880 up from 7,851 Assessments in 2015/2016 and 7823 Assessments in 2014/2015, and 7,786 assessments in 2013/2014 – Rate base growth has been consistent but relatively limited over the last five (5) years).

REVENUE RAISED FROM EACH CATEGORY:

When determining the distribution of the rate burden for the 2016/2017 rating year, the existing policy of collecting a certain percentage of rate revenue from each category is noted.

The percentage proposed to be collected from each category is as follows, which closely approximates previous years:

% OF REVENUE FROM CATEGORIES				
CATEGORIES	2013/14	2014/15	2015/16	2016/17
RESIDENTIAL	40.20%	40.20%	40.20%	40.23%
RURAL RESIDENTIAL	7.42%	7.47%	7.46%	7.49%
FARMLAND	32.17%	32.08%	32.10%	32.15%
BUSINESS	20.21%	20.25%	20.25%	20.13%
MINING	0.00%	0.00%	0.00%	0.00%
	100.00%	100.00%	100.00%	100.00%

In respect of distribution of the Rate Burden, it is advised that if the Council believes that additional funds should be expended in the rural area for example, then the percentage of rates collected from the rural area should increase as a percentage of the total rate burden, (ie by more than the Rate Peg amount with Rates in other categories increasing by a lesser amount). The same would apply in respect of the Urban area and each of the Villages.

RECOMMENDATION:

That the Committee recommend to Council that the General Base Amount and the General Ad Valorem Rates be determined utilising the maximum permissible increase allowed by the State Government and the categories be:

*Residential – Inverell
 Residential – General
 Residential – Ashford
 Residential – Delungra
 Residential – Gilgai
 Residential – Yetman
 Residential – Rural
 Business – Inverell Industrial/Commercial
 Business – Other
 Farmland
 Mining*

1.7.3 Effect on Rates

To gain an insight into the effect of adopting the increase of 1.8%, an attachment detailing a comparison of a 1.8 per cent increase over 2016/2017 and other increased charges is included in the Operational Plan.

As in previous years, it is recommended that the Interest Rate applicable to Outstanding Rates and Charges for 2016/2017 be the maximum rate allowable as advised by the Office of Local Government.

RECOMMENDATION:

That the Committee recommend to Council that:

- i) the information be noted; and*
- ii) the Interest Rate applicable to Outstanding Rates and Charges for 2016/2017 be the maximum allowable as advised by the Office of Local Government.*

1.8 Waste Management Charges

In 2015/2016, the Domestic Waste Management charge was \$300.00 and the Other Waste Management charge was \$300.00. The Waste Management Charge on all ratable properties was \$70.00 per assessment. This charge, levied under *Section 501 of the Local Government Act* is not captured in Council's Maximum Permissible Rate Income, and results in all of Council's Ratepayers contributing directly to the Waste Management facilities located across the Shire. Commercial Recycling Charges were \$100 plus GST for a Weekly Service and \$50.00 plus GST for a Fortnightly Service in 2015/2016 to meet Business demands for this service.

In 2016/2017, the Domestic Waste Management charge is recommended to increase to \$320.00 and the Other Waste Management charge to \$320.00 plus GST if applicable. The Waste Management Charge on all rateable properties is recommended at \$80.00 per assessment. The Commercial Recycling Charge is recommended at \$110.00 for a Weekly Service and \$55.00 for a Fortnightly Service.

This charge structure is required to enable Council to fully meet its operational and legislative obligations in regard to its adopted Waste Management Strategy. This structure sees the cost burden for waste management equitably distributed across the entire Shire. The transfer to Internally Restricted Assets is estimated at \$240K, however, substantial costs will be incurred in 2016/2017 and beyond, in respect of the continuing implementation of Council's new Waste Management strategy.

Council will note that a "Other Waste Management Charge" is levied for the provision of a commercial garbage collection service to businesses in the Inverell CBD. This charge is levied per bin collection on a user pays basis.

RECOMMENDATION:

That the Committee recommend to Council that the following Waste Management Charges be adopted:

i) *Waste Management Charge – All Properties* **\$ 80.00**

ii) *Domestic Waste Management - Occupied Charge:*

Number of Services per Assessment	Annual Charge per Assessment
1	\$ 320.00
2	\$ 640.00
3	\$ 960.00
4	\$ 1,280.00
5	\$ 1,600.00
6	\$ 1,920.00
7	\$ 2,240.00
8	\$ 2,560.00
9	\$ 2,880.00
10	\$ 3,200.00
11	\$ 3,520.00
12	\$ 3,840.00
13	\$ 4,160.00
14	\$ 4,480.00
15	\$ 4,800.00
	etc

iii) *Domestic Waste Management – Unoccupied Charge* **\$50.00**

iv) Other Waste Management Charge

Number of Services	Yearly Charge per Service (Ex GST)
1	\$ 320.00
2	\$ 640.00
3	\$ 960.00
4	\$ 1,280.00
5	\$ 1,600.00
6	\$ 1,920.00
7	\$ 2,240.00
8	\$ 2,560.00
9	\$ 2,880.00
10	\$ 3,200.00
11	\$ 3,520.00
12	\$ 3,840.00
13	\$ 4,160.00
14	\$ 4,480.00
15	\$ 4,800.00
	etc

- d) *Weekly Commercial Recycling Charge* \$ 110.00 ex GST
Fortnightly Commercial Recycling Charge \$ 55.00 ex GST
(These Charge are levied per Service, and GST is only charged if applicable)

1.9 Fees & Charges

Also included with the draft Budget are the proposed 2016/2017 Fees and Charges.

A number of Fees and Charges have been retained at their present level. Where an increase is recommended, these fees are highlighted. It will be noted that GST has been added to those charges to which the new tax applies.

RECOMMENDATION:

That the Committee recommend to Council that the Fees and Charges, as recommended, be adopted.

1.10 Stormwater Management Service Charge

The draft Budget as indicated in the Urban Works Program, proposes the continuation of a Stormwater Management Service Charge, the funding mechanism put in place for Councils outside of the Notional Yield Calculation by the State Government for the funding of Stormwater Management and Drainage Works in Urban Areas. The charge has, since its inception been applied to all land within the Inverell, Ashford, Delungra, Yetman and Gilgai Urban areas that fall within the residential or business categories for rating purposes (except vacant land) to which stormwater services are provided. The Charge has previously been set by Council at the maximum unit charge of \$25.00 for all Residential properties (generates \$97,375) and Business Properties (generates \$9,625). While \$25.00 is the maximum charge for Residential Properties, the Regulation states for Business properties that;

"The maximum annual charge for stormwater management services that may be levied in respect of a parcel of rateable land is, for land categorised as business, \$25.00 plus an additional \$25.00 for each 350 square metres or part of 350 square metres by which the area of the parcel of land exceeds 350 square metres".

Staff have undertaken a review of Business Properties in the Urban Areas. This review indicates that of the 287 business properties within the Urban area only 50 should be paying the \$25.00 charge and the remainder should be charged a higher amount under the regulation. The review also indicates, however, that if Council were to apply the full charges under the Regulation that some Business Properties would be paying a charge of up to \$2,100.00 per annum.

Noting Council's significant funding needs in respect of Stormwater Management and Drainage Services in the Urban Areas, and being mindful of the ability of Ratepayers to pay, it is recommended that Council implement the provisions of the Regulation in respect of Business Premises, but limit the maximum amount levied as follows:

- Businesses Stormwater Levy Maximum Total Levy 2015/2016 \$100.00;
- Businesses Stormwater Levy Maximum Total Levy 2016/2017 \$150.00; and
- Businesses Stormwater Levy Maximum Total Levy 2017/2018 \$200.00.

The current Stormwater Management Levy generated \$107K in 2014/2015. The revised income in accordance under the recommendation would be:

- 2015/2016 \$129K (Residential \$97,375, Business \$31,750)
- 2016/2017 \$139K (Residential \$97,375, Business \$41,275)
- 2017/2018 \$145K (Residential \$97,375, Business \$47,425)

It is recommended to raise \$139K from the charge in 2016/2017 to be utilised on the following projects:

- Gilgai Drainage Project \$ 139K

Once the Gilgai Drainage Project is complete it is proposed to return to undertake additional works in the Inverell Commercial and Industrial Areas.

RECOMMENDATION:

That the Committee recommend to Council that:

- i) *the Stormwater Management Service Charge be set at the maximum amount allowable of \$25.00 per Residential Premises, \$12.50 per Residential Strata lot, and \$25.00 for Business Premises for each 350 square metres or additional part thereof, subject to a maximum charge on Business Premises of \$150.00; and*
- ii) *the Stormwater Management Program as recommended being Gilgai Drainage, be adopted.*

1.11 Summary

An operationally sound draft Budget has again been delivered for 2016/2017 in the General Fund. The following matters are highlighted:

- Despite very substantial cost pressures, a Balanced Budget has been achieved;
- The Budget provides for a CONTINUATION OF ALL of Council's existing services and works/asset management programs; and
- Cost savings following for Council's efficiency initiatives have had to be applied to fixed cost increases and no funds are available for new or expanded services or increased service levels.

RECOMMENDATION:

That the Committee recommend to Council that:

- i) *the report on the balanced budget be noted;*
- ii) *the list of inclusions as included in the 2016/2017 draft Operational Plan/Budget at Section 1.6.1 be endorsed including*

• Local Heritage Program	\$ 20,000
• Opera in the Paddock (Program Re-instated)	\$ 5,000
• Grafton to Inverell	\$ 1,000
• Administration Postage	\$ 2,700
• Finance Postage	\$ 1,575
• Library Postage	\$ 900
TOTAL	\$ 31,175

And

• Road Grading (budget to meet service levels)	\$ 73,000
• Cameron Park Maintenance	\$ 15,000
• May Street Park Maintenance (New Budget)	\$ 3,000
• Public Toilets Maintenance	\$ 5,000
• Lake Inverell Maintenance	\$ 3,000
• Central Business District Maintenance	\$ 4,000
• Cycleway Maintenance	\$ 2,000
• Ashford Oval Expenses	\$ 1,000
• Victoria Park Expenses	\$ 1,000
• Campbell Park Expenses	\$ 1,000
• Bellevue Park Expenses	\$ 3,000
TOTAL	\$ 111,000

- iii) *the draft Estimates (incorporating the Operational Plan) for the General Activities for 2016/2017 be adopted and placed on public exhibition for a period of 28 days as required by Section 405 of the Local Government Act 1993.*

1.12 Fit for the Future

In respect of "Fit for the Future" which is assessed on the General Fund only, the following Performance Benchmarks result from the adoption of the 2016/2017 draft Budget and no Special Rate Variation (SRV) in future years, (ie non-implementation of Council's IPART approved Fit for the Future Roadmap).

BENCHMARK

SUSTAINABILITY - OPERATING PERFORMANCE

This Sustainability Benchmark requires that Council achieves a result of "Breakeven (0.00%) and improving for the three (3) years ending 2019/2020 and for each three (3) year rolling period thereafter". Council must meet this Benchmark to remain Fit for the Future.

This Benchmark is a core measure of financial sustainability - indicates Council's capacity to meet ongoing operating expenditure requirements. TCorp recommends at least breakeven over the longer term - ongoing deficits are unsustainable.

The Benchmark highlights that Council's revenues clearly have not been keeping pace with increases in Council's costs, and are not generating sufficient surplus funds for Asset Renewal and Upgrade. This is despite the very substantial efficiency gains and cost savings made from Council's ongoing Efficiency and Cost Reduction Programs.

As advised to Council, this has been an ongoing problem for all NSW Councils, exacerbated by continuing less than adequate Rate Peg increases over many years, by decreasing interest rates and the Federal Governments three (3) year freeze of Finance and Assistance Grants.

Council requires additional Operating Revenues as shown in the following table to move this Ratio back above a "break even" average over three (3) years or alternately consider substantially reducing Service Levels. It is noted that the majority of the \$1.8M per annum identified in cost savings and efficiencies achieved over the last 10 years have been directed into Council annual Works Program (predominantly for Rural Roads maintenance and upgrade) with \$0.15M also going into Council's Industry Assistance/Joint Promotions Budget allocation.

The annual figures indicated in the last column of the table for each year show the minimum amount required to move this Sustainability Benchmark to the required >0.0% (3) year average. Over the long term, however, this does not provide the quantum of funding required to meet Council's ongoing Asset Maintenance, Infrastructure Backlog, and Community Growth needs, or to provide Council with discretionary funding. It is noted that IPART in their FFF Assessments of Councils indicated that despite their ongoing less than satisfactory Rate Pegs, they believed that Councils should have available "discretionary funding" on an annual basis.

It is noted that some sections of the community have at times raised the argument that "Council just needs to become more efficient". This, however, must be measured against the FFF Real Operating Cost per Capita Benchmark included below that clearly shows that Council has already reduced its Real Operating Costs to a point where any further reductions will now negatively impact service and infrastructure delivery, and further that despite significant funding constraints, Council has still been able to deliver a significant quantum of growth assets to the community. The range of other performance indicators included in Section 1.14 of this Report also clearly indicate Council's high level of efficiency in a wide range of areas.

OPERATING PERFORMANCE RESULT

General Fund

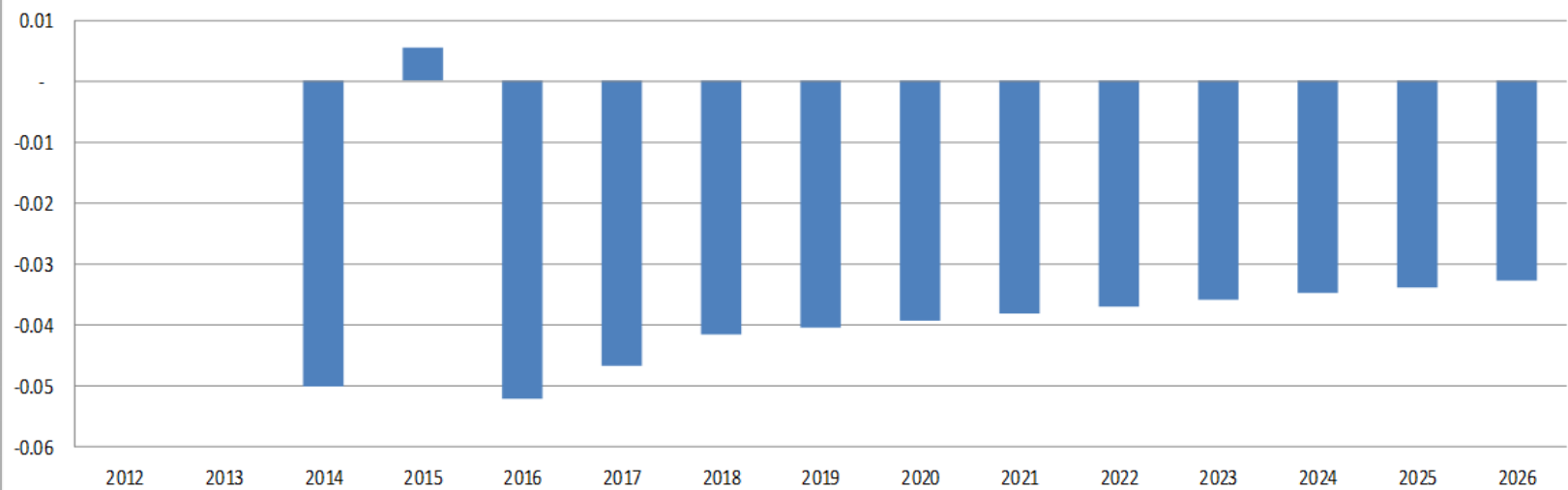
Excluding F4F SRV

BENCHMARK AND RESULT

Benchmark:- *Greater or equal to break-even average over 3 years*

Summary of Results	ACTUALS				CURRENT BUDGET	PROPOSED BUDGET										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	
Result	-	-	- 0.05	0.01	- 0.05	- 0.05	- 0.04	- 0.04	- 0.04	- 0.04	- 0.04	- 0.04	- 0.03	- 0.03	- 0.03	
Meets Benchmark	✔	✔	✘	✔	✘	✘	✘	✘	✘	✘	✘	✘	✘	✘	✘	
Rolling 3 year average			- 0.02	- 0.01	- 0.03	- 0.03	- 0.05	- 0.04	- 0.04	- 0.04	- 0.04	- 0.04	- 0.04	- 0.03	- 0.03	
Meets Benchmark			✘	✘	✘	✘	✘	✘	✘	✘	✘	✘	✘	✘	✘	

OPERATING PERFORMANCE RATIO



<i>This is how we calculated the council's result.....</i>									
<i>(Figures are carried over from the data sheet and are in \$000)</i>									
<i>Total continuing operating revenue (exc. capital grants and contributions) less operating expenses</i>									
<i>Total continuing operating revenue (exc. capital grants and contributions)</i>									
+									
-									
2016	24074-160-25164	-1,250	=	-	0.05	Current year Budget			
	24074-160	23,914							
2017	23634-403-24319	-1,088	=	-	0.05	2016/2017 Draft Budget			
	23634-403	23,231				Revenue Shortfall	\$1.088M		
							\$ M		
2018	23878-196-24666	-984	=	-	0.04		0.984		
	23878-196	23,682							
2019	24503-309-25171	-977	=	-	0.04		0.977		
	24503-309	24,194							
2020	24931-213-25689	-971	=	-	0.04		0.971		
	24931-213	24,718							
2021	25476-220-26220	-965	=	-	0.04		0.965		
	25476-220	25,256							
2022	25873-66-26762	-955	=	-	0.04		0.955		
	25873-66	25,807							
2023	26540-168-27318	-946	=	-	0.04		0.946		
	26540-168	26,372							
2024	27019-68-27888	-938	=	-	0.03		0.938		
	27019-68	26,950							
2025	27600-57-28473	-930	=	-	0.03		0.930		
	27600-57	27,544							
2026	28175-23-29073	-921	=	-	0.03		0.921		
	28175-23	28,152							

BENCHMARK

SUSTAINABILITY – OWN SOURCE REVENUE

This Sustainability Benchmark requires that Council achieves a result of “Greater than 60.0% average over the three (3) years ending 2019/2020 and for each three (3) year rolling period thereafter”. Council must meet this Benchmark to remain Fit for the Future.

Councils with higher own source revenue have a greater ability to control their own operating performance and financial sustainability. TCorp recommends 60% as a minimum level to ensure Councils have sufficient flexibility to manage external shocks and challenges.

As shown in the following graph and table, Council requires an increase in revenue of \$1.2M in 2016/2017 to move this indicator above the required >60%. As shown in the Financial Table following the graph, without additional revenues Council barely meets this Benchmark in future years (eg only meets the Benchmark by \$0.133M in 2017/2018 and so on) and so has only very limited capacity and flexibility to be able to manage external shocks and challenges. This low Benchmark also means that Council also has only limited ability to provide matching funding for major Grant Programs.

The additional revenues can include General Rates, Interest on Investments, Private Works Incomes and User Charges. While work undertaken on behalf of RMS on the State Highway can assist greatly in this area, these works are not guaranteed. The large majority of Councils are addressing this matter by significant Special Rate Variations. For example, 23 Councils applied for a Special Rate Variation in 2015/2016 of between 3.89 and 43.20%. This comes on top of the 99 Councils granted Special Rate Variations in the period 2011/2012 to 2014/2015 of between 2.32 and 63.22%. To date, over 120 Councils have been granted Special Rate Variations to address the issues raised by the FFF Sustainability Benchmarks. The following table highlights this matter.

SUMMARY OF SPECIAL RATE VARIATIONS									
FOR NSW COUNCILS									
Council Name	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	TOTAL
Total number of Approvals	21.00	15.00	28.00	35.00	19.00				118
Lowest Cumulative Increase	4.30	3.60	3.40	2.32	3.89				
High Cumulative Increase	40.50	59.45	43.00	63.22	43.20				

It is noted that this Own Source Revenue Benchmark is also in fact negatively impacted by any additional Capital Grant Funding Council receives. The \$2.1M of additional Roads to Recovery allocation for 2016/2017 is the factor that pushes this figure below the benchmark. That said, Council is still required to meet the FFF Benchmark on a three (3) year average to the end of 2019/2020 and on an ongoing basis, irrespective of any additional Capital Grant income to meet this Benchmark.

It would not be in the Community's interests for Council not to pursue the maximum amount of Grant Funding for the Community's benefit (the Committee will be aware that the additional Roads to Recovery Funding for 2016/2017 has been allocated to approximately six (6) kilometres of Pavement Widening and Strengthening on MR187 between Graman and Wallangra which is a high priority Rural Roads Project to address Higher Mass Limits (HML)/modern efficient transport issues). (Council is seeking very substantial additional Grant Funds of up to \$30M to address the HML and Transport efficiency issue on an ongoing basis across the Shire).

The Committee is reminded, as disclosed in the FFF Roadmap at Page 37 that Council would require a Special Rate Variation of a minimum of 33.25% to meet this Benchmark on an ongoing basis, if Council were to continue to auspice Connections and their increasing operations under the National Disability Insurance Scheme. Council was declared FFF by IPART on the basis of the Connections auspicing being removed from the Benchmark. Connections is now auspicied by Best Employment and their funding continues to grow providing significant and local economic benefits.

Inverell Shire Council

OWN SOURCE REVENUE RESULT

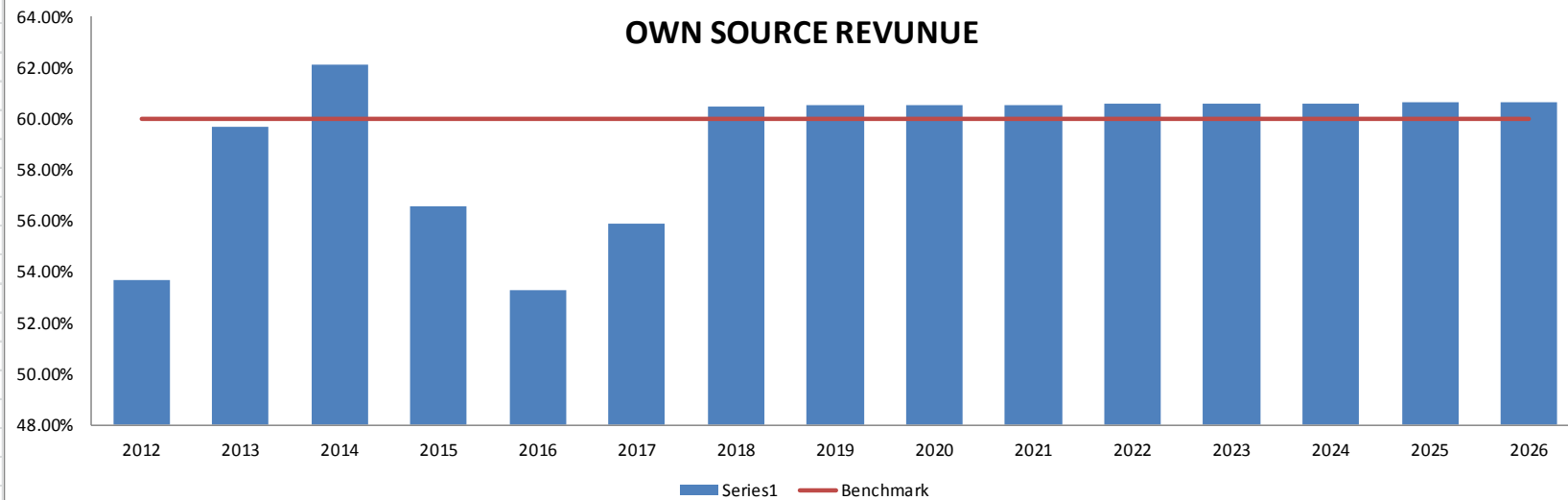
General Fund

Excluding F4F SRV

BENCHMARK AND RESULT

Benchmark:- Greater than 60% average over 3 years

Summary of Results	ACTUALS				CURRENT BUDGET	PROPOSED BUDGET										
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	
Benchmark	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	
Result	53.70%	59.70%	62.10%	56.54%	53.30%	55.87%	60.50%	60.52%	60.54%	60.56%	60.58%	60.59%	60.61%	60.63%	60.65%	
Meets Benchmark	✖	✖	✔	✖	✖	✖	✔	✔	✔	✔	✔	✔	✔	✔	✔	
Rolling 3 year average			58.50%	59.45%	57.31%	55.24%	56.56%	58.96%	60.52%	60.54%	60.56%	60.58%	60.59%	60.61%	60.63%	
Meets Benchmark			✖	✖	✖	✖	✖	✖	✔	✔	✔	✔	✔	✔	✔	



<i>This is how we calculated the council's result..... (Figures are carried over from the data sheet and are in \$000)</i>								
<i>Total continuing operating revenue less all grants and contributions</i>								
<i>Total continuing operating revenue inclusive of capital grants and contributions</i>								
2016	24074-8574-160	15,340	=	53.30%		Current year Budget		
	24074+4867-160	28,781						
2017	23634-7479-403	15,752	=	55.87%		2016/2017 Draft Budget		
	23634+4961-403	28,192				Revenue Shortfall	\$1.163M	
							\$ M	
2018	23878-7601-196	16,081	=	60.50%		Revenue Surplus		
	23878+2897-196	26,579					-0.133	
2019	24503-7776-309	16,418	=	60.52%				
	24503+2934-309	27,128						-0.141
2020	24931-7955-213	16,763	=	60.54%				
	24931+2972-213	27,690						-0.149
2021	25476-8138-220	17,117	=	60.56%				
	25476+3010-220	28,266						-0.158
2022	25873-8326-66	17,480	=	60.58%				
	25873+3050-66	28,857						-0.166
2023	26540-8519-168	17,852	=	60.59%				
	26540+3091-168	29,462						-0.175
2024	27019-8717-68	18,234	=	60.61%				
	27019+3132-68	30,083						-0.184
2025	27600-8919-57	18,625	=	60.63%				
	27600+3175-57	30,719						-0.194
2026	28175-9127-23	19,025	=	60.65%				
	28175+3218-23	31,371						-0.203

The following tables indicate how the other Councils in the Region have addressed this matter through Special rate Variations:

[illegible]

BENCHMARK**SUSTAINABILITY – BUILDING AND INFRASTRUCTURE ASSET RENEWAL**

This Sustainability Benchmark requires that Council achieves a result of “Greater than 100.0% average over the three (3) years ending 2019/2020 and for each three (3) year rolling period thereafter”. Council must meet this Benchmark to remain Fit for the Future.

This Benchmark measures whether Council's assets are deteriorating faster than they are being renewed - indicator of whether Council's Infrastructure Backlog is likely to increase. A Ratio of greater than 100% ensures community assets are managed in a sustainable way.

This ratio measures Council's Asset Renewal Expenditures against its Depreciation Expense. As shown over the period to 2016/2017, the draft Budget provides for Asset Renewals above the Depreciation Expense as major infrastructure is renewed.

A review of the Benchmark graph and table below indicates that Council is spending substantial additional funds on Asset Renewal during 2015/2016 and 2016/2017 as part of the major FFF Asset Infrastructure Backlog Program and lesser amounts from 2017/2018 on. This current expenditure will see the Infrastructure Backlog reduce to under the required <2.0% FFF Benchmark as indicated in Council's Fit for the Future Roadmap.

Based on a continuation of Council's current Rating Structure (ie no Special Rate Variation) what the Benchmark doesn't show and provide for is the increasing quantum of Roads Assets, particularly the vast network of Sealed Road Assets that are reaching the end of their useful lives. The Benchmark also does not recognise that Council, like many other Councils are finding it increasingly difficult to access good quality Gravels to renew its substantial Rural Gravel Road Network.

This Benchmark also does not account for new assets or asset upgrades. The major issue confronting Council in this regard is the upgrade of its Rural Road network to cater for modern Higher Mass Limit (HML) vehicles.

BUILDING & INFRASTRUCTURE ASSET RENEWAL RATIO

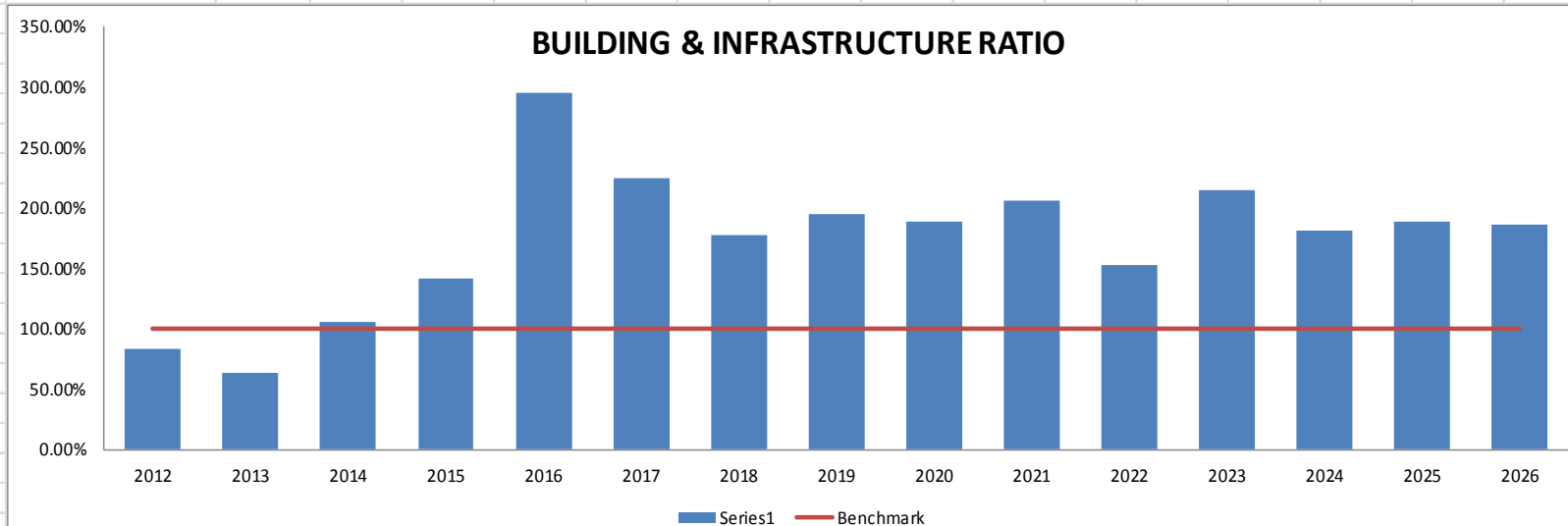
General Fund

Excluding F4F SRV

BENCHMARK AND RESULT

Benchmark:- Greater than 100% average over 3 years

Summary of Results	ACTUALS				CURRENT BUDGET	PROPOSED BUDGET									
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Benchmark	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Result	83.80%	63.80%	106.10%	142.00%	294.59%	224.85%	177.36%	194.76%	188.79%	205.62%	152.45%	214.06%	181.07%	188.04%	185.92%
Meets Benchmark	✗	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Rolling 3 year average			84.57%	103.97%	180.90%	220.48%	232.27%	198.99%	186.97%	196.39%	182.29%	190.71%	182.53%	194.39%	185.01%
Meets Benchmark			✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓



<i>This is how we calculated the council's result.....</i>					
<i>(Figures are carried over from the data sheet and are in \$000)</i>					
<i>Asset renewals (building and infrastructure)</i>					
<i>Depreciation, amortisation and impairment (building and infrastructure)</i>					
+					
-					
2016	13,200	13,200	=	294.59%	Current year Budget
	4,481	4,481			
2017	10,133	10,133	=	224.85%	2016/2017 Draft Budget
	4,506	4,506			
2018	8,011	8,011	=	177.36%	
	4,517	4,517			
2019	8,818	8,818	=	194.76%	
	4,528	4,528			
2020	8,568	8,568	=	188.79%	
	4,538	4,538			
2021	9,354	9,354	=	205.62%	
	4,549	4,549			
2022	6,952	6,952	=	152.45%	
	4,560	4,560			
2023	9,784	9,784	=	214.06%	
	4,571	4,571			
2024	8,296	8,296	=	181.07%	
	4,582	4,582			
2025	8,636	8,636	=	188.04%	
	4,592	4,592			
2026	8,559	8,559	=	185.92%	
	4,603	4,603			

BENCHMARK

EFFICIENCY – REAL OPERATING COST PER CAPITA RESULT

This Efficiency Benchmark requires that Council achieves a decrease in Real Operating Expenditure per capita over time. Council must meet this Benchmark to remain Fit for the Future.

This Benchmark indicates how well Councils are utilising economies of scale and managing levels to achieve efficiencies. It focuses on each Council's individual performance over time, rather than comparing with others. Decline in real expenditure per capita indicates improved efficiency (all things being equal).

GENERAL FUND - REAL OPERATING EXPENDITURE PER CAPITA RESULT

General Fund

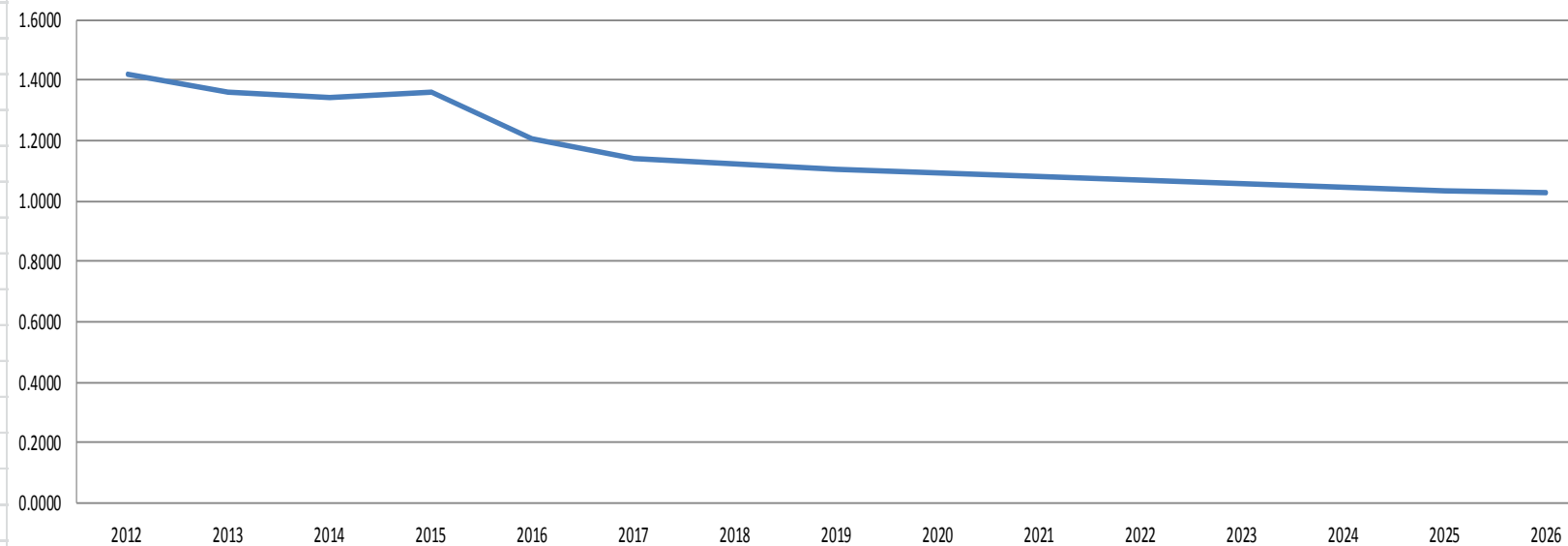
Excluding F4F SRV

BENCHMARK AND RESULT

Benchmark: A decrease in Real Operating Expenditure per capita over time

Summary of Results	ACTUALS						CURRENT BUDGET	PROPOSED BUDGET									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Result	1.5300	1.6700	1.4200	1.3600	1.3400	1.3600	1.2080	1.1393	1.1198	1.1072	1.0949	1.0829	1.0709	1.0592	1.0478	1.0366	1.0255

REAL OPERATING EXPENDITURE RATIO



As shown, Council achieves this Benchmark. It is noted that this Benchmark was 1.529 in 2009/2010 and will be approximately 1.208 at 30 June, 2016 based on Council's current Financial Position as shown below. This means that on a Per Capita basis Council has realised a 21.0% Efficiency Gain or 3.0% per annum for the 7 years ending 30 June, 2016. This is a high achievement for any Organisation. As shown in the following table based on Council not providing any increases in Service Levels or new Infrastructure over the next 10 years this positive result can be maintained, albeit at the expense of Community growth.

<i>This is how we calculated the council's result.....</i>				
<i>(Figures are carried over from the data sheet and are in \$000)</i>				
+				
*				
2016	25164*0.8138	20,477	=	1.2080
	16,951	16,951		
2017	24319*0.7991	19,434	=	1.1393
	17,057	17,057		
2018	24666*0.7791	19,218	=	1.1198
	17,163	17,163		
2019	25171*0.7597	19,121	=	1.1072
	17,270	17,270		
2020	25689*0.7407	19,027	=	1.0949
	17,378	17,378		
2021	26220*0.7221	18,935	=	1.0829
	17,486	17,486		
2022	26762*0.7041	18,843	=	1.0709
	17,595	17,595		
2023	27318*0.6865	18,754	=	1.0592
	17,705	17,705		
2024	27888*0.6693	18,666	=	1.0478
	17,815	17,815		
2025	28473*0.6526	18,582	=	1.0366
	17,926	17,926		
2026	29073*0.6363	18,499	=	1.0255
	18,038	18,038		

The following matters are also noted in respect of Council's ongoing Operational Efficiency and Effectiveness Program:

Office of Local Government Comparative Data Report:

1. Population per Councillor is 1,872 (Group 11 Council average is 1,505).
2. Governance and Administration costs for 2014/2015 at \$165.86 per capita are 55% below the Group 11 Council Average (\$365.90 per capita) and under 50% of the NSW Council average, resulting in more funds being available for Service and Infrastructure delivery.

3. Typical Residential Water Bill for 2013/2014 of \$548.00 p.a. with no water restrictions, against a NSW Average of \$550.00 p.a and a NSW Councils 3,000 to 10,000 properties Average of \$617.00, while providing significant ongoing water subsidies to Bindaree Beef (Inverell's largest employer and a business of State significance).
4. Typical Residential Sewer Bill for 2013/2014 of \$447.00 p.a. against a NSW Average of \$625.00 p.a. being 30% less.
5. Lowest Waste Management Charges in the Region.
6. Recycling Rate is 45% against a Group 11 Council average of only 36% (2013/2014 figure).

Statecover Mutual and Statewide Mutual Audit Reports:

7. Workers Compensation premiums of \$1.67 per \$100 of Wages Paid against an Industry Average of \$3.61 per \$100 of wages paid.
8. Work Health and Safety Performance of 100 (being 100% for WHS Management System Compliance and 100% for Specific Hazard identification and treatment). This is against an Industry average of 75%.
9. Achieved all Work Health and Safety and Public Liability Insurance Performance Rebates over the last 5 years saving Council over \$250K.

Energy Efficiency:

10. Energy Efficiency and Solar Energy cost savings now total \$445K p.a. in the General Fund. Council now has 7 Solar Sites being amongst the highest in the Industry and LED Street Lighting.

Plant Fleet:

11. Savings of \$180K p.a. or \$1.8M over 10 years in Light Plant Fleet Costs and a modern, efficient and technologically advanced Heavy Plant Fleet resulting in Council only increasing its Plant Hire Charges once in the last 7 years being by 2.0% in 2015/2016. This has significantly aided Council's ongoing Maintenance and Infrastructure Renewal Programs. Council is in the process of rolling out GPS Tracking in Council's Plant Fleet to further improve efficiencies.

Social Programs:

12. Council's "return on investment" for programs delivered through the Linking Together Centre on behalf of the State and Federal Governments is up to \$6 return for every \$1 invested providing strong social gains to the community.

Infrastructure Programs:

13. \$21M of renewed and new infrastructure delivered outside of Council's Road Infrastructure Programs over the last two Council Terms (7 years) to the end of 2014/2015, with over 30% of these being funded from Grants.
14. New Ashford Water Treatment Plant \$4.6M, Cameron Park Redevelopment \$0.9M and Sports Complex Redevelopment \$1.2M, Inverell Sewerage Treatment Plant Renewal and Upgrade \$3.6M and \$1.8M Gilgai Drainage Project being delivered. Substantial Grants and Local Infrastructure Renewal Scheme Interest Rate Subsidies have been secured for these projects.
15. 9.4 km of new Bike Paths and Footpaths over the last 8 years, including the additional \$440K of work being completed in 2015/2016 with \$ for \$ funding from NSW Roads and Maritime Services. Significant Grant funding was secured for all of these works.

16. ROAD DATA

a. Regional Roads	391 km
b. Bridges/Major Culverts	105
c. Culverts and Causeways	912
d. Sealed Local Roads	341 km
e. Gravel Local Roads	1,248 km
f. Bridges/Large Box Culverts	69
g. Culverts and Causeways	3,157
h. Sealed Urban Streets	121 km
i. Gravel Urban Roads (Back Lanes)	13 km
j. Urban Bridges/Major Box Culverts	7
k. Culverts and Causeways	12

TOTAL ROADS 2,114 km
 (Group 11 Council Average is 1,451km)

TOTAL BRIDGES/MAJOR BOX CULVERTS 181
 TOTAL CULVERTS/CAUSEWAYS 4,081

17. 17 bridges have been renewed over the last 15 years, replacing old Timber Structures, with funding received for the Tintot Bridge project which will commence shortly, taking the total to 18 Bridges.

18. Bitumen Road Costs:

a. Bitumen Road Stabilisation	\$ 200,000 - \$250,000 per km
b. Bitumen Road Rehabilitation	\$ 250,000 - \$400,000 per km
c. Convert Gravel to Bitumen	\$ 250,000 - \$400,000 per km
d. Bitumen Reseals – Rural	\$ 3.70 per square metre
e. Bitumen Reseals – Urban	\$ 3.90 per square metre

Reseal and Heavy Patching Costs are up to 25% below the IPWEA National Industry Benchmarks. This result is efficiency driven and resulted in an additional 10km of bitumen roads being resealed in 2014/2015 under Council's ongoing Reseals Program, (Total Reseal in 2014/2015 was 73.4km – basically equivalent of resealing from Inverell to Bingara). The 2015/2016 programs were adjusted to include the ongoing efficiencies.

19. Indicative average Gravel Road resheet cost (dependant on Gravel Pit location and haulage distances) of \$14,000 per km, being a 15% reduction in the unit rate due to efficiencies (cost was \$16,500 a km in 2009).

The last reported 2012/2013 RMS Regional Road Network Gravel Resheet figure was \$26,500 per kilometre. Some Group 11 Council Gravel Resheeting Rates are up to \$33,380 per km.

The efficiencies generated in the 2014/2015 and 2015/2016 Gravel Resheeting Programs will result in Council being able to program an additional 25km of Gravel Resheeting on the Nullamanna and other Roads prior to 30 June, 2016, being an additional 20%.

20. Grading cost of \$913.00 per km with a Water Cart and Roller and \$1,245.00 per km if the Table Drains are redone at the same time. Council's 2016/2017 draft Budget provides an allocation of \$1.2M for Road Grading.
21. \$45.3M of Road Asset Renewals and Upgrades over the last 8 years to 30 June, 2015.
22. \$20.2M for Road Asset Renewals and Upgrades in 2015/2016 and 2016/2017 taking Road Asset Renewals and Upgrades to over \$65.5M including the Gilgai Drainage Street Upgrades over the 10 years ending 30 June, 2017.

23. \$45M of Road Maintenance over the 10 years to 30 June, 2017.
24. Urban/Villages Renewal/Construction funding is \$0.5M per annum which has not increased in the last 15 years, however, Council has continued to make significant progress in Urban Asset Renewal and Upgrade. That said, the Urban Program at \$0.5M is only 3.9% of the 2015/2016 Rural Road Program, despite 67% of the General Rates being collected from the Urban Areas.

Governance:

25. Council is one of the 72 NSW Councils who participate in the NSW Small Business Friendly Council Program.
26. Council is one of the 32% of NSW Councils that has an Audit and Risk Committee;
27. Independent Reviews of Council have recognised the ongoing sound Management of Council as follows;
- a. *"Council has been well managed over the review period"* – TCorp Financial Assessment and Benchmarking Report, 2013;
 - b. *"Inverell Shire Council is a well-managed and efficient local government authority. Council has strong links to the local community it serves. The review team was impressed at the administrative professionalism and effectiveness in achieving value for money"* – Department of Local Government Promoting Better Practice Review Report 2008;
 - c. *"Council's approach to integrity management and its responses during the review gives reason for a high level of confidence in Council's ability and commitment to the further improvement of an already well-managed organisation"* – Echelon Australia Integrity Management Programme Diagnostic Review Draft Report April, 2015.
 - d. *"Council's systems and records have been well maintained during the year and the audited accounts will be submitted to the Division of Local Government within the prescribed time"* – Forsyths Business Services Pty Ltd 2014/2015 Audit Report.

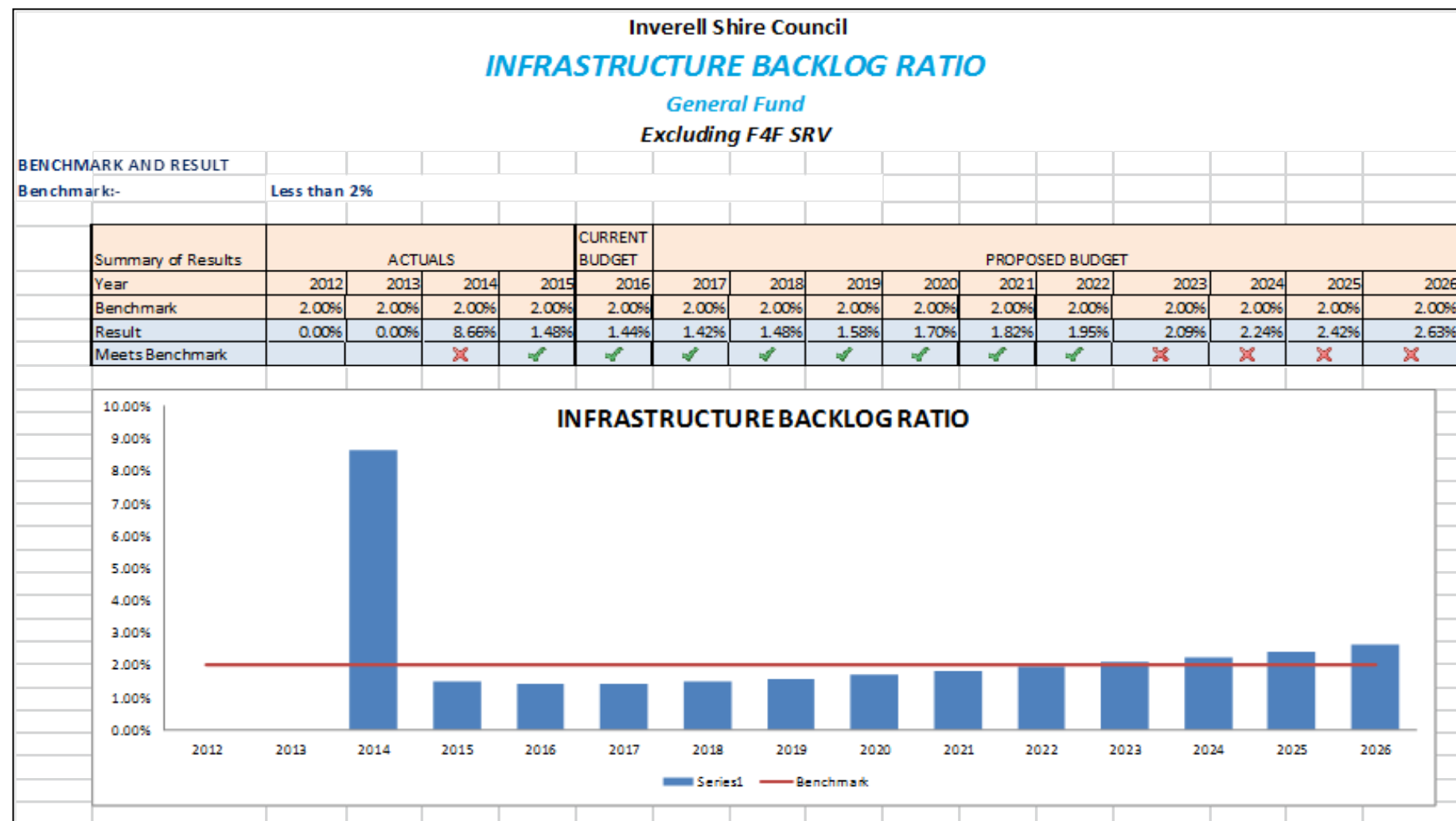
BENCHMARK

INFRASTRUCTURE AND SERVICE MANAGEMENT – INFRASTRUCTURE BACKLOG RESULT

This Infrastructure and Service Management Benchmark requires that Council achieves a result of "Less than 2.0%" by the end of 2019/2020 and for each year thereafter". Council must meet this Benchmark to remain Fit for the Future.

This Benchmark measures how effectively Councils are managing their infrastructure. Increasing Backlogs may affect Council's ability to provide services and maintain sustainable. The Benchmark of less than 2% ensures infrastructure backlogs are at manageable levels.

As shown in the following graph, Council's Infrastructure Backlog, that relates entirely to Road Infrastructure is estimated at <2.0% Benchmark. It is noted that the Benchmark takes into consideration Works funded but not yet completed, as the Backlog is only the "Unfunded or Gap Amount". Council's Special Roads Infrastructure Asset Renewal Program (one-off allocation of Funding from Internally Restricted Assets) which is currently being delivered is responsible for Council achieving this Benchmark. Council's total Road Infrastructure Renewal and Upgrade spend over the 10 years ending 30 June, 2017 will be \$65.5M.



The maintaining of the Infrastructure Backlog result at <2.0% is dependant on Council fully funding its Asset Maintenance and Renewal needs each year. As shown in the graph and the table, Council is unable to achieve this outcome without significant additional revenues, and by 2022/2023 the Backlog will again increase to a point where it exceeds the <2.0% Benchmark.

<i>This is how we calculated the council's result.....</i>					
<i>(Figures are carried over from the data sheet and are in \$000)</i>					
<i>Estimated cost to bring assets to a satisfactory condition</i>					
<i>Total (WDV) of infrastructure, buildings, other structures and depreciable land improvement assets</i>					
+					
-					
2016	5,097	=	1.44%	Current year Budget	
	354,384				
2017	5,097	=	1.42%	2016/2017 Draft Budget	
	357,861				
2018	5,333	=	1.48%		
	359,738				
2019	5,719	=	1.58%		
	362,177				
2020	6,194	=	1.70%		
	365,347				
2021	6,699	=	1.82%		
	368,529				
2022	7,232	=	1.95%		
	371,761				
2023	7,822	=	2.09%		
	375,047				
2024	8,478	=	2.24%		
	378,384				
2025	9,308	=	2.42%		
	385,160				
2026	10,138	=	2.63%		
	385,160				

In respect of the Infrastructure Backlog and certain claims recently made by members of the public in this matter, the following information which was provided in Council's FFF Roadmap and the December, 2015 Meeting of Council is again provided.

HISTORY OF THE INFRASTRUCTURE BACKLOG:

The Committee will be aware that a report was provided to the December, 2015 Meeting of Council in respect of the Infrastructure Backlog. The report provided the following information:

Council will be aware of recent comments in the print media and on social media in respect of Council's Road Asset Infrastructure Backlog amount as disclosed in Special Schedule 7.

The following information and commentary is provided in respect of the un-audited Infrastructure Backlog reported in Council's Annual Financial Statements and Council's Fit for the Future Roadmap.

Since 2001, the General Purpose Financial Reports of Councils have included Special Schedule 7 – Condition of Public Works, an un-audited Schedule which records a range of information for Council's Assets. Since its inception, only very limited and no prescriptive guidance has been provided to Councils by the Office of Local Government in respect of the completion of this un-audited Schedule.

As the Schedule was un-audited and due to the lack of guidance/prescription in how the Schedule should be completed, the information disclosed in the Schedule by Councils was largely a "best guess" estimate and was prepared by most Councils in a manner to support a case for increased Federal and State Government Infrastructure Funding for Councils. Across the Industry, this led to the level of Infrastructure Backlogs being largely overstated and also including asset upgrade/enhancement costs in most cases, noting that for many grant funding opportunities and especially for Loan Interest Rate subsidies, it was a requirement that the Assets involved were identified in the Council's Infrastructure Backlog.

In 2001, Council's Special Schedule 7 disclosed an estimated Infrastructure Backlog of \$29.5M across all Asset Classes. For most Councils, including Inverell, the Backlog amount not only included the cost of bringing Assets back to a "Satisfactory Standard", but also the costs of major Asset upgrades and enhancements to a higher standard, as no clear definitions had been provided. It has since been clarified that Asset Upgrade and Enhancement Costs are not to be included in the Infrastructure Backlog calculation.

This methodology was followed for many years, however, as Council's Asset Management Systems started to develop, Special Schedule 7, while being unaudited was given more attention by the Industry. In 2005, Council's Infrastructure Backlog was reported as being \$13M. Council's Infrastructure Backlog was reported at \$14.7M in 2010; the figure was comprised of the following components:

<u>Un-audited Infrastructure Backlog 2009/2010</u>	
• Sealed Roads	\$ 7,240,000
• Gravel Roads	\$ 1,235,000
• Elsmore Bridge	\$ 810,000
• Ashford Water Plant	\$ 2,000,000
• Water Mains	\$ 480,000
• Sewer Pump Station No.2	\$ 1,550,000
• Sewer Mains	\$ 1,000,000
• Sewer Treatment Plant	\$ 400,000
TOTAL \$14,715,000	

The Committee will be aware that all except the Road issues have since been addressed or are currently funded, meaning they are no longer classified as an Infrastructure Backlog under the Backlog Definition.

In 2010, the Councils in the region were asked by Regional Development Australia Northern Inland (RDANI) to calculate the cost of upgrading the entire Road Network to Higher Mass Limits (HML) Standard, noting the substantial efficiencies that would flow to the Regional Economy if this were to occur. At the time RDANI were seeking to highlight to the Federal Government the need for a substantial increase in funding for the National Rural Road Network to drive greater transport efficiencies and thereby real regional economic growth. To support this push, the figures calculated were carried into Council's un-audited Special Schedule 7, (similar figures had been used to leverage funding in earlier years) increasing Council's Infrastructure Backlog from \$14.7M in 2009/2010 to \$87.5M in 2010/2011.

Un-audited Infrastructure Backlog 2010/2011 – ROADS UPGRADED TO HML

• Sealed Roads	\$67,108,000 (Includes upgrade to HML)
• Gravel Roads	\$ 8,317,000 (Includes upgrade to HML)
• Bridges	\$ 1,330,000 (Includes upgrade to HML)
• Buildings/Structures	\$ 500,000
• Town Hall	\$ 1,200,000 (Includes Upgrade)
• Footpaths	\$ 240,000 (Includes Upgrade)
• Ashford Water Plant	\$ 2,500,000
• Water Mains	\$ 640,000
• Water Reservoirs	\$ 500,000
• Stormwater Drains	\$ 1,350,000 (Includes Gilgai Upgrades)
• Sewer Pump Stations	\$ 2,450,000
• Sewer Mains	\$ 1,000,000
• Sewer Treatment Plant	\$ 350,000
TOTAL \$87,485,000	

As shown in the table the cost of upgrading the Shire Roads to take HML Vehicles as requested by RDANI added \$67.47M to the Un-audited Backlog figure in respect of Road Assets. The lack of definitions, which were not provided by the Office of Local Government till 2013, also resulted in other Asset upgrade amounts being shown on Special Schedule 7.

While the work of RDANI did not provide for a large permanent increase in Federal Road Funding, Councils across Australia benefited greatly at that time from a permanent increase in the Federal Government's "Roads to Recovery Program Funding" of 10.4% (\$86K). Further, Council has benefited in 2014/2015, 2015/2016 and will again benefit in 2016/2017 from special one-off increases in Roads to Recovery Program Funding totalling \$3.8M. The actions of RDANI and the inflated figures from Special Schedule 7 were no doubt beneficial in highlighting the Rural Road funding issues at a Federal level at that time.

It is also noted that at that time, it was a requirement for assessing the State Government's Local Infrastructure Renewal Scheme Interest Rate Subsidies that the Asset be shown as an Infrastructure Backlog item on a Council's Special Schedule 7. This lead to Councils across the State showing higher Infrastructure Backlogs, so as to be eligible for the Subsidies, which ultimately resulted in lower infrastructure renewal costs being passed onto the Inverell Shire Community. Council was successful in gaining subsidies for the Ashford Water Treatment Plant and the Inverell Sewerage Treatment Plant resulting in substantial interest cost savings to the Community of \$0.81M.

In seeking to understand the NSW Local Government Industry's stance in respect of Asset Management as the major provider of Infrastructure Assets in NSW, the Office of Local Government undertook a Local Government Infrastructure Audit in early 2013 and then published the Audit Outcomes in June 2013. In this Audit, Council's Asset Management Systems were found to be "moderate", with the Audit taking into consideration the Special Schedule 7 Backlog figures for 2011/2012, which included the cost of upgrading all of Council's Roads to the RDANI proposed HML Standard, which were substantially inflated, but which had nevertheless served an important funding purpose.

In concert with the Local Government Infrastructure Audit, in March 2013 the Office of Local Government released the new Integrated Planning and Reporting Manual. The Manual provided the strongest guidance yet for Council Staff in the Condition Rating (Asset Assessment) of a Council's asset and the preparation of Special Schedule 7. However, the final model to be utilised by each Council again was not prescribed and the matter remains open for "individual interpretation". What this continues to mean is that an Asset that is considered to be in a "satisfactory condition" by one Council may in fact be considered as being "unsatisfactory" by another Council who has access to a higher level of financial and other resources. For an Asset to be considered to be in a "satisfactory condition" it needs to provide a reasonable level of service, it does not in fact have to be new or without any defects.

Many State Government reviews of Local Government and Public Utilities across Australia have been highly critical of Councils and Public Utilities who essentially use public funds to provide assets of a standard above what is functionally required (ie to provide what has been stated as being “gold plated assets”), and what the organisation can afford to renew and maintain in the medium and long term.

In an attempt to overcome this issue and to fulfil the Road Asset Revaluation Audit requirements as at 30 June, 2015, Council undertook an Independent Review of its Road Infrastructure Assets in early 2015. The review involved utilising specialist Independent Asset Management Contractors to undertake a Road Asset data capture and Condition Assessment. In this process, Council's Road Infrastructure Assets were assessed against the Nationally recognised Rocond 90 (as developed by Roads and Maritime NSW) and the Australian Road Research Boards National Bridge Assessment procedure. These results were then used to inform the preparation of Council's Special Schedule 7 in accordance with the 2013 Integrated Planning and Reporting Manual.

Auditable Infrastructure Backlog 2014/2015 (Excludes all asset upgrade costs)

• Sealed Roads	<u>\$ 5,097,000</u>
	TOTAL \$ 5,097,000

This is the most comprehensive review that has been undertaken of Council's Road Infrastructure Assets and Council's approach to this matter was endorsed by Council's External Auditor. This approach led to Council receiving an “Unqualified” Audit Report for 2014/2015, aided the development of Council's Fit for the Future Roadmap and ultimately led to Council being independently assessed by IPART as “Fit for the Future”.

When Council undertook the Review of its Road Infrastructure Assets using independent contractors in 2015, the Office of Local Government had provided preliminary advice to Councils that Special Schedule 7 would be audited as at 30 June, 2015. While this did not eventuate, Council placed itself in a position where its Special Schedule 7 was auditable at 30 June, 2015. The cost to bring Council's Assets to a “Satisfactory Standard” (ie Backlog) at 30 June, 2015 was \$5.1M. This is a cost of \$10.1M less the \$5.0M amount allocated in 2015/2016 to the Special Road Infrastructure Backlog Program.

Audit of Condition Ratings:

It is noted that for the 2014/2015 Financial Statements Audit, the External Auditor undertook a range of onsite Asset inspections to verify the Council's Asset Condition ratings. These condition ratings, in addition to being utilised for the as yet un-audited Special Schedule 7, are also utilised in the Road Asset Valuation and Depreciation process. As noted above this audit testing of Council's condition rating data led to Council receiving an “Unqualified” Audit Report as at 30 June, 2015.

Public Comments on the Backlog:

At the Public Forum at the March, 2016 Council Meeting and again in the local media on 1 April, 2016 Council's former Director Technical Services, Mr Greg Moran, a member of the Concerned Inverell Ratepayers' Association, made the claim that Council has on his assessment an Infrastructure Backlog in respect of its Road Infrastructure assets of \$85M, being Assets in a “Poor” to “Very Poor” condition. The basis of his claim was that Council has 114km of Rural Sealed Roads (being 16% of the 732 km Rural Sealed Road Network) and 58 km of Urban Streets (being 48% of the 121km Urban Street Network) in a “poor” or “very poor” condition, however he did not explain or substantiate his claim.

The Integrated Planning and Reporting Guidelines 2013, (Page 91) which Council is required to utilise and is the Statewide Benchmark for Asset Management, utilises the following definitions in respect of Road Asset Conditions:

Poor Condition – Deterioration materially affecting the entire surface/pavement structure – requires renovation within 1 year; and

Very Poor Condition – Deterioration is of sufficient extent to render the surface/pavement structure unserviceable. (The External Auditor has advised that it is their view that for an asset to fall in a “very poor” condition rating it should be immediately closed and taken out of service until it can be replaced as it will be pose a substantial safety risk to the public).

The independent assessment of road assets did not find that Council has 16% of Council's Rural Sealed Roads and 48% of its Urban Streets requiring rehabilitation (rehabilitation is reconstruction to a new condition) “immediately” or “within the next 12 months” to remain serviceable and open. Rehabilitating this percentage of the road network would be nothing short of a waste of Council's limited resources and an imprudent use of Ratepayer funds because of the significant amount of useful life remaining on these roads.

It is unfortunate that Mr Moran in his comments has referenced an out-dated draft Roads Asset Management Plan 2009, being 7 years old. This document pre-dates the very substantial work done by the Office of Local Government and CPA Australia on redefining the definition of “what is a backlog”. It also pre-dates the NSW Integrated Planning and Reporting requirements, Council's adopted Strategic Plan 2009 – 2029 and subsequent Four Year Delivery Plans, the NSW Office of Local Government's Integrated Planning and Reporting Guidelines 2013, the CPA Australia – Valuation and Depreciation – A guide for the not-for-profit and public sector under accrual based accounting standards 2013, and the Local Government Code of Accounting Practice which is updated on an annual basis (currently the 2016 version is out for industry comment).

As each of these publications have been released the Office of Local Government, Local Government Managers Australia, Local Government NSW and the IPWEA have partnered in a range of training courses for Staff and Councillors to update the industry on the changing standards to be used in the Asset Management function. These courses have in the large been run by Mr Jeff Roorda and Mr Alan Mapstone both IPWEA members who have strong industry standing and who are considered in the industry as leading Asset Management experts. Councillors and Staff have attended a range of these courses.

Council's External Auditor has also conducted ‘in house’ training for staff on these matters.

What has been a clear message delivered during this training is that there has been a major shift in many aspects of Asset Management and Asset Condition Assessment in the public sector. Taking this into consideration, it is easy to understand that any person that has not kept up to date on this issue could review Council's Road Assets data and produce a differing result to Council. For example if someone reviewing the Roads Data relied solely on, for example, the “Grading Value” (roughness measure) results of the Condition Assessment for a Road Segment, (being just one measure of the Assets condition in isolation to other Asset condition factors) they may form the incorrect view that a road is in a “poor condition” or “very poor condition” when in fact the aggregate score from all factors indicates that the road is in a “satisfactory condition”.

Hence the claim that Council has an \$85M Infrastructure Backlog in respect of Road Assets could not be sustained in the past as detailed above, and can neither be sustained now.

It is noted that the majority of NSW Councils continue to struggle with this matter and the most recent directive from the Office of Local Government is that Special Schedule 7 will again be an un-audited schedule at 30 June, 2016.

Public Comments on Council's Asset Renewal Activities:

It was also claimed in the Public Forum at the March, 2016 Council meeting by Mr Moran that Council had not undertaken any Road Rehabilitation works in the last five (5) years, inferring that Council was not renewing its Road Assets as required. The Committee will be aware that this claim is false and that during this period Council has been highly proactive in Asset Renewal and Upgrade. The following Road Projects across the Shire are noted:

Bitumen Road Rehabilitation:

<u>Project</u>	<u>Length (km)</u>
MR137-Goomerah Lane Project	1.9
MR 73-Gilgai Project	0.6
MR137-3 Mile Project	0.8
MR135-Airport Turnoff	1.53
Copeton Dam Rd Rehab/Shoulder Widening	1.5
Elsmore Rd Rehab/Shoulder Widening	1.0
Elsmore Road Rehab Segment 20	0.8
MR137 - Karoola Road Project	2.0
MR134 - Michells Lane Project	1.02
SR10 Tarwoona Rd Bitumen Rehab	2.0
MR187 - Saleyards	0.7
Pavement Rehab - Old Bundarra Road	0.1
Bolands Lane Rehabilitation	0.5
MR137 Bukkulla	0.8
Doncaster Drive	0.4
Defraignes lane	0.4
MR63 - Blackjack	1.5
MR187 - Rocky Creek	1.6
MR462 Segment 100	1.2
MR187 - Near Spencers Gully	1.57
MR135 - Boxleigh	1.68
MR73 - Old Bundarra Rd	2.5
MR73 - Lockery	0.9
MR135 - Intersection	1.5
MR137 - Ashford Outskirts	2.6
TOTAL	31.1 KM

Heavy Patching of Bitumen Sealed Roads

<u>Year</u>	<u>Area of Heavy Patching (square meters)</u>
2015/16	58,044
2014/15	28,999
2013/14	31,477
2012/13	30,674
2011/12	20,507
2010/11	20,530
TOTAL	190,231 square metres being equivalent to 31.7 km of 6 m wide pavement

These works included the Bruxner Way - 28,000 square metres plus extensive works on the Gragin Road and Fernhill Road. These Heavy Patching works when utilised in conjunction with Bitumen Resealing Works substantially reduce the quantum of high cost Bitumen Rehabilitation works that Council has to undertake.

Bitumen Resealing Works – Rural and Urban

Year	Actual Expenditure	Length of Resealing (m)
2015/16	\$ 1,991,135	85,827
2014/15	\$ 1,528,394	64,675
2013/14	\$ 1,501,765	66,437
2012/13	\$ 1,196,076	50,695
2011/12	\$ 703,040	32,609
2010/11	\$ 873,307	41,865
TOTAL		342.1 km

These works included the following notable projects:

- 2015/2016 - Bruxner Way 48.3km, Oakwood Road 10km, and Copeton Dam Road 6km: and
- 2014/2015 - Bruxner Way 17km, Fernhill Road 6.7km and Elsmore Road 12.6km

Gravel Resheeting

Year	Actual Expenditure	Length of Resheeting (m)
2015/16	\$ 1,532,969	112,774
2014/15	\$ 1,073,927	67,227
2013/14	\$ 946,874	61,335
2012/13	\$ 1,267,550	78,060
2011/12	\$ 1,101,393	70,966
2010/11	\$ 650,682	42,473
TOTAL		432.84 km

Gravel Roads and Street upgrade to Bitumen Seal Standard

Project	Length (km)
Nullamanna Road	2.50
Short St Upgrade Onus to Runnymede	0.65
May St Lookout Road	0.15
Moore St Seal Extension	0.25
Extend Bitumen Seal at Vernon St	0.25
Whittingham Culdesac Construction	0.04
Varley Oval Upgrade	0.45
Rifle Range Road Bit Extension	1.05
Auburn Vale Road Bitumen Extension	3.20
TOTAL	8.54 km

Safety Upgrades

- Mount Hallam Road - Gravel Road Safety upgrade;
- Old Bundarra Road Blackspot - Schwenkes Lane to Leviathan Road – rehabilitation and shoulder widening;
- Schwenkes Lane - Upgrade vertical alignment, gravel resheeting and environmental controls; and
- Bundarra Road – Shoulder widening 2km South of Guyra Road.

Town Streets Rehabilitation and Upgrade

<u>Street</u>	<u>Length</u>
Hall Street - Gilgai	0.30
Brissett St Upgrade	0.85
Church St - Gilgai	0.23
Mansfield St Reconstruction	0.35
Medora Street	0.25
Cameron Street	0.30
Gilchrist Street	0.10
Killeen Street/Swanbrook Road - Medical Centre	0.45
TOTAL	2.83 km

(It is noted that the majority of Residential Urban Streets that have low Heavy Vehicle volumes have substantially longer "Useful lives" with normal maintenance and Bitumen Reseals than Heavy Vehicle accessed Rural Sealed Roads. Further, an Urban Street does not generally have the same performance requirements as a Rural Road that has a 100km/h Speed Limit. The most recent figure equates 1 Articulated Heavy Vehicle to 6,000 cars).

The Committee will also be aware of the very substantial works budgeted for 2016/2017 as detailed above and that substantial additional works are to be undertaken in 2016/2017 with the delivery of the remainder of the Special Road Asset Infrastructure Backlog Program. The following are highlights of the 2016/2017 Road Asset Renewal and Upgrade Program:

- Gravel Resheeting 135 km
- Bitumen Reseals 89 km
- Bitumen Heavy Patching prior to 2016/2017 Bitumen Reseals Program – extensive heavy patching on MR135, MR137, MR134 and Tarwoona Road.
- Bitumen Sealed Road Rehabilitation Rural
 - MR137 Ashford Road 7.2 km
 - MR187 Yetman Road 5.0 km (may be up to 6km)
 - Auburn Vale Road 2.1 km
 - Swanbrook Road 0.9 km
 - Auburnvale Road 2.3 km
 - Kings Plains Road 0.4 km
 - Mitchell Lane 3.0 km
 - TOTAL 20.9 km**
- Bitumen Rehabilitation Urban
 - Chisholm Street – full length Rehabilitation
 - Old Bundarra Road – adjacent to Lions Park
 - Gilchrist Street – additional works to 2015/2016 Program

It is a fact, that with the adoption of the 2016/2017 draft Budget and Operational Plan Council's total Road Asset Infrastructure Renewals and Upgrades will reach \$65.5M over the 10 year period to 30 June, 2017. During the same period \$45M will have been expended on Road Asset Maintenance.

A review of these figures against the Road Asset Data contained in Section "B" of this Report (refer pages D16-D23), clearly refute Mr Moran's claims to the March, 2016 Public Forum, his later claims in the Inverell Times and the similar ongoing claims of the Concerned Inverell Ratepayers' Association in respect of the Infrastructure Backlog. Council's External Auditor, in his annual addresses to Council has consistently commented that the quantum of rehabilitation and upgrade works being undertaken and unit rates being achieved by Council are at a level that is un-matched by the 15 other Councils they currently audit.

Existing Rating Structure impact on the Backlog:

a) Addressing the Backlog

In addressing the Backlog, Council has been in the position where it has been able to allocate funding from its Internally Restricted Assets to Asset Renewal Works. This combined with ongoing efficiencies and some additional Grant funding has resulted in the FFF Benchmark being met.

b) Maintaining the Backlog at <2.0% - FFF Roadmap

That said and as indicated above, if additional revenues as identified in Council's adopted and IPART approved FFF Roadmap are not available in future Budgets, the Infrastructure Backlog for Council's Road Infrastructure Assets will again begin to quickly climb to greater than the State Government determined <2.0% Sustainability Benchmark.

As noted in the IPART approved FFF Roadmap, a 14.25% special rate variation in the General Rate, under the existing rate structure (the proposed 14.25% special rate variation does not apply to Water Charges, Sewerage Charges or Waste Management Charges) phased in over three (3) years to 2019/2020 is required. This results in the following impact on Ratepayers in the final year of the increase being 2019/2020:

- Inverell Residential - \$2.50 per week or \$131 per year average;
- Village Resident - \$1.25 per week or \$65 per year average;
- Farmland Ratepayer - \$6.91 per week or \$359.49 per year average; and
- Business Ratepayer - \$12.83 per week or \$667.19 per year average.

(These figures are indicative with Council yet to determine how the Special Rate Variation would be implemented across the Rate Categories. It is noted that within the 14.25% amount, provisions have been made for additional Roads Maintenance and Renewal activities each year).

c) Public Forum Comments on the Backlog and Special Rate Variation – Concerned Inverell Ratepayers' Association:

If the \$85M Roads backlog claim made by Mr Moran of the Concerned Inverell Ratepayers Association is maintained, than financial modelling using this figure should be undertaken. The financial modelling indicates that to fund a \$85M roads backlog and reduce the backlog to <2.0% by 30 June, 2020, the following rate increases would need to be delivered:

- Inverell Residential - \$50.37 per week or \$2,619.37 per year average;
- Village Resident - \$24.48 per week or \$1,273.38 per year average;
- Farmland Ratepayer - \$137.80 per week or \$7,165.56 per year average; and
- Business Ratepayer - \$254.49 per week or \$13,233.66 per year average.

(\$85M Backlog / 3 years / \$10.7M Annual Rate Income = 265 % plus a provision for additional Road Maintenance and Renewal to ensure the Backlog did not re-occur of 14.25% as per Council's FFF Roadmap).

If it is possible to address a \$85M backlog over say a 10 year period, rather than the FFF required three (3) year period significant rate increases would still need to be delivered:

- Inverell Residential - \$16.82 per week or \$874.68 per year average;
- Village Resident - \$8.17 per week or \$425.22 per year average;
- Farmland Ratepayer - \$46.02 per week or \$2,392.80 per year average; and
- Business Ratepayer - \$84.98 per week or \$4,419.12 per year average.

(\$85M Backlog / 10 years / \$10.7M Annual Rate Income = 79 % plus say a provision for additional Road Maintenance and Renewal to ensure the Backlog did not re-occur of 14.25% as per Council's FFF Roadmap).

Overall, Rate increases of above the IPART approved FFF Roadmap (includes the 14.25% rate increase) as would be required to meet the Concerned Inverell Ratepayers claimed backlog are clearly unsustainable, unwarranted and could not be substantiated. The financial impact on the Community of rate increases above the FFF Roadmap 14.25% amount can only be considered as excessive, unwarranted and unaffordable, providing one would presume the highest levels of service of any community anywhere in Australia, but levels that would be unsustainable in the short, medium and long terms. Under a greater than the required 14.25% increase, many Ratepayers would face severe financial hardship and Inverell Shire's continued growth as one of the fastest growing regional centres would be stymied.

It is advised that the largest Special Rate Variation granted to date, that Council is aware of, has been 63.22% with the average for Group 11 Councils being 21.74%. Further, the Communities ability to pay is an issue considered by IPART in the determination of Special Rate Variations and this matter was carefully considered in the preparation of Council's IPART approved FFF Roadmap.

The Committee will be aware that another speaker at Public Forum at the March, 2016 Council meeting was Mrs Sue Moran, who is also a member of the Concerned Inverell Ratepayers' Association. She argued against Council seeking any Special Rate Variation. Mrs Moran stated that it was her belief that the current CBD renewal works were a "waste of money" and that the funding proposed to be raised through the Special Rate Variation was in her belief for CBD renewal works and not the Council identified FFF Roadmap priorities.

This is not the case and it has been clearly stated in numerous Council reports and in the FFF Roadmap, that the revenue raised through the Special Rate Variation would be allocated to ongoing maintenance and Asset Renewal needs of the Rural Road Network and the Infrastructure Backlog while maintaining Council's existing Service Levels and renewing the wide range of other community Infrastructure as required (it is an IPART requirement that the revenue raised through a Special Rate Variation is utilised in the identified areas of need).

As advised in the presentation of the FFF Roadmap, no significant funding is available until after 2020 for major projects outside of Council's Rural Road Asset Infrastructure Renewal Program. Under Council's existing Budgets and the Long Term Financial Plan, only the recurrent annual Urban Construction Works allocation is available for Urban Construction across Inverell and the Villages, with projects needing to compete on a priority basis for these limited funds. Council at its March, 2016 meeting resolved the following priorities for Urban Construction Works to 30 June, 2017:

- a) *Chisholm Street (Brae St to Brown St) \$630K;*
- b) *Old Bundarra Road Pavement Rehab (Macintyre St to Lions Park) \$245K;*
- c) *PAMP/Cycleway Program \$70K \$ for \$ with RMS;*
- d) *Captain Cook Drive / Wood St intersection pavement and asphalt \$85K;*
- e) *Gilchrist Street Shoulders, Kerb and Gutter replacement (Bannockburn Rd to Jack St) \$50K; and*
- f) *Town Centre Renewal Plan Works \$300K.*

As noted in the report to the March, 2016 Civil and Environmental Services Committee meeting, the Town Centre Renewal Program estimated cost of upgrading Byron Street between Lawrence and Wood Street (not previously upgraded under the CBD Redevelopment Programs) is \$3.86M. A review of Council's FFF Roadmap and Long Term Financial Plan indicates that only \$0.52M per annum is available for Urban Construction during the period 2016/2017 to 2019/2020, not the multi millions claimed by the Concerned Inverell Ratepayers Association.

The claim by Mrs Moran that the Special Rate Variation is to be utilised for CBD Redevelopment Works and not Rural Roads is not correct. Council re-affirmed its strong commitment to its FFF Roadmap and addressing the Rural Roads Infrastructure Backlog, at the March, 2016 meeting. Council did this by allocating the entire additional \$2.1M of 2016/2017 Roads to Recovery Funding, plus an additional \$1.4M in the 2015/2016 Budget, to the Rural Road Network and not to the identified but unfunded Town Centre Renewal Program.

The additional projects funded for completion on Rural Roads by 30 June, 2017 are:

- | | |
|---|---------|
| • MR187 (Yetman Road) South of Wallangra
(Safety enhancements) | \$ 2.1M |
| • Auburnvale Road | \$ 1.0M |
| • Kings Plains Road | \$ 0.1M |
| • Swanbrook Road | \$ 0.3M |

Assets – “Satisfactory Condition” (2013 definitions):

As noted above and in earlier reports to Council, for an Asset to be considered to be in a “satisfactory condition” under the Integrated Planning and Reporting Guidelines, 2013 it needs to provide a “good or reasonable” level of service. That does not mean it does not require ongoing programmed and re-active maintenance to keep it in a “satisfactory condition”. The Asset certainly does not have to be “new, in new condition or provide excessive and unused capacity”.

A range of State Government reviews of Local Government and Public Utilities have been highly critical of Councils and Public Utilities who use public funds to provide assets of a standard above what is functionally required, and what the organisation and its community can afford to renew and maintain in the medium and long term. In this regard it is noted that up until 2009 Council’s then Technical Staff constructed some assets to a higher standard than what was required, and what can be sustained in the long term. These were largely in the area of rural sealed and gravel roads rehabilitation where increased bitumen seal and gravel pavement widths were provided on some Rural Roads segments. Time has now shown these were excessive and not warranted, (the excessive pavement widths are largely not being utilised by vehicles and are subject to significant grass ingress). In a number of circumstances this necessitated a decrease in the length of pavement being rehabilitated, ultimately adding to the infrastructure backlog. This is the reason why a special budget allocation was provided at the March, 2016 to the Kings Plains Road north of the Swanbrook Bridge.

In 2009 these practices were ceased in conjunction with the implementation of Council’s Operational Efficiency and Effectiveness Program, which was aimed at Council delivering a sound and sustainable level of service and infrastructure at the lowest possible price in the long term. These initiatives introduced now over 7 years ago, have been key to Council being able to deliver the ongoing 21% efficiency gain (reduction in Real Operating Costs) over the last 7 years, while at the same time addressing the Infrastructure Backlog and delivering a range of new and upgraded infrastructure assets (see also the efficiency figures contained under the FFF Real Operating Cost per Capita in this report).

BENCHMARK

INFRASTRUCTURE AND SERVICE MANAGEMENT – ASSET MAINTENANCE RESULT

This Infrastructure and Service Management Benchmark requires that Council achieves a result of “Greater than 100.0% average over the three (3) years ending 2019/2020 and for each three (3) year rolling period thereafter”. Council must meet this Benchmark to remain Fit for the Future.

This Benchmark measures whether Council is spending enough on maintaining its assets to avoid increasing the infrastructure Backlog. A ratio of greater than 100% ensures Council’s infrastructure position is not deteriorating.

This ratio is measured at the close of each reporting period. In 2016/2017 it is planned to provide the required level of maintenance to Council’s Assets. To be able to achieve this outcome, the cost savings identified in 2015/2016 have had to be allocated to a range of maintenance activities and not to Asset Renewal, Asset Upgrade or new Services.

As shown in the graph and the table, without additional revenues, further significant cost savings being identified or Service Level reductions being identified during 2016/2017, Council will not meet its Maintenance requirements in 2017/2018 and will not be able to fund its Maintenance requirements in subsequent years.

The Roadmap proposed that the increasing maintenance needs would be funded from the Special Rate Variation with the remaining funds being directed to Asset Renewals to address the Infrastructure Backlog. The non-funding of required Maintenance also results in an increase in the Infrastructure Backlog Benchmark.

The updated Long Term Financial Plan which supports the Roadmap, shows that Council will struggle to provide for the required level of Asset Maintenance from 2017/2018 onwards due to increasing annual costs, unless additional revenues are received in the amounts shown in the table. The table also includes an estimate of the additional Maintenance Funding required to be allocated to Council's Road Infrastructure Asset Class to assist in ensuring as far as is possible that the Infrastructure Backlog does not re-occur. This is of course dependant on the absence of extreme weather and other unforeseeable events. That said Council has in the past been able to cope with unexpected Asset failures by re-allocating its Asset Renewal Funding to the failed Asset and by supplementing this funding with Funding from Council Strategic Capital Infrastructure and Projects Fund (delaying projects to be funding under this program). It is noted Council also maintains a borrowing capacity in the General Fund for urgent Asset replacements.

Inverell Shire Council

ASSET MAINTENANCE RATIO

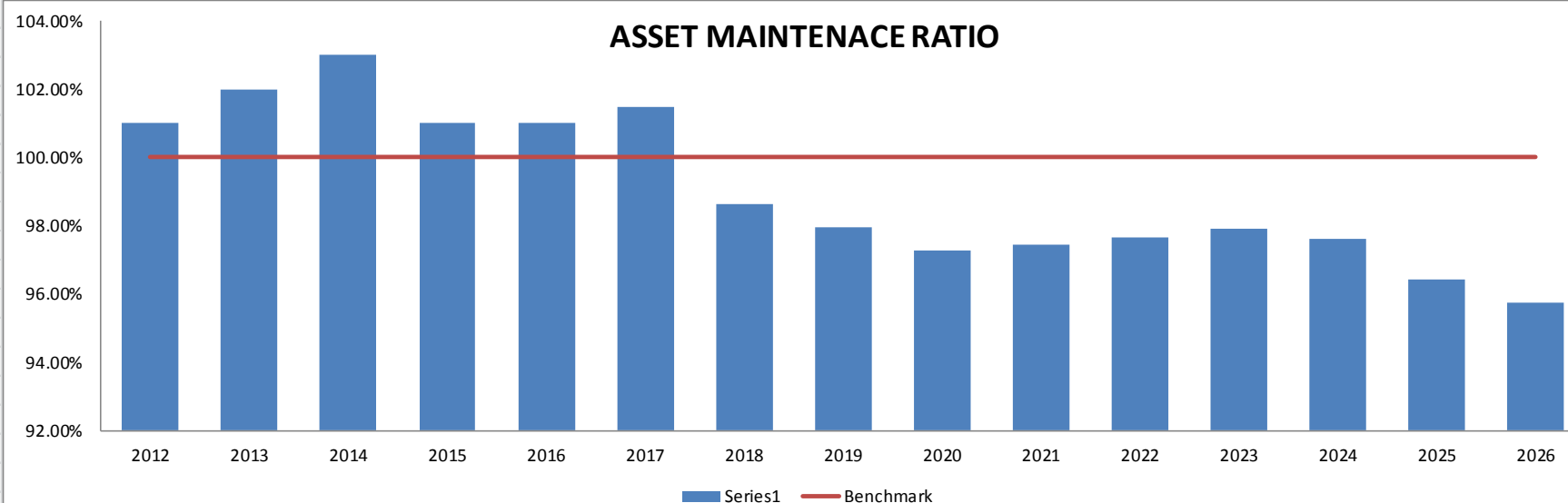
General Fund

Excluding F4F SRV

BENCHMARK AND RESULT

Benchmark:- Greater than 100% average over 3 years

Summary of Results	ACTUALS				CURRENT BUDGET	PROPOSED BUDGET									
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Benchmark	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Result	101.00%	102.00%	103.00%	101.00%	101.00%	101.50%	98.66%	97.94%	97.28%	97.47%	97.66%	97.89%	97.60%	96.41%	95.76%
Meets Benchmark	✓	✓	✓	✓	✓	✓	✗	✗	✗	✗	✗	✗	✗	✗	✗
Rolling 3 year average			102.00%	102.00%	101.67%	101.17%	100.39%	99.37%	97.96%	97.56%	97.47%	97.67%	97.72%	97.30%	96.59%
Meets Benchmark			✓	✓	✓	✓	✓	✗	✗	✗	✗	✗	✗	✗	✗



<i>This is how we calculated the council's result.....</i>						
<i>(Figures are carried over from the data sheet and are in \$'000)</i>						
	<i>Actual asset maintenance</i>					
	<i>Required asset maintenance</i>					
+						
-						
2016	5,372	5,372	=	101.00%	Current year Budget	
	5,319	5,319				
2017	6,242	6,242	=	101.50%	Draft 2016/2017 Budget	
	6,150	6,150				
					Shortfall '000	Backlog Prevention '000
2018	6,441	6,313	=	98.66%	86	Backlog Program
	6,399	6,399				
2019	6,513	6,480	=	97.94%	136	100
	6,616	6,616				
2020	6,684	6,650	=	97.28%	186	200
	6,836	6,836				
2021	6,896	6,896	=	97.47%	179	225
	7,075	7,075				
2022	7,115	7,115	=	97.66%	171	225
	7,286	7,286				
2023	7,341	7,341	=	97.89%	158	225
	7,499	7,499				
2024	7,537	7,537	=	97.60%	186	250
	7,723	7,723				
2025	7,695	7,695	=	96.41%	286	250
	7,981	7,981				
2026	7,858	7,858	=	95.76%	348	400
	8,206	8,206				
Note: The Backlog prevention amount is the additional maintenance required to maintain the Rural Road Assets at the "satisfactory" condition level.						

BENCHMARK

INFRASTRUCTURE AND SERVICE MANAGEMENT – DEBT SERVICE RESULT

This Infrastructure and Service Management Benchmark requires that Council achieves a result of "Greater than 0.0% and less than or equal to 20.0% average over the three (3) years ending 2019/2020 and for each three (3) year rolling period thereafter". Council must meet this Benchmark to remain Fit for the Future.

This Benchmark indicates whether Council is using debt wisely to share the life-long costs of assets and avoid excessive rate increases. TCorp believe it is appropriate that Councils should carry some level of debt to ensure inter-generational equity in funding major infrastructure.

DEBT SERVICE RESULT

General Fund

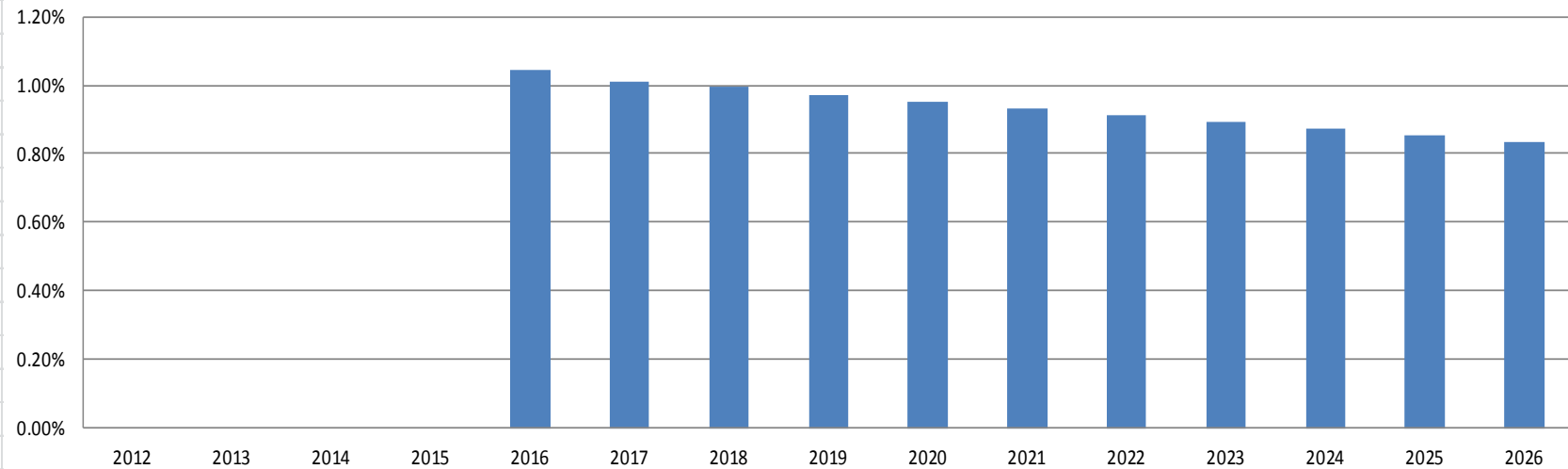
Excluding F4F SRV

BENCHMARK AND RESULT

Benchmark:- Greater than 0 and less than or equal to 20% average over 3 years

Summary of Results	ACTUALS				CURRENT BUDGET	PROPOSED BUDGET									
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Result	0.00%	0.00%	0.00%	0.00%	1.05%	1.01%	0.99%	0.97%	0.95%	0.93%	0.91%	0.89%	0.87%	0.85%	0.84%
Meets Benchmark	✗	✗	✗	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Rolling 3 year average			-	-	0.35%	0.69%	1.02%	0.99%	0.97%	0.95%	0.93%	0.91%	0.89%	0.87%	0.85%
Meets Benchmark			✗	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

OPERATING PERFORMANCE RATIO



<i>This is how we calculated the council's result.....</i>					
<i>(Figures are carried over from the data sheet and are in \$000)</i>					
Cost of debt service (interest expense & principal repayments)					
Total continuing operating revenue (exc. capital grants and contributions)					
+					
-					
2016	<u>162+88</u> 24074-160	<u>250</u> 23,914	=	1.05%	Current year Budget
2017	<u>173+62</u> 23634-403	<u>235</u> 23,231	=	1.01%	2016/2017 Draft Budget
2018	<u>179+56</u> 23878-196	<u>235</u> 23,682	=	0.99%	
2019	<u>184+51</u> 24503-309	<u>235</u> 24,194	=	0.97%	
2020	<u>190+45</u> 24931-213	<u>235</u> 24,718	=	0.95%	
2021	<u>196+39</u> 25476-220	<u>235</u> 25,256	=	0.93%	
2022	<u>202+33</u> 25873-66	<u>235</u> 25,807	=	0.91%	
2023	<u>209+26</u> 26540-168	<u>235</u> 26,372	=	0.89%	
2024	<u>215+20</u> 27019-68	<u>235</u> 26,950	=	0.87%	
2025	<u>222+13</u> 27600-57	<u>235</u> 27,544	=	0.85%	
2026	<u>229+6</u> 28175-23	<u>235</u> 28,152	=	0.84%	

As shown, Council meets this Benchmark on an ongoing basis.

SUMMARY:

The Committee is asked to consider this information and determine its position in respect of the Fit for the Future Performance Benchmarks. It is advised that compliance with the Benchmarks by the end of the three (3) year period ending 2019/2020 is mandatory for a Council to remain Fit for the Future.

The Committee may wish to consider this matter in conjunction with Long Term Financial Plan which has been prepared on the basis of Council's adopted and IPART approved Fit for the Future Roadmap.

RECOMMENDATION:

That the Committee determine its response in respect of the Fit for the Future Performance Benchmarks for the General Fund for the 2016/2017 draft Operational Plan and Budget;

LONG TERM FINANCIAL PLAN:

Financial Modelling over the 10 year period based on a continuation of Council's current rating structure provides the following budget results:

A) GENERAL FUND TEN YEAR BUDGET – EXISTING RATING STRUCTURE:

A comprehensive review of Council's Long Term Financial Plan (LTFP)/10 Year Budget has been undertaken. Under the current Rating Structure (no Special Rate Variation), an annual 2.5% Rate Peg (IPART indicative figure, noting, however, that the indicative figure for 2016/2017 was 2.5% but that only 1.8% was provided), 2.5% p.a. indexation on Council's Finance and Assistance Grants, a 2.5% CPI and a continuation of Council's Existing Service Levels, the following financial results are achieved.

GENERAL FUND - CURRENT RATING STRUCTURE		
Year	Final Result	
2016/2017	1,556	Surplus
2017/2018	- 96,740	Deficit
2018/2019	- 158,060	Deficit
2019/2020	- 221,790	Deficit
2020/2021	- 287,650	Deficit
2021/2022	- 352,430	Deficit
2022/2023	- 420,030	Deficit
2023/2024	- 489,750	Deficit
2024/2025	- 561,770	Deficit
2025/2026	- 636,920	Deficit

Note: Based on the continuation of Council's existing Service Levels and Programs.
A 1.0% Rate increase provides Council with an additional \$105K.

As noted in the preparation of Council's approved Fit for the Future Roadmap and as shown, cost pressures have now overtaken Council's revenue raising capacity. While to this point above Rate Peg increases in cost have been met from increased efficiencies, a point has now been reached where continuing cost efficiencies are only small in nature. As shown in Council's Fit for the Future Benchmarks, Council has reduced its Real Operating Costs per Capita by 21.0% since 2009, a very strong efficiency gain.

The Committee will be aware that a wide range of factors have placed Council in this position, where increases in its revenues no longer match increases in its expenditures. The major factors impacting this include:

1. Increases in Council Costs above the annual rate peg – long term financial modelling conducted since 2009, has consistently indicated that by 2017/2018 increases in Council's costs would outstrip increases in Council's Rate Revenues by a minimum of 5.0% or \$525K per annum.

It is noted that the IPART determined Rate Peg - Local Government Cost Index calculation actually disadvantages Rural Councils' that have a substantial Road Network and a low Population Density. In Inverell's case as a Group 11 Council, Council has a population density of two (2) people per square kilometre being 50% of the Group 11 average of four (4), and Council has 2,134 kilometres of Roads being 47% more Roads, against the Group 11 Council average of 1,451 km. The Council will be aware from previous Budget Reports that the Queensland Local Government Cost Index increased by up to 7.5% per annum on a number of occasions over the last 7 years on the basis of Road Maintenance and Road Renewal Cost increases.

It is further noted that the 2016/2017 Rate Peg determination provides for a 2.4% increase in employee costs based on the ABS wage price index contributing 41.8% of the index. It is a fact, however, that the Local Government State Award increase for 2016/2017 is 2.8%, meaning that IPART Rate Peg is depriving Council of \$22K in income, being equivalent to a Rate increase of 0.2%.

A separate Report is included in this Business Paper in respect of the IPART determined 2016/2017 Rate Peg.

2. Freeze on the indexation of Council's Finance and Assistance Grants – the Federal Government implemented a three (3) year freeze on the indexation of Council's Finance and Assistance Grants in 2014/2015. The cost to the 2016/2017 Budget will be approximately \$436K, being equivalent to a 4.15% Rate Increase. This is an annual ongoing cost to Council's Annual Budgets. The cumulative cost to Council of this freeze to the end of 2016/2017 will be \$891K. The National total is \$925M. (Base Grant figure of \$5,372,016 plus 3% CPI, plus 2.4% CPI, plus 2.5% estimated CPI)
3. Reduction in Interest on Investment Income flowing from record low interest rates and the substantial draw down of Council's Investments for the Special Rural Roads Asset Renewal Programs and other Infrastructure Programs. Council's Interest on Investment Budget has reduced to \$879K in 2016/2017, a \$500K reduction equating to a 4.76% Rate increase.

It is noted that over a number of years the eligibility requirements for access to Pensioner Rate Rebates have also changed increasing the number of eligible Ratepayers. This has come at a cost to Council with Pensioner Rebates now costing the General Fund \$200K per annum after the State Government Subsidy, or 1.9% of Council's General Rate Income.

A range of Government Charges have also increased as follows:

Emergency Services Levies (Averaged over 4.0% p.a.)	\$ 36K p.a.
Flood Gauge Maintenance Charges	\$ 50K p.a.
(Equates to a 0.82% General Rate Increase)	

A continuation of the Current Rating Structure will, as shown in the abovementioned FFF Benchmarks, see a shortfall in Council's ongoing Maintenance Programs, the required funding not being available to address the remaining infrastructure Backlog, and a shortfall in the Maintenance Funding needed to ensure the Road Infrastructure Backlog does not re-occur.

B) GENERAL FUND TEN YEAR BUDGET – FFF ROADMAP:

As shown above, Council will not meet the required FFF Benchmarks by the required 2019/2020 deadline without the indicated 14.25% Special Rate Variation. Financial modelling undertaken for the preparation of the 2016/2017 draft Budget and revised Long Term Financial Plan have confirmed that the proposed 14.25% Special Rate Variation above the Rate Peg is the minimum rate variation that can be sought for Council to meet the FFF Benchmarks. While staff were seeking to reduce the Special Rate Variation to a lower level or to defer it to later years, this has not been possible due to the less than satisfactory 1.8% 2016/2017 IPART approved Rate Peg, a continuing escalation of a wide range of costs that have not been compensated for by cost savings in other areas and record low interest rates. A Rate peg of 2.5% would more closely approximate the real increase in Council's costs, would have delivered an additional \$73.5K into Council's 2016/2017 draft Budget. These funds could have been allocated to Asset Maintenance, Renewal and New Assets. The 1.8% 2016/2017 Rate Peg also undermines IPART's statement in their 2015 Assessment of Fit for the Future Roadmaps that they believe that Councils should have discretionary funding available on a continuing basis to ensure their long term sustainability.

With the implementation of the Council adopted and IPART approved FFF Roadmap the following financial results are achieved:

GENERAL FUND - FFF SPECIAL RATE VARIATION		
Year	Final Result	
2016/2017	1,556	Surplus
2017/2018	1,168	Surplus
2018/2019	1,618	Surplus
2019/2020	1,446	Surplus
2020/2021	1,257	Surplus
2021/2022	1,361	Surplus
2022/2023	1,366	Surplus
2023/2024	1,502	Surplus
2024/2025	1,148	Surplus
2025/2026	1,995	Surplus

Note: Based on the continuation of Council's existing Service Levels and Programs, and increased funding for Rural Road Maintenance and Renewal, and Upgrade from 2020/2021.

As shown in the table, the implementation of the FFF Roadmap will provide the necessary funding for Council's ongoing Maintenance Programs, the required funding to address the infrastructure Backlog, and from 2020/2021 some discretionary new asset funding dependant on asset renewal needs at that time. This is dependant on an average 2.5% Rate Peg and the indexation of Council's Finance and Assistance and other grants.

As noted earlier in this report, while a range of further ongoing efficiency gains, operating cost savings and energy costs savings have been achieved in 2015/2016 from Council's ongoing Operational Efficiency and Effectiveness Program, these have now largely come to an end.

The ongoing cost savings realised in the last 12 months and expected to be carried in to 2016/2017 and future budgets total \$142,175. As noted, these have been allocated to meet increased expenditure requirements in the following areas in the 2016/2017 draft Budget:

• Road Grading (additional 80km of grading)	\$ 73,000
• Local Heritage Program (grants to owners)	\$ 20,000
• Cameron Park Maintenance	\$ 15,000
• May Street Park Maintenance (New Budget)	\$ 3,000
• Public Toilets Maintenance	\$ 5,000
• Lake Inverell Maintenance	\$ 3,000
• Central Business District Maintenance	\$ 4,000
• Opera in the Paddock (Program Re-instated)	\$ 5,000
• Grafton to Inverell	\$ 1,000
• Cycleway Maintenance	\$ 2,000
• Ashford Oval Expenses	\$ 1,000
• Victoria Park Expenses	\$ 1,000
• Campbell Park Expenses	\$ 1,000
• Bellevue Park Expenses	\$ 3,000
• Administration Postage	\$ 2,700
• Finance Postage	\$ 1,575
• Library Postage	<u>\$ 900</u>
	\$ 142,175

As shown, the major beneficiary is in the area of Council's Rural Road Budget – Grading, with the 2016/2017 draft Budget providing a 6.5% increase in the Rural Roads Grading Budget to meet Service Levels in this area. The total Grading Budget is now \$1.2M per annum.

The remaining additional budget allocation increases are to meet increased operating costs in the identified areas, with the exception of the \$20K proposed allocation to the Local Heritage Program and re-instatement of a \$5K contribution to Opera in the Paddock. As shown, the new Postage Charges come at a significant cost to Council.

Noting all of these matters, the following Fit for the Future Benchmarks are achievable by Council implementing the minimum 14.25% Special Rate Variation in conjunction with an annual 2.5% Rate Peg as indicated in Council's adopted and IPART approved FFF Roadmap.

C) FIT FOR THE FUTURE ROADMAP BENCHMARKS (Includes SRV):

The implementation of the Council adopted and IPART approved FFF Roadmap achieve the following FFF Benchmarks:

BENCHMARK

SUSTAINABILITY – OPERATING PERFORMANCE

This Sustainability Benchmark requires that Council achieves a result of "Breakeven (0.00%) and improving for the three (3) years ending 2019/2020 and for each three (3) year rolling period thereafter". Council must meet this Benchmark to remain Fit for the Future.

This Benchmark is a core measure of financial sustainability - indicates Council's capacity to meet ongoing operating expenditure requirements. TCorp recommends at least breakeven over the longer term - ongoing deficits are unsustainable.

The Benchmark highlights that under Council's FFF Roadmap, revenues will keep pace with increases in Council's costs, and generate sufficient surplus funds for Asset Renewal and Upgrade. Maintaining this Benchmark at >0.0% is dependant on an average 2.5% Rate Peg and a 2.5% average increase in the Finance and Assistance Grants.

OPERATING PERFORMANCE RESULT

General Fund

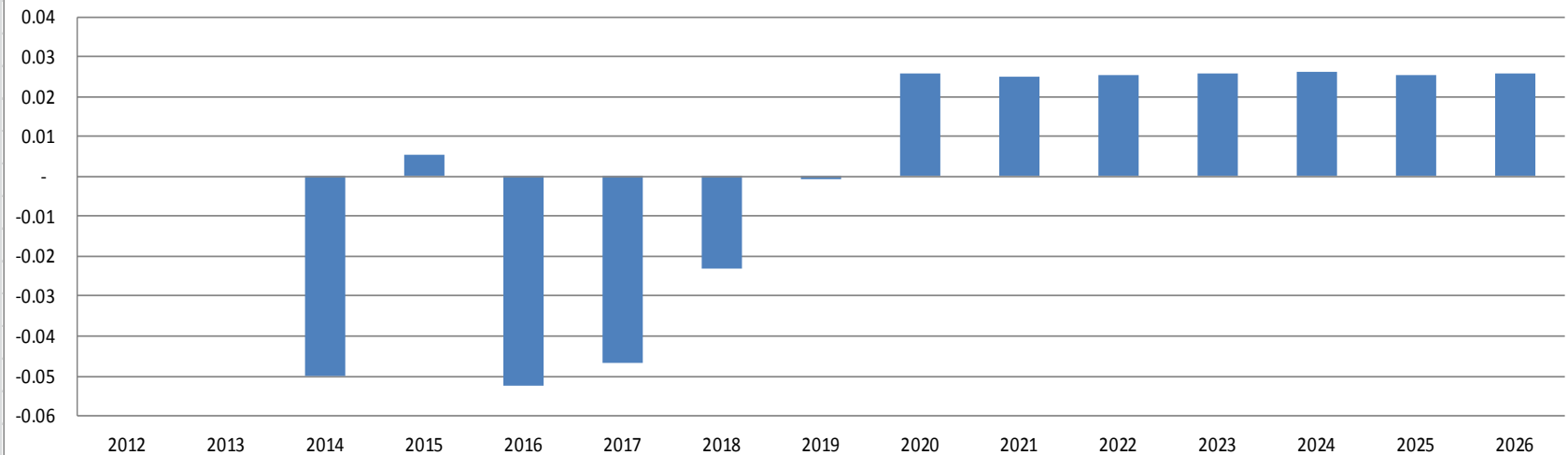
Including F4F SRV

BENCHMARK AND RESULT

Benchmark:- *Greater or equal to break-even average over 3 years*

Summary of Results	ACTUALS				CURRENT BUDGET	PROPOSED BUDGET									
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Result	-	-	- 0.05	0.01	- 0.05	- 0.05	- 0.02	- 0.00	0.03	0.02	0.03	0.03	0.03	0.03	0.03
Meets Benchmark	✓	✓	✗	✓	✗	✗	✗	✗	✓	✓	✓	✓	✓	✓	✓
Rolling 3 year average			- 0.02	- 0.01	- 0.03	- 0.03	- 0.04	- 0.02	0.00	0.02	0.03	0.03	0.03	0.03	0.03
Meets Benchmark			✗	✗	✗	✗	✗	✗	✓	✓	✓	✓	✓	✓	✓

OPERATING PERFORMANCE RATIO



<i>This is how we calculated the council's result.....</i> <i>(Figures are carried over from the data sheet and are in \$000)</i>									
<i>Total continuing operating revenue (exc. capital grants and contributions) less operating expenses</i> <i>Total continuing operating revenue (exc. capital grants and contributions)</i>									
+									
-									
2016	24074-160-25164	-1,250	=	-	0.05	Current year Budget			
	24074-160	23,914							
2017	23634-403-24319	-1,088	=	-	0.05	2016/2017 Draft Budget			
	23634-403	23,231							
2018	24388-196-24752	-560	=	-	0.02				
	24388-196	24,192							
2019	25597-309-25307	-20	=	-	0.00				
	25597-309	25,287							
2020	26775-213-25875	686	=		0.03				
	26775-213	26,561							
2021	27365-220-26470	675	=		0.02				
	27365-220	27,145							
2022	27810-66-27042	702	=		0.03				
	27810-66	27,743							
2023	28525-168-27626	731	=		0.03				
	28525-168	28,357							
2024	29053-68-28228	757	=		0.03				
	29053-68	28,985							
2025	29686-57-28879	750	=		0.03				
	29686-57	29,629							
2026	30313-23-29503	786	=		0.03				
	30313-23	30,290							

BENCHMARK**SUSTAINABILITY – OWN SOURCE REVENUE**

This Sustainability Benchmark requires that Council achieves a result of “Greater than 60.0% average over the three (3) years ending 2019/2020 and for each three (3) year rolling period thereafter”. Council must meet this Benchmark to remain Fit for the Future.

Councils with higher own source revenue have a greater ability to control their own operating performance and financial sustainability. TCorp recommends 60% as a minimum level to ensure Councils have sufficient flexibility to manage external shocks and challenges.

As shown in the following graph and table, the FFF Roadmap provides the required funding to move this indicator above the required >60% from 2017/2018.

OWN SOURCE REVENUE RESULT

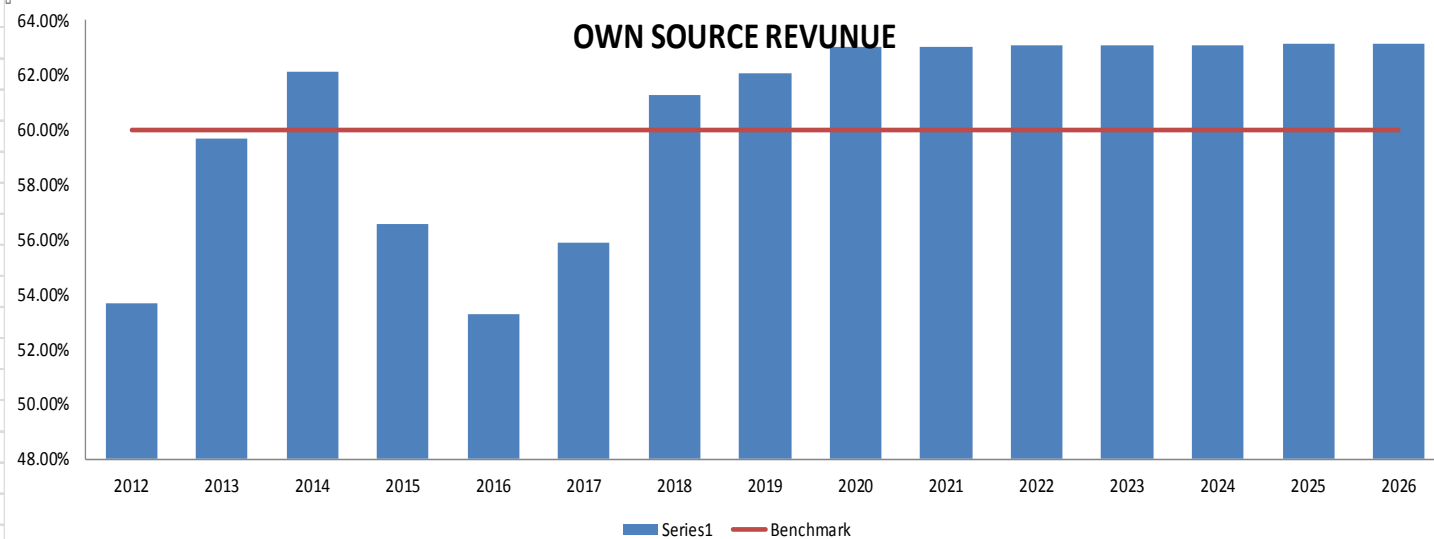
General Fund

Including F4F SRV

BENCHMARK AND RESULT

Benchmark:- Greater than 60% average over 3 years

Summary of Results	ACTUALS				CURRENT BUDGET	PROPOSED BUDGET									
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Benchmark	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%
Result	53.70%	59.70%	62.10%	56.54%	53.30%	55.87%	61.24%	62.05%	63.00%	63.03%	63.06%	63.08%	63.11%	63.13%	63.16%
Meets Benchmark		✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Rolling 3 year average			58.50%	59.45%	57.31%	55.24%	56.81%	59.72%	62.10%	62.69%	63.03%	63.06%	63.08%	63.11%	63.13%
Meets Benchmark			✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓



<i>This is how we calculated the council's result.....</i>					
<i>(Figures are carried over from the data sheet and are in \$000)</i>					
<i>Total continuing operating revenue less all grants and contributions</i>					
<i>Total continuing operating revenue inclusive of capital grants and contributions</i>					
2016	24074-8574-160	15,340	=	53.30%	Current year Budget
	24074+4867-160	28,781			
2017	23634-7479-403	15,752	=	55.87%	2016/2017 Draft Budget
	23634+4961-403	28,192			
2018	24388-7601-196	16,590	=	61.24%	
	24388+2897-196	27,089			
2019	25597-7776-309	17,511	=	62.05%	
	25597+2934-309	28,221			
2020	26775-7955-213	18,606	=	63.00%	
	26775+2972-213	29,533			
2021	27365-8138-220	19,007	=	63.03%	
	27365+3010-220	30,156			
2022	27810-8326-66	19,417	=	63.06%	
	27810+3050-66	30,793			
2023	28525-8519-168	19,837	=	63.08%	
	28525+3091-168	31,447			
2024	29053-8717-68	20,268	=	63.11%	
	29053+3132-68	32,117			
2025	29686-8919-57	20,710	=	63.13%	
	29686+3175-57	32,804			
2026	30313-9127-23	21,163	=	63.16%	
	30313+3218-23	33,508			

As noted earlier in this Report, this Benchmark is negatively influenced by additional Capital Grants and Contributions.

BENCHMARK

SUSTAINABILITY – BUILDING AND INFRASTRUCTURE ASSET RENEWAL

This Sustainability Benchmark requires that Council achieves a result of “Greater than 100.0% average over the three (3) years ending 2019/2020 and for each three (3) year rolling period thereafter”. Council must meet this Benchmark to remain Fit for the Future.

This Benchmark measures whether Council's assets are deteriorating faster than they are being renewed - indicator of whether Council's Infrastructure Backlog is likely to increase. A Ratio of greater than 100% ensures community assets are managed in a sustainable way.

This Ratio measures Council's Asset Renewal Expenditures against its Depreciation Expense. As shown over the period to 2016/2017. The draft Budget provides for Asset Renewals above the Depreciation Expense as major infrastructure is renewed.

A review of the Benchmark graph and table below indicates that Council is spending substantial additional funds on Asset Renewal during 2015/2016 and 2016/2017 as part of the major FFF Asset Infrastructure Backlog Program and lessor amounts from 2017/2018 on. This current expenditure will see the Infrastructure Backlog reduce to under the required <2.0% FFF Benchmark as indicated in Council's Fit for the Future Roadmap.

Based on implementation of Council's FFF Roadmap, Council will continue to meet this Benchmark. This Benchmark, however, does not account for new assets or asset upgrades such as the upgrade of Council's Rural Road network to cater for modern Higher Mass Limit (HML) vehicles. That said, Council has submitted a number of Grant Applications under the "Fixing Country Roads Program" aimed at upgrading a range of Roads to better cater for HML Vehicles.

BUILDING & INFRASTRUCTURE ASSET RENEWAL RATIO

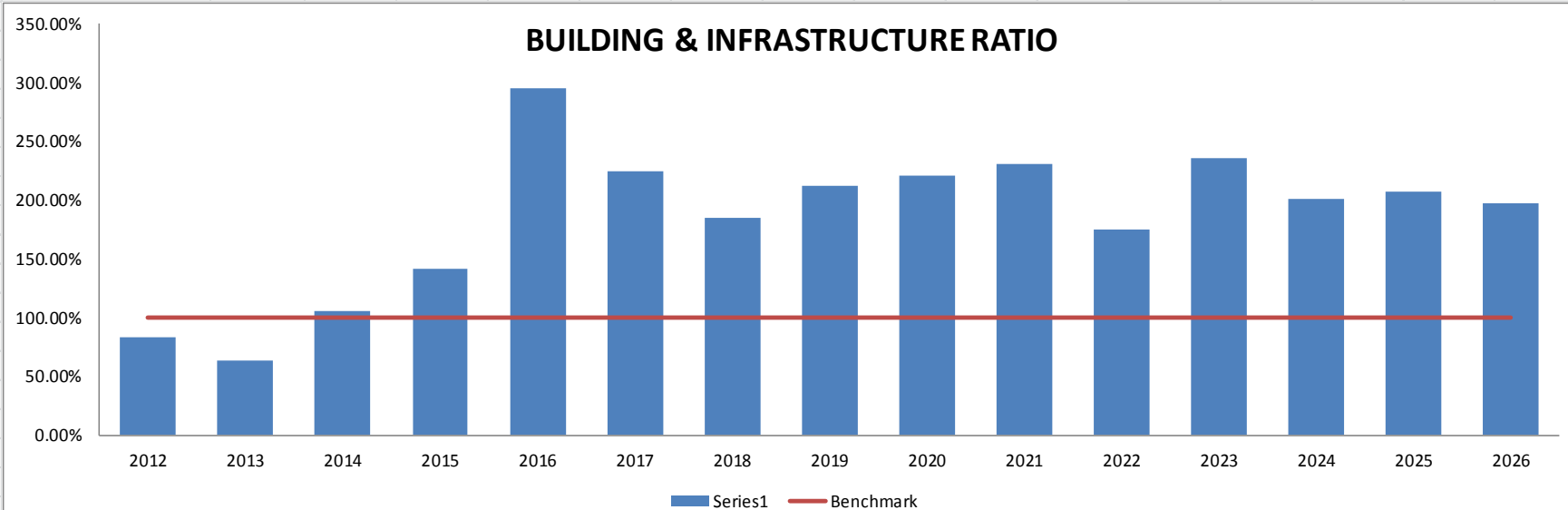
General Fund

Including F4F SRV

BENCHMARK AND RESULT

Benchmark:- Greater than 100% average over 3 years

Summary of Results	ACTUALS				CURRENT BUDGET	PROPOSED BUDGET									
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Benchmark	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Result	83.80%	63.80%	106.10%	142.00%	294.59%	224.85%	184.58%	212.39%	220.39%	230.36%	174.77%	235.29%	200.99%	207.48%	197.08%
Meets Benchmark	✗	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Rolling 3 year average			84.57%	103.97%	180.90%	220.48%	234.67%	207.27%	205.78%	221.05%	208.51%	213.48%	203.68%	214.59%	201.85%
Meets Benchmark			✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓



<i>This is how we calculated the council's result.....</i>					
<i>(Figures are carried over from the data sheet and are in \$000)</i>					
<i>Asset renewals (building and infrastructure)</i>					
<i>Depreciation, amortisation and impairment (building and infrastructure)</i>					
+					
-					
2016	13,200	13,200	=	294.59%	Current year Budget
	4,481	4,481			
2017	10,133	10,133	=	224.85%	2016/2017 Draft Budget
	4,506	4,506			
2018	8,338	8,338	=	184.58%	
	4,517	4,517			
2019	9,616	9,616	=	212.39%	
	4,528	4,528			
2020	10,002	10,002	=	220.39%	
	4,538	4,538			
2021	10,480	10,480	=	230.36%	
	4,549	4,549			
2022	7,970	7,970	=	174.77%	
	4,560	4,560			
2023	10,755	10,755	=	235.29%	
	4,571	4,571			
2024	9,208	9,208	=	200.99%	
	4,582	4,582			
2025	9,528	9,528	=	207.48%	
	4,592	4,592			
2026	9,072	9,072	=	197.08%	
	4,603	4,603			

BENCHMARK

EFFICIENCY – REAL OPERATING COST PER CAPITA RESULT

This Efficiency Benchmark requires that Council achieves a [decrease in Real Operating Expenditure per capita over time](#); Council must meet this Benchmark to remain Fit for the Future.

This Benchmark indicates how well Councils are utilising economies of scale and managing levels to achieve efficiencies. Focus on each Council's individual performance over time, rather than comparing with others. Decline in real expenditure per capita indicates improved efficiency (all things being equal).

GENERAL FUND - REAL OPERATING EXPENDITURE PER CAPITA RESULT

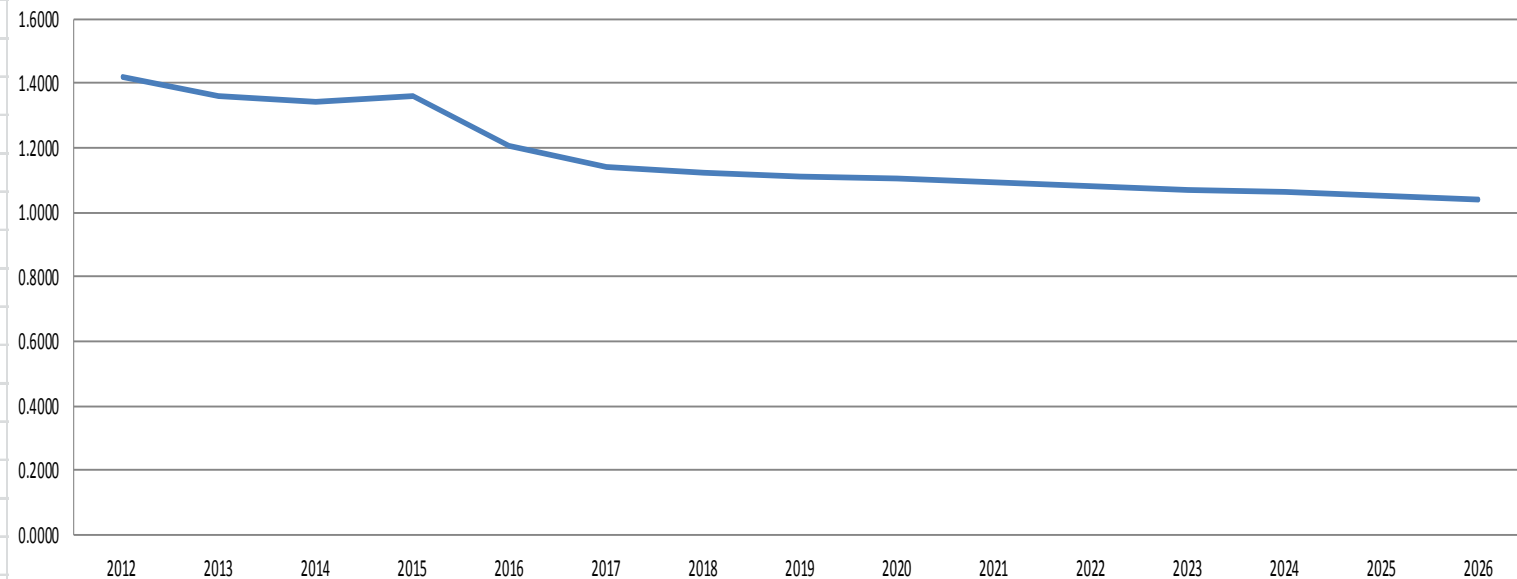
General Fund
Including F4F SRV

BENCHMARK AND RESULT

Benchmark: A decrease in Real Operating Expenditure per capita over time

Summary of Results	ACTUALS						CURRENT BUDGET	PROPOSED BUDGET									
Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Result	1.5300	1.6700	1.4200	1.3600	1.3400	1.3600	1.2080	1.1393	1.1237	1.1132	1.1028	1.0932	1.0821	1.0712	1.0606	1.0514	1.0407

REAL OPERATING EXPENDITURE RATIO



As shown, Council achieves this Benchmark. The Benchmark was 1.529 in 2009/2010 and will be approximately 1.208 at 30 June, 2016 based on Council's current Financial Position as shown below. This means that on a Per Capita basis Council has realised a 21.0% Efficiency Gain or 3.0% per annum for the 7 years ending 30 June, 2016. This is a high achievement for any Organisation; however, this now makes it increasingly difficult to identify further significant cost savings without negatively impacting service levels.

That said, as shown in the following table, based on Council's FFF Roadmap 14.25% Special Rate Variation, Council's Efficiency Indicators continue to further improve. The total Efficiency gain for the 10 year period 2016/2017 to 2025/2026 will be a further 13% or 1.3% per annum. This figure can be related to the last publicised IPART productivity factor for Local Government which stood at only 0.05%.

<i>This is how we calculated the council's result.....</i>							
<i>(Figures are carried over from the data sheet and are in \$000)</i>							
+							
*							
2016	25164*0.8138	20,477	=	1.2080	Current year Budget		
	16,951	16,951					
2017	24319*0.7991	19,434	=	1.1393	2016/2017 Draft Budget		
	17,057	17,057					
2018	24752*0.7791	19,285	=	1.1237			
	17,163	17,163					
2019	25307*0.7597	19,225	=	1.1132			
	17,270	17,270					
2020	25875*0.7407	19,165	=	1.1028			
	17,378	17,378					
2021	26470*0.7221	19,115	=	1.0932			
	17,486	17,486					
2022	27042*0.7041	19,040	=	1.0821			
	17,595	17,595					
2023	27626*0.6865	18,965	=	1.0712			
	17,705	17,705					
2024	28228*0.6693	18,894	=	1.0606			
	17,815	17,815					
2025	28879*0.6526	18,847	=	1.0514			
	17,926	17,926					
2026	29503*0.6363	18,772	=	1.0407			
	18,038	18,038					

BENCHMARK**INFRASTRUCTURE AND SERVICE MANAGEMENT – INFRASTRUCTURE BACKLOG RESULT**

This Infrastructure and Service Management Benchmark requires that Council achieves a result of “Less than 2.0%” by the end of 2019/2020 and for each year thereafter”. Council must meet this Benchmark to remain Fit for the Future.

This Benchmark measures how effectively Councils are managing their infrastructure. Increasing Backlogs may affect Council's ability to provide services and maintain sustainable. The Benchmark of less than 2% ensures infrastructure backlogs are at manageable levels.

As shown in the following graph, Council's Infrastructure Backlog that relates entirely to Road Infrastructure is below the <2.0% Benchmark. It is noted that the Benchmark takes into consideration Works funded but not yet completed, as the Backlog is only the “Unfunded or Gap Amount”. Council's Special Roads Infrastructure Asset Renewal Program (one-off allocation of Funding from Internally Restricted Assets) which is currently being delivered is responsible for Council achieving this Benchmark. The maintaining of the Infrastructure Backlog result at <2.0% is dependant on Council fully funding its Asset Maintenance and Renewal needs each year. As shown in the graph and the table, Council is able to achieve this outcome by implementing its IPART approved FFF Roadmap. It is noted that under the FFF Roadmap, from 2020/2021 onwards, Council will have access to additional revenues which will be able to be directed to Asset Upgrades and new Assets or alternatively at improved Service Levels.

INFRASTRUCTURE BACKLOG RATIO

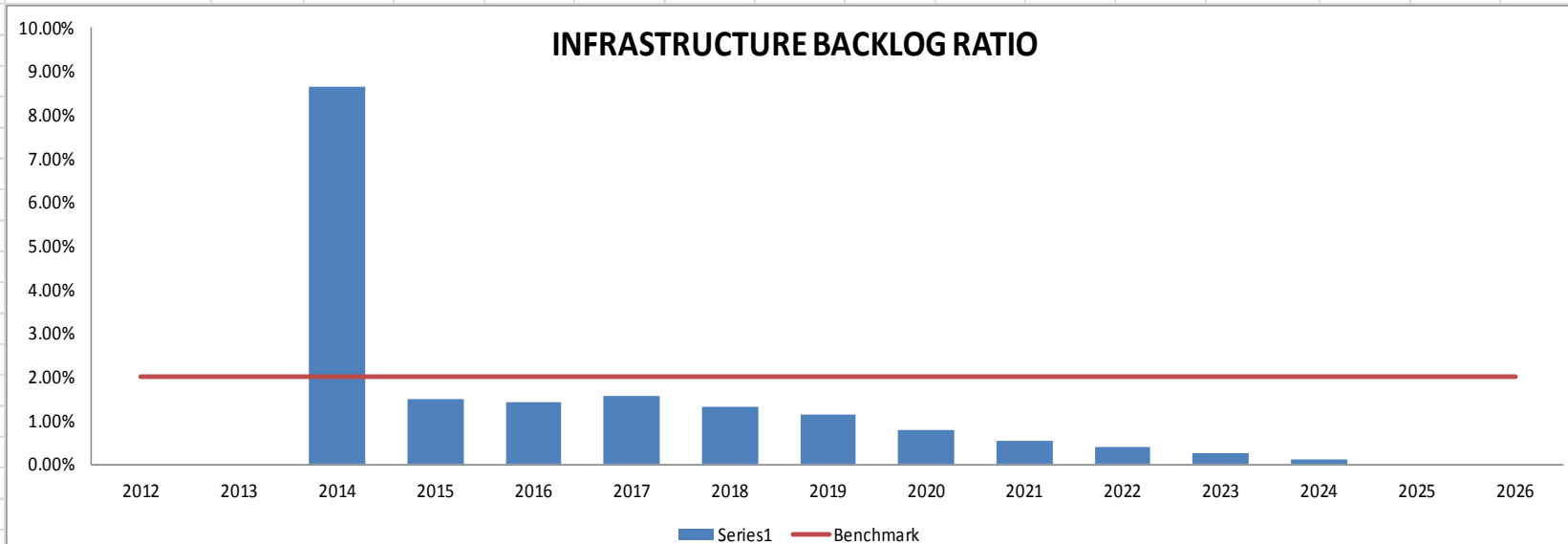
General Fund

Including F4F SRV

BENCHMARK AND RESULT

Benchmark:- Less than 2%

Summary of Results	ACTUALS				CURRENT BUDGET	PROPOSED BUDGET									
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Benchmark	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Result	0.00%	0.00%	8.66%	1.48%	1.44%	1.57%	1.33%	1.12%	0.77%	0.53%	0.39%	0.26%	0.13%	0.00%	0.00%
Meets Benchmark															



<i>This is how we calculated the council's result.....</i>					
<i>(Figures are carried over from the data sheet and are in \$000)</i>					
<i>Estimated cost to bring assets to a satisfactory condition</i>					
<i>Total (WDV) of infrastructure, buildings, other structures and depreciable land improvement assets</i>					
+					
-					
2016	<u>5,097</u>	=	1.44%	Current year Budget	
	354,384				
2017	<u>5,611</u>	=	1.57%	2016/2017 Draft Budget	
	357,861				
2018	<u>4,769</u>	=	1.33%		
	359,738				
2019	<u>4,067</u>	=	1.12%		
	362,177				
2020	<u>2,827</u>	=	0.77%		
	365,347				
2021	<u>1,951</u>	=	0.53%		
	368,529				
2022	<u>1,461</u>	=	0.39%		
	371,761				
2023	<u>971</u>	=	0.26%		
	375,047				
2024	<u>481</u>	=	0.13%		
	378,384				
2025	<u>0</u>	=	0.00%		
	385,160				
2026	<u>0</u>	=	0.00%		
	385,160				

BENCHMARK**INFRASTRUCTURE AND SERVICE MANAGEMENT – ASSET MAINTENANCE RESULT**

This Infrastructure and Service Management Benchmark requires that Council achieves a result of “Greater than 100.0% average over the three (3) years ending 2019/2020 and for each three (3) year rolling period thereafter”. Council must meet this Benchmark to remain Fit for the Future.

This Benchmark measures whether Council is spending enough on maintaining its assets to avoid increasing the infrastructure Backlog. A ratio of greater than 100% ensures Council's infrastructure position is not deteriorating.

This ratio is measured at the close of each reporting period. In 2016/2017 it is planned to provide the required level of maintenance to Council's Assets. To be able to achieve this outcome, the cost savings identified in 2015/2016 have had to be allocated to a range of maintenance activities and not to Asset Renewal, Asset Upgrade or new Services.

As shown in the graph and the table, with the implementation of the FFF Roadmap Council will achieve this Benchmark on an ongoing basis, based on Council's existing Service Levels.

The updated Long Term Financial Plan which supports the Roadmap, clearly show that Council needs to implement the FFF Roadmap to provide for the required level of Asset Maintenance from 2017/2018 onwards. The table also includes an estimate of the additional Maintenance Funding required to be allocated to Council's Road Infrastructure Asset Class to assist in ensuring, as far as is possible, that the Infrastructure Backlog does not re-occur. This is of course dependant on the absence of extreme weather and other unforeseeable events. That said, Council has in the past been able to cope with unexpected Asset failures by re-allocating its Asset Renewal Funding to the failed Asset and by supplementing this funding with Funding from Council Strategic Capital Infrastructure and Projects Fund (delaying projects to be funding under this program). It is noted Council also maintains a borrowing capacity in the General Fund for urgent Asset replacements.

ASSET MAINTENANCE RATIO

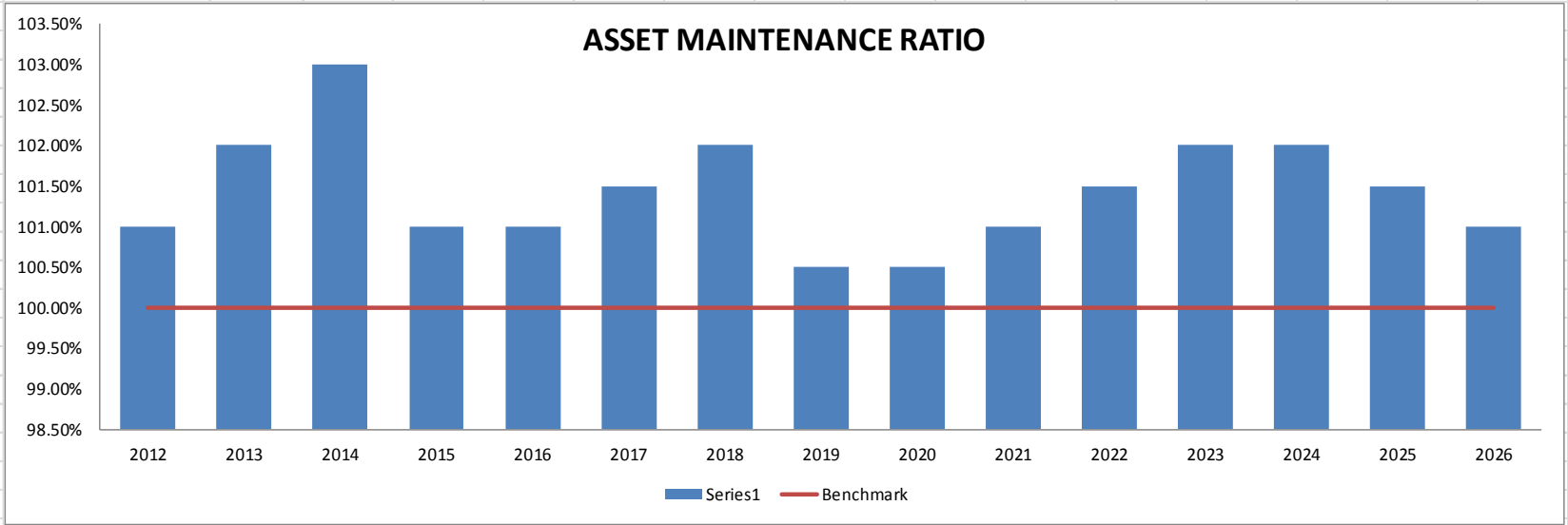
General Fund

Including F4F SRV

BENCHMARK AND RESULT

Benchmark:- Greater than 100% average over 3 years

Summary of Results	ACTUALS				CURRENT BUDGET	PROPOSED BUDGET									
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Benchmark	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Result	101.00%	102.00%	103.00%	101.00%	101.00%	101.50%	102.00%	100.50%	100.50%	101.00%	101.50%	102.00%	102.00%	101.50%	101.00%
Meets Benchmark	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Rolling 3 year average			102.00%	102.00%	101.67%	101.17%	101.50%	101.33%	101.00%	100.67%	101.00%	101.50%	101.83%	101.83%	101.50%
Meets Benchmark			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓



<i>This is how we calculated the council's result.....</i>					
<i>(Figures are carried over from the data sheet and are in \$000)</i>					
	<i>Actual asset maintenance</i>				
	<i>Required asset maintenance</i>				
+					
-					
2016	5,372	5,372	=	101.00%	Current year Budget
	5,319	5,319			
2017	6,212	6,242	=	101.50%	2016/2017 Draft Budget
	6,150	6,150			
2018	6,463	6,527	=	102.00%	
	6,399	6,399			
2019	6,682	6,649	=	100.50%	
	6,616	6,616			
2020	6,904	6,870	=	100.50%	
	6,836	6,836			
2021	7,146	7,146	=	101.00%	
	7,075	7,075			
2022	7,359	7,395	=	101.50%	
	7,286	7,286			
2023	7,574	7,649	=	102.00%	
	7,499	7,499			
2024	7,800	7,877	=	102.00%	
	7,723	7,723			
2025	8,061	8,101	=	101.50%	
	7,981	7,981			
2026	8,288	8,288	=	101.00%	
	8,206	8,206			

BENCHMARK

INFRASTRUCTURE AND SERVICE MANAGEMENT – DEBT SERVICE RESULT

This Infrastructure and Service Management Benchmark requires that Council achieves a result of “Greater than 0.0% and less than or equal to 20.0% average over the three (3) years ending 2019/2020 and for each three (3) year rolling period thereafter”. Council must meet this Benchmark to remain Fit for the Future.

This Benchmark indicates whether Council is using debt wisely to share the life-long costs of assets and avoid excessive rate increases. TCorp believe it is appropriate that Councils should carry some level of debt to ensure inter-generational equity in funding major infrastructure.

DEBT SERVICE RESULT

General Fund

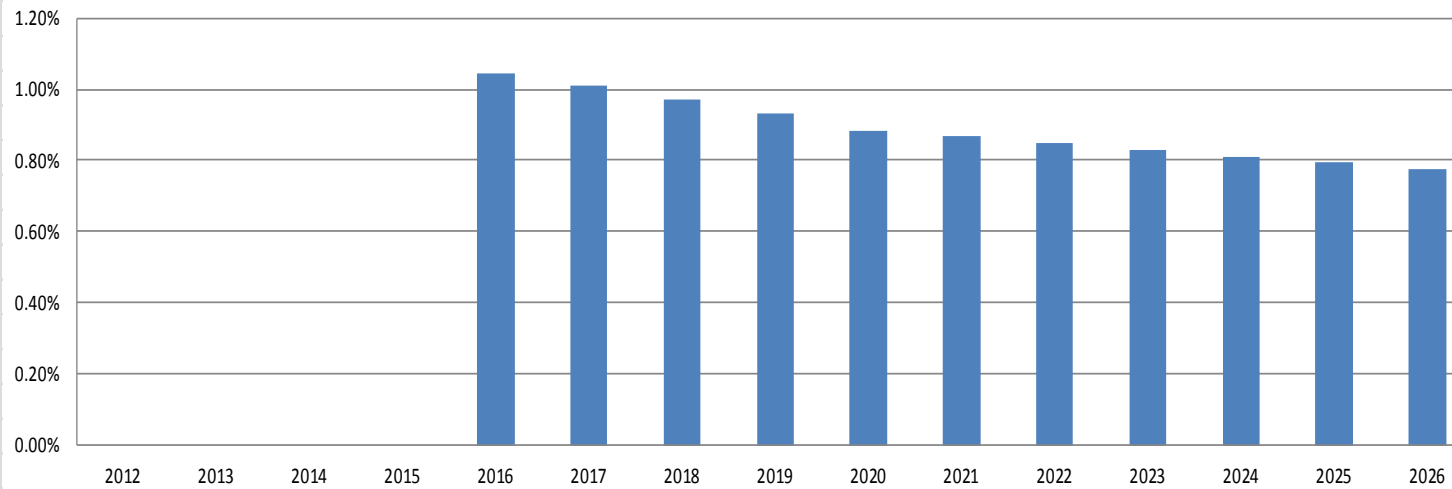
Including F4F SRV

BENCHMARK AND RESULT

Benchmark:- Greater than 0 and less than or equal to 20% average over 3 years

Summary of Results	ACTUALS				CURRENT BUDGET	PROPOSED BUDGET									
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Result	0.00%	0.00%	0.00%	0.00%	1.05%	1.01%	0.97%	0.93%	0.89%	0.87%	0.85%	0.83%	0.81%	0.79%	0.78%
Meets Benchmark	✗	✗	✗	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Rolling 3 year average			-	-	0.35%	0.69%	1.01%	0.97%	0.93%	0.89%	0.87%	0.85%	0.83%	0.81%	0.79%
Meets Benchmark			✗	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

OPERATING PERFORMANCE RATIO



<i>This is how we calculated the council's result.....</i>					
<i>(Figures are carried over from the data sheet and are in \$000)</i>					
Cost of debt service (interest expense & principal repayments)					
Total continuing operating revenue (exc. capital grants and contributions)					
+					
-					
2016	162+88	250	=	1.05%	Current year Budget
	24074-160	23,914			
2017	173+62	235	=	1.01%	2016/2017 Draft Budget
	23634-403	23,231			
2018	179+56	235	=	0.97%	
	24388-196	24,192			
2019	184+51	235	=	0.93%	
	25597-309	25,287			
2020	190+45	235	=	0.89%	
	26775-213	26,561			
2021	196+39	235	=	0.87%	
	27365-220	27,145			
2022	202+33	235	=	0.85%	
	27810-66	27,743			
2023	209+26	235	=	0.83%	
	28525-168	28,357			
2024	215+20	235	=	0.81%	
	29053-68	28,985			
2025	222+13	235	=	0.79%	
	29686-57	29,629			
2026	229+6	235	=	0.78%	
	30313-23	30,290			

Council meets this Benchmark on an ongoing basis.

SUMMARY:

The Committee is asked to consider this information and determine its position in respect of the Long Term Financial Plan, the IPART approved FFF Roadmap and the FFF Benchmarks. It is advised that compliance with the Benchmarks by the end of the three (3) year period ending 2019/2020 is mandatory for Council to be FFF.

RECOMMENDATION:

That the Committee recommend to Council that:

- i) the Long Term Financial Plan be adopted on the basis of Council fully implementing Council's IPART approved Fit for the Future Roadmap;*
- ii) Council continue to pursue its ongoing Operational Efficiency and Effectiveness Program to achieve a continuing improvement in its efficiency as measured by the Real Operating Costs per Capita Benchmark; and*
- iii) the Long Term Financial Plan be placed on public exhibition for a period of 28 days.*

ASSET MANAGEMENT PLANNING:

Council staff have now completed Council's Road Infrastructure Asset Management Plans. The Plans have been informed by the Roads Asset Infrastructure Data capture which was conducted in 2015. The Plans are provided under separate cover for the Committee's consideration.

In respect of the Water and Sewerage Funds, Plans for these activities were previously prepared by NSW Public Works. These plans are supplemented by Council's Water and Sewerage Fund Works priorities as adopted by Council.

For Buildings and Other Structures, Council has engaged CT Management Group, who are specialists in this area, to prepare the Asset Management Plans. These are due for completion in June, 2016.

Council has expended significant funds over the last 10 years on its Buildings and Other Structures resulting in these Assets being assessed as being in a "satisfactory condition" with no Infrastructure Backlog in this area. Council will be shortly calling Tenders for the construction of a new Amenities Block/Canteen Facility at the Ashford Oval (to replace the existing old Canteen) and will be refurbishing the small toilet block at Brooks Oval. Council will also during 2016/2017 be undertaking the major redevelopment of the Inverell Sports Complex and preparing plans for the redevelopment of the Inverell Pool Complex.

The Buildings and Other Structures Asset Management Plans will be placed on public exhibition following their consideration by Council in early 2016/2017.

RECOMMENDATION:

That the Committee recommend to Council that:

- i) the Road Infrastructure Asset Management Plans be adopted; and*
- ii) the Plans placed on public exhibition for a period of 28 days.*

1. SEWERAGE ACTIVITIES

This Activity's Budget is based on:

- i) a "Balanced" Budget,
- ii) a 5.0% increase in Sewerage Charges to fund the substantial major Asset Renewal and Upgrade Works being undertaken. These proposed increases are in line with the increases discussed by Council in respect of Council's Water and Sewerage Strategy. After the proposed increases are applied, Council's charges will still remain up to 32% below the NSW median charges. The Charge applicable to McLean Care at \$2,342 represents an approximate \$8,000.00 annual subsidy to this Organisation.

Sewerage Fund has been categorised as a Category 1 Business Activity in the draft Operational Plan to comply with the requirements of the National Competition Policy and the COAG Agreement. It is a requirement of the COAG Agreement that Council's Sewerage Operations financially break-even at a minimum, after the depreciation of sewerage assets is brought to account.

The draft Budget provides for Capital Works totalling \$647K. These works include \$10K for equipment purchases, \$107K for Mains Renewal, \$90K for Sewer Mains Relining, and \$440K for Pump Station and Telemetry Works. This will be the second year of full repayments on the Sewerage Fund \$2M Loan for the Inverell Sewerage Treatment Works Asset Renewal and Upgrade Project (\$170K Principal plus \$71K interest less subsidy of \$59K). "Long Term Financial Modelling" conducted in conjunction with the Department of Commerce highlights that the Sewerage Fund is sustainable in the long term and will be able to meet all its operational and Capital expenditure requirements over the next 20 years. Substantial Works are currently being undertaken in respect of ascertaining the condition of Council's older underground sewer mains in the Asset Management Area. Significant funds are indicated in the 20 year plan for mains relining and replacement.

The Operational Plan does not provide for the payment of a dividend to the General Fund from the Sewerage Fund.

RECOMMENDATION:

That the Committee recommend to Council that:

- (i) *the Sewerage Charges as listed below be adopted for 2016/2017:*

<i>Sewerage Charge Occupied</i>	<i>\$ 500.00</i>
<i>Sewerage Charge Unoccupied</i>	<i>\$ 313.00</i>
<i>Sewerage Charge Flats/Units</i>	<i>\$ 313.00</i>
<i>Sewerage Charge Nursing Homes</i>	<i>\$2,342.00</i>

<i>Sewerage Charge Hotel/Licensed Clubs</i>	<i>\$1,500.00</i>
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<i>Number of Services per Assessment</i>	<i>Annual Charge Per Assessment</i>
<i>1</i>	<i>\$ 500.00</i>
<i>2</i>	<i>\$ 813.00</i>
<i>3</i>	<i>\$1,126.00</i>
<i>4</i>	<i>\$1,439.00</i>
<i>5</i>	<i>\$1,752.00</i>
<i>6</i>	<i>\$2,065.00</i>
<i>7</i>	<i>\$2,378.00</i>
<i>8</i>	<i>\$2,691.00</i>
<i>9</i>	<i>\$3,004.00</i>
<i>10</i>	<i>\$3,317.00</i>

11	\$3,630.00
12	\$3,943.00
13	\$4,256.00
14	\$4,569.00
15	\$4,882.00
<i>Sewerage Non-Rateable Schools – WC's</i>	<i>\$72.45 per receptacle</i>
<i>Sewerage Non-Rateable Other – WC's</i>	<i>\$120.75 per receptacle</i>
<i>Sewerage Non-Rateable Urinals</i>	<i>\$ 72.45 per receptacle</i>
 <u><i>New Charge Structure for Motels and Caravan Parks</i></u>	
 <i>In accordance with the new charge structure for Motels and Caravan Parks the following charges are proposed with 2016/2017.</i>	
<i>Motel Residence</i>	<i>\$ 500.00</i>
<i>Motel Restaurant</i>	<i>\$ 500.00</i>
<i>Motel Ensuite</i>	<i>\$ 156.60</i>
<i>Caravan Park Residence</i>	<i>\$ 500.00</i>
<i>Caravan Park Amenities Block</i>	<i>\$1,500.00</i>
<i>Caravan Park Ensuite Cabins</i>	<i>\$ 156.60</i>
 <i>(ii) the Draft Estimates (incorporating Operational Plan) for the Sewerage Fund for 2016/2017 be adopted and placed on public exhibition for a period of 28 days as required by Section 405 of the Local Government Act 1993.</i>	

2. WATER ACTIVITIES

This Activity's Budget is presented on the following basis:

- a) a "Balanced" Budget,
- b) A 5.0% increase in the base access charge to \$364,
- c) a commercial water consumption charge of \$1.45 per kilolitre,
- d) an Abattoirs water consumption charge of \$0.76 per kilolitre; less 20% early settlement discount; and
- e) a water consumption charge for Sporting Associations of \$1.02 per kilolitre
- f) a water consumption charge for Guyra Shire Council of \$1.45 per kilolitre
- g) a "stepped tariff" residential water consumption charge of:
 - \$1.45 per kilolitre 0 to 600 kl annual consumption.
 - \$1.70 per kilolitre over 600 kl annual consumption.
- f) a raw water charge of \$0.38 per kilolitre.

These proposed increases are in line with the increases discussed by Council in respect of Council's Water and Sewerage Strategy. After the proposed increases are applied, Council's Water Charges will still remain at a level equivalent to NSW average charges, with a high level of Supply Security.

Council will be aware that the Water Consumption Charge did not increase over the six (6) year period to 2010/2011. The proposed Water Consumption Charge at \$1.45 for 2016/2017 is 36% below the 2014/2015 NSW Median Charge of \$2.26 per kilolitre.

The cost per kilolitre of water for the Abattoirs did not increase from 1 July, 2004 to 30 June, 2010 and was 60.00 cents per kilolitre plus the 20 per cent early settlement discount. (Actual cost per kl after discount was 48.00cents per kilolitre, which was less than the cost of production plus pumping of 71.00 cents per kilolitre). It is proposed to increase that Abattoirs Water Charge to \$0.76 cents per kilolitre (Actual cost per kl after discount will be 60.8 cents per kilolitre, which is still substantially less than the cost of production plus pumping of 73.0 cents per kilolitre).

Councillors will be aware that significant costs of up to \$300K will be incurred in respect of the refurbishment of the dedicated Abattoir Pumps and electrical works in the medium term. The total subsidy which has now been provided to the Abattoir in respect of Water Charges is approximately \$4.1M.

Capital works totalling \$832K are proposed in the draft Budget, funded from Revenue. The projects include Mains Replacement \$135K, Minor Extensions \$50K, New Meters \$67K, Backflow Prevention \$275K, Minor Equipment \$5K, and replacement of the Telemetry System \$300K.

Water Fund has been categorised as a Category 1 Business Activity (turnover over \$2M p.a.) in the draft Operational Plan to comply with the requirements of the National Competition Policy.

The Operational Plan does not provide for the payment of a Dividend to the General Fund from the Water Fund or transfers to/from Internally Restricted Assets.

RECOMMENDATION:

That the Committee recommend to Council that:

- i) a water availability base charge of \$364.00 per assessment (Includes first water meter) be adopted for 2016/2017;*
- ii) a water charge of \$364.00 per additional water meter, per assessment be adopted for 2016/2017;*
- iii) a charge of \$1.45 per kilolitre be adopted for commercial water consumption for 2016/2017;*
- iv) a charge of \$1.45 per kilolitre, 0 to 600 kilolitres and \$1.70 per kilolitre over 600 kilolitres be adopted for residential water consumption for 2016/2017;*
- v) a charge of \$0.76 per kilolitre be adopted for water consumption - Abattoirs, plus a 20 per cent early settlement discount for 2016/2017;*
- vi) a charge of \$1.02 per kilolitre be adopted for Sporting Association water consumption;*
- vii) a charge of \$1.45 per kilolitre be adopted for Guyra Shire Council water consumption;*
- viii) a charge of \$0.38 per kilolitre adopted for Raw Water consumption for 2016/2017; and*
- ix) the draft Estimates (incorporating Operational Plan) for the Water Fund for 2016/2017 be adopted and placed on public exhibition for a period of 28 days as required by Section 405 of the Local Government Act, 1993.*

ITEM NO:	6.	FILE NO: S25.11.1
DESTINATION 5:	The communities are served by sustainable services and infrastructure	S
SUBJECT:	2016/2017 RATE PEG FOR NSW COUNCILS	
PREPARED BY:	Ken Beddie, Director Corporate and Economic Services	

SUMMARY:

IPART have determined that the 2016/2017 Rate Peg, as verbally advised to the Committee, is 1.8%. The following information is provided for the Committee's consideration.

COMMENTARY:Local Government Cost Index:

IPART have determined that the 2016/2017 Rate Peg, as verbally advised to the Committee, is 1.8%. They note that this is based on their determination that the change in the Local Government Cost Index, as calculated by them for the year to September, 2015 is 1.78%. IPART also advise that they have made a zero adjustment for productivity, to reflect that the change in productivity is not material being -0.05%. Accordingly they have set the Rate Peg at 1.8%.

Included as Appendix 1 (D99 – D107) is a copy of IPART's Local Government Cost Index (LGCI) calculation. In respect of the Index the following is noted.

IPART have provided for a 2.4% increase in Councils Employee benefits and Oncosts. They have based this figure on movements in the ABS wage price index for the NSW public sector. This is clearly flawed as the legislated Local Government State Award increase for 2016/2017 is 2.8%. Noting that Employee benefits and Oncosts make up 41.8% of the Index, this flawed calculation will cost Council's General Fund \$23K in 2016/2017 ($\$13.75M \times 0.004 \times 0.418 = \$22,990$).

A further issue with the Index is that it takes a one size fits all approach for all NSW Councils. This disadvantages Rural Councils that have low population densities and vast road networks who in general face a higher cost of service and infrastructure delivery. While it is noted that the Federal Government's Finance and Assistance Grants to Councils take this matter into consideration, the current three (3) year freeze on that Grants indexation is severely hurting Rural Councils and this matter has not been taken into consideration by IPART in any way.

While in the initial Fit for the Future (FFF) advice it was discussed that FFF Councils would have access to a simplified greater than Rate Peg Rate increase process, no further information has been forthcoming in this matter.

2016/2017 Special Rate Variations:

Also attached in the Appendix 1 is a copy of the Special Rate Variations being applied for in 2016/2017. The number of Councils applying for the Special Rate Variation, 12 Councils, has been limited, as only those Councils not subject to merger proposals can apply in 2016/2017.

A review of the applications will indicate that three (3) Councils are applying for amounts of between 1.0% and 3.8% (above the Rate Peg) for environmental works and that the remaining 9 Councils are applying for increases of between 11.0% and 35.7% (above the Rate Peg) for Asset Maintenance and Renewal including Infrastructure Backlog Works. The average increase being sought by the 9 Councils for Asset Maintenance and Renewal including Infrastructure Backlog Works is 19.85% above the Rate Peg.

These Councils, like Inverell Shire are proposing to phase the Special Rate Variations in over the period ending 2019/2020. This would indicate that the increases are being applied for as part of their Fit for the Future Roadmap implementation.

The Committee is asked to consider the information.

RELATIONSHIP TO STRATEGIC PLAN, DELIVERY PLAN AND OPERATIONAL PLAN:

Strategy: S.01 Sound Local Government Administration, Governance and Financial Management are provided.

Term Achievement: S.01.02 A sound long term financial position is maintained.

Operational Objective: S.01.02.01 To manage Council Finances with the view to ensuring Council's ongoing financial health and stability, the discharge of statutory and fiduciary responsibilities, proper accounting systems and standards and an efficient and equitable revenue base.

POLICY IMPLICATIONS:

Nil.

CHIEF FINANCIAL OFFICERS COMMENT:

The 2016/2017 Rate Peg at 1.8% provides Council with an additional \$190K of General Rate Revenue. Council's Fixed Cost increases (wages, contracts, insurances, statutory charges) increase for 2016/2017 is \$187K. This means that only \$3K is available from the Rate Peg for allocation across Council's extensive Services, Maintenance, Asset Renewal and Asset Upgrade Budgets.

LEGAL IMPLICATIONS:

Nil.

RECOMMENDATION:

A matter for the Committee.

APPENDIX 1

Rate peg for NSW councils for 2016-17



4 December 2015

WHAT

This Fact Sheet summarises IPART's decision on the rate peg for NSW councils in 2016-17.

For 2016-17, we have set the rate peg at 1.8% based on the change in the Local Government Cost Index (LGCI) and a consideration of a productivity factor.

WHY

The **LGCI** measures price changes over the past year for goods, materials and labour used by an average council. We consider an adjustment for a **productivity factor** to the LGCI strikes a balance between ensuring that councils can meet the increased costs of delivering services resulting from price changes and making sure that councils share productivity gains with ratepayers.

HOW

We calculated the rate peg for 2016-17 by:

- ▼ taking the increase in the LGCI for the year to September 2015 of 1.78%
- ▼ on this occasion, we have made a zero adjustment for productivity, to reflect that the change in productivity is not material (-0.05%).

This results in a rate peg of 1.78%, which we rounded to 1.8% for 2016-17.

IMPACTS

The rate peg sets the maximum increase in each council's general income for the 2016-17 financial year. The rate peg applies to general income in total, and not to individual ratepayers' rates.

Councils have discretion to determine how to allocate this increase between different ratepayer categories. Individual rates are also affected by other factors, such as land valuations.

WHAT NEXT

Councils must not increase general income by more than the rate peg. Councils requiring additional general revenue may apply to IPART for a special variation.

Councils applying for a special variation must satisfy the criteria listed in the Office of Local Government's Guidelines. The Guidelines require that councils establish a need for a special variation through the Integrated Planning and Reporting (IP&R) Process. This includes undertaking long term financial planning, ensuring community awareness of the need and extent of the proposed increase in rates, and consideration of the impact on ratepayers and the community's capacity and willingness to pay. In addition, councils must meet criteria related to productivity improvements.

IPART's website [includes information on the special variation requirements and recent applications from councils](#).

1 What is the Local Government Cost Index (LGCI) and how do we measure change?

For more detail on the Local Government Cost Index see our Fact Sheet, *Local Government Cost Index Survey 2015* published in October 2015. This is available on our [website](#).

The LGCI is a price index for councils in NSW. It is similar to the Local Government Price Index used in South Australia and similar in principle to the Consumer Price Index (CPI), which is used to measure changes in prices for a typical household.

The LGCI is designed to measure the average change in prices of a fixed 'basket' of goods and services that are purchased by councils, relative to the prices of the same basket in a base period. The index has 26 cost components, such as employee benefits and on-costs, and building materials for roads, bridges and footpaths. The cost components represent the purchases made by an average council to undertake its typical activities. We constructed the index in 2010 based on a survey we undertook of NSW councils' expenditure in 2008-09 and 2009-10. The 2015 cost survey will update the expenditure weightings to ensure the relativities of the cost items within the LGCI remain accurate. The updated LGCI will be used to calculate the 2017-18 rate peg.

We use the change in the LGCI in the year to September 2015 to inform the rate peg for 2016-17. This is the latest available information at the time we set the rate peg. The change in the LGCI in the year to September 2015 was 1.78%.

The main contributors to increasing the level of the index over the year ending September 2015 were:

- ▼ an increase of 2.4% in employee benefits and on-costs, measured by the ABS wage price index for the NSW public sector
- ▼ an increase of 5.1% in other business services costs (eg, materials and contracts such as other operating leases, contractor and consultancy costs), measured by the ABS producer price index for other administrative services, and
- ▼ an increase of 3.6% in plant and equipment (machinery), measured by the ABS producer price index for motor vehicle and motor vehicle part manufacturing, Australia.

Partly offsetting these impacts were decreases in electricity prices of 6.6%, and automotive fuel prices of 11.4%. See Section 3 below for a table showing the price changes in cost items for all components of the LGCI.

2 How did we determine the productivity factor for the 2016-17 rate peg?

The rate peg includes a productivity factor to allow ratepayers to share in council productivity gains. We calculated the productivity factor using the ABS market sector value-added multifactor productivity (MFP) based on quality adjusted hours worked. Based on this methodology, average productivity declined by 0.05% over the past 15 years. Since this change in productivity is not material, we have made a zero adjustment to the LGCI when calculating the rate peg for 2016-17. For more information on the productivity factor see our Fact Sheet – *Productivity for cost indices* published in October 2014. This is available on our [website](#).

Rate Peg for NSW Councils for 2016-17

3 Local Government Cost Index (LGCI)**The rise in the LGCI for the year ended September 2015**

Cost items	Effective weight as at end Sep 2014 (%)	Price change to end-Sep 2015 (% annual average)	Contribution to index change (percentage points)
Operating cost items			
Employee benefits and on-costs	41.8	2.4	1.00
Plant & equipment leasing	0.4	-0.5	0.00
Operating contracts	1.3	4.2	0.05
Legal & accounting services	1.1	2.2	0.02
Office & building cleaning services	0.2	1.3	0.00
Other business services	5.8	5.1	0.30
Insurance	1.9	4.3	0.08
Telecommunications, telephone & internet services	0.5	-4.0	-0.02
Printing publishing & advertising	0.5	1.0	0.01
Motor vehicle parts	0.5	1.4	0.01
Motor vehicle repairs & servicing	0.7	0.4	0.00
Automotive fuel	1.2	-11.4	-0.14
Electricity	3.7	-6.6	-0.25
Gas	0.1	5.1	0.00
Water & Sewerage	0.5	1.8	0.01
Road, footpath, kerbing, bridge & drain building materials	3.1	1.3	0.04
Other building & construction materials	0.8	2.5	0.02
Office supplies	0.3	-4.0	-0.01
Emergency services levies	1.4	1.5	0.02
Other expenses ^a	8.6	1.8	0.16
Capital cost items			
Buildings – non-dwelling	6.1	2.5	0.15
Construction works – road, drains, footpaths, kerbing, bridges	14.0	1.3	0.18
Construction works – other	1.4	1.3	0.02
Plant & equipment – machinery, etc	3.7	3.6	0.13
Plant & equipment – furniture, etc	0.2	2.6	0.01
Information technology & software	0.3	-5.7	-0.01
Total change in LGCI	100		1.78

^a Includes miscellaneous expenses with low weights in the Index, eg, councillor and mayoral fees.

Note: Figures may not add due to rounding. Percentage changes are calculated from unrounded numbers.

Fact Sheet – Council applications for a special variation in 2016-17



18 February 2016



WHAT

This fact sheet summarises the applications made by councils to IPART under the *Local Government Act 1993* for a special variation to their general income (see Table 1).



WHY

Special variations may fund:

- ▼ improvements in the council's financial sustainability
- ▼ reductions in backlogs for asset maintenance and renewal
- ▼ new or enhanced services to meet the needs of the local community
- ▼ projects of regional significance, or
- ▼ special cost pressures being faced within the local government area.



HOW

We will assess the councils' applications against the criteria set out in the Office of Local Government's *Guidelines for the preparation of an application for a special variation to general income for 2016/17* (the Guidelines).



WHO

By the due date of 15 February 2016, 12 councils submitted an application for a special variation.

Of the 20 councils that notified us in December that they intended to apply for a special variation, two (Bogan Shire and Bland Shire) did not submit an application.

Another six were unable to apply under Guidelines released by the Office of Local Government (OLG) on 15 January 2016. The Guidelines provided that councils that are the subject of merger proposals will not be eligible for a special variation or minimum rate increase for the 2016-17 rating year.

The councils that submitted a special variation application are:

- ▼ Clarence Valley
- ▼ Great Lakes
- ▼ Greater Taree City
- ▼ Gwydir Shire
- ▼ Lachlan Shire
- ▼ Lismore City
- ▼ Penrith City
- ▼ Singleton
- ▼ Tweed Shire
- ▼ Wagga Wagga City
- ▼ Wingecarribee Shire
- ▼ Yass Valley.



WHEN

- ▼ **14 March 2016** – public submissions regarding proposed special variations close.
- ▼ **17 May 2016** – IPART publishes its determinations on all applications for special variations and minimum rates in 2016-17.

Council special variation applications for 2016-17

1 Purpose

This fact sheet sets out the councils that have submitted an application under the *Local Government Act 1993* (the Act) for a special variation.

2 What is a special variation?

A special variation allows councils to increase general income above the rate peg, which has been set by IPART at 1.8% for 2016-17. For most councils, general income consists of rates income. For a small number of councils, general income also includes some annual charges such as drainage levies.

The Act provides for two types of special variations:

- ▼ a single year percentage increase, under section 508(2), and
- ▼ successive annual percentage increases over a period of between two and seven years, under section 508A.

Applications for each of these may be either permanent ie, the rates base stays at the higher level following the special variation, or temporary ie, the rates base returns to its previous levels after the specified duration of the special variation.

3 Which councils have applied for a special variation?

Twelve councils submitted applications for a special variation. Table 1 lists the councils that applied, with details of the increases requested and the purpose for which the funds are to be used.

Nine of the applications are for multi-year increases under section 508A, to be retained permanently in the rates base. The other three are for single year increases under section 508(2); one is for a temporary increase and two are for permanent increases.

In December 2015, 20 councils notified us that they intended to apply for a special variation. Under guidelines released by the Office of Local Government (OLG) on 15 January 2016, **councils that are the subject of merger proposals will not be eligible for a special variation or minimum rate increase for the 2016-17 rating year**. Six councils that were the subject of merger proposals and had notified us of their intention to apply for a special variation did not submit applications.¹ Bogan Shire Council and Bland Shire Council notified IPART in December 2015 that they intended to apply, but did not proceed with their applications.

We have posted the applications on our website at:

[http://www.ipart.nsw.gov.au/Home/Industries/Local Govt/Special Variations and Minimum Rates/Applications Received Determinations](http://www.ipart.nsw.gov.au/Home/Industries/Local_Govt/Special_Variations_and_Minimum_Rates/Applications_Received_Determinations).

4 How will IPART assess the applications?

We will assess the councils' applications against the criteria set out in OLG's *Guidelines for the preparation of an application for a special variation to general income for 2016/17* (the Guidelines). The criteria are set out in Box 1.

A copy of the Guidelines is available on IPART's website.

For further information see our *Fact Sheet – How IPART will assess applications for special variations for 2016-17* which is also on IPART's website.

¹ The councils are: Corowa Shire, Gundagai Shire, Guyra Shire, Murray Shire, Palerang and Snowy River Shire.

Council special variation applications for 2016-17

Box 1 Assessment criteria for applications for 2016-17

1. The need for, and purpose of, a different revenue path for the council's General Fund (as requested through the special variation) is clearly articulated and identified in the council's IP&R documents, in particular its Delivery Program, Long Term Financial Plan and Asset Management Plan where appropriate. In establishing need for the special variation, the relevant IP&R documents should canvas alternatives to the rate rise. In demonstrating this need councils must indicate the financial impact in their Long Term Financial Plan applying the following two scenarios:^a
 - Baseline scenario – General Fund revenue and expenditure forecasts which reflect the business as usual model, and exclude the special variation, and
 - Special variation scenario – the result of implementing the special variation in full is shown and reflected in the General Fund revenue forecast with the additional expenditure levels intended to be funded by the special variation.

Evidence to establish this criterion could include evidence of community need/desire for service levels/project and limited council resourcing alternatives. Evidence could also include the assessment of the council's financial sustainability conducted by the NSW Treasury Corporation.
2. Evidence that the community is aware of the need for and extent of a rate rise. The Delivery Program and Long Term Financial Plan should clearly set out the extent of the General Fund rate rise under the special variation. The council's community engagement strategy for the special variation must demonstrate an appropriate variety of engagement methods to ensure community awareness and input occur. IPART's fact sheet includes guidance to councils on the community awareness and engagement criterion for special variations.
3. The impact on affected ratepayers must be reasonable, having regard to both the current rate levels, existing ratepayer base and the proposed purpose of the variation. The Delivery Program and Long Term Financial Plan should:
 - clearly show the impact of any rate rises upon the community
 - include the council's consideration of the community's capacity and willingness to pay rates, and
 - establish that the proposed rate increases are affordable having regard to the community's capacity to pay.
4. The relevant IP&R documents must be exhibited (where required), approved and adopted by the council before the council applies to IPART for a special variation to its general income.
5. The IP&R documents or the council's application must explain the productivity improvements and cost containment strategies the council has realised in past years, and plans to realise over the proposed special variation period.
6. IPART's assessment of matters such as the size and resources of the council, the size and purpose of the increase requested, current rate levels and previous rate rises, and any other matter considered relevant.

^a OLG, *IP&R Manual for Local Government "Planning a Sustainable Future"*, March 2013, p 71.

Source: OLG, *Guidelines for the preparation of an application for a special variation to general income for 2016/17*, January 2016, pp 15-17.

Council special variation applications for 2016-17

5 How can ratepayers comment on their council's proposal?

The Guidelines require councils to engage with their communities about the council's expenditure and revenue plans as part of the Integrated Planning and Reporting (IP&R) process. IPART encourages members of the community to participate in their council's community engagement processes.

IPART does not hold public hearings as part of its assessment of applications by councils for proposed special variations. As a council must engage with its community when assessing options for a special variation, we expect that councils will have sought and considered community views on their proposed special variation.

Members of the community can make a submission to IPART. We will accept and consider all submissions from interested groups or individual ratepayers regarding special variations **until 14 March 2016**.

We will accept submissions using our electronic submission facility that is located on the council applications page of our website at:

[http://www.ipart.nsw.gov.au/Home/Industries/Local Govt/Special Variations and Minimum Rates/Applications Received Determinations](http://www.ipart.nsw.gov.au/Home/Industries/Local_Govt/Special_Variations_and_Minimum_Rates/Applications_Received_Determinations).

Members of the community should indicate in writing at the time of making their submission whether they prefer the submission, or any part of it, to be treated as confidential.

We will post all non-confidential public submissions on IPART's website from 14 March 2016. Before publishing submissions, we generally remove signatures and identifying information such as email and postal addresses, and telephone numbers.

Submissions may also be emailed to localgovernment@ipart.nsw.gov.au or posted to:

Local Government Team
Independent Pricing and Regulatory Tribunal of NSW
PO Box K35
Haymarket Post Shop NSW 1240

6 Applications to increase minimum rates

Councils that wish to increase minimum rates above the minimum rate statutory limit must obtain IPART's approval. Councils wishing to increase minimum rates above the statutory limit must submit their applications to IPART by **16 March 2016**.

Council notifications of rate applications for 2016-17

Table 1 Council applications for a special variation for 2016-17

Council	Type of special variation	Special variation requested – % increase per year (Includes rate peg*)						Cumulative % rise	Cumulative % rise above rate peg	Purpose
		2016-17	2017-18	2018-19	2019-20	2020-21	2021-22			
Clarence Valley	508A	6.5	6.5	6.5	6.5	6.5		37.0	24.6	Maintenance of roads and renewal of related infrastructure
Great Lakes	508A	6.5	4.25	4.25	4.25			20.7	11.0	Renew infrastructure and reduce the infrastructure backlog, maintain services, and improve financial sustainability
Greater Taree City	508A	6.9	6.9	6.9	6.9	6.9	6.9	49.2	34.1	Improve maintenance and renewal of the local road network
Gwydir Shire	508(2)	30.0						30.0	28.2	Improve financial sustainability
Lachlan Shire	508A	6.8	7.4	7.4	7.4			32.3	22.7	Improve services and assets, reduce infrastructure backlog and improve financial sustainability
Lismore City	508(2)	3.6						3.6	1.8	Implement Biodiversity Management Strategy
Penrith City	508A	9.09	5.0	5.2	5.4			27.0	17.4	Maintain and improve services and infrastructure and continuation of expiring special variation for Asset Renewal and Established Areas strategy (AREAS)
Singleton	508A	9.75	9.75	9.75	9.75			45.1	35.5	Improve asset maintenance and renewal, including retaining permanently an existing special variation that expires in June 2017
Tweed Shire	508(2)	2.77						2.8	1.0	Levy on residents of a new urban release area to protect surrounding bushland

**DESTINATION REPORTS
TO ECONOMIC & COMMUNITY SUSTAINABILITY COMMITTEE MEETING 13/04/2016**

Council notifications of rate applications for 2016-17

Council	Type of special variation	Special variation requested – % increase per year (includes rate peg ^a)						Cumulative % rise	Cumulative % rise above rate peg	Purpose
		2016-17	2017-18	2018-19	2019-20	2020-21	2021-22			
Wagga Wagga City	508(2) Temporary to 2020-21	5.63						5.6	3.8	Temporary increase for five years to fund upgrading of levee banks
Wingecarribee Shire	508A	8.55	9.25	9.25	12.15			45.3	35.7	Maintain and improve services, including renewal and improvement of infrastructure and environmental program (to be funded by permanent continuation of the Environmental Levy from 2019-20)
Yass Valley	508A	8.5	8.5	8.5	8.5			38.6	29.0	Improve financial sustainability

^a The rate peg increase for 2016-17 is 1.8%. Where councils have not assumed a rate peg in future years, IPART has assumed 2.5%.

TO ECONOMIC & COMMUNITY SUSTAINABILITY COMMITTEE MEETING 13/04/2016

ITEM NO:	1.	FILE NO: S15.8.25/08
DESTINATION 5:	The communities are served by sustainable services and infrastructure	S
SUBJECT:	SOCIAL HOUSING COMMUNITY IMPROVEMENT FUND 2015	
PREPARED BY:	Stephen Golding, Executive Manager Corporate and Community Services	

SUMMARY:

Inverell Shire Council has been successful in applying for grant funding under the Department of Family and Community Services (FACS), Social Housing Community Improvement Fund 2015 to improve the liveability of South Inverell's housing community.

COMMENTARY:

Inverell Shire Council submitted an application to FACS as part of the Social Housing Community Improvement Fund 2015 to improve the liveability of social housing communities.

The project submitted responds to many verbal requests received at the Linking Together Centre (LTC) from the South Inverell social housing community for park shelters and lighting at the LTC end of Waratah Park.

Waratah Park is the sole community park in South Inverell that has no facilities located adjacent to the Linking Together Centre, Homework Centre and Community Centre. Many outdoor recreational and social activities are currently impeded through lack of infrastructure.

The LTC's existing service programs such as parenting, homework club, healthy cooking classes and mentoring benefit residents in social housing. Letters of support demonstrated there is significant scope to expand these programs by growing collaborative partnerships. Improving the recreational space of Waratah Park will provide the platform for this growth.

Council received letters of support attesting to the ability to increase social programs at Waratah Park and the community support for the submission to FACS for this identified project.

The project will install community infrastructure at Waratah Park, ensuring additional facilities at the park and improve capacity to host community events at the facility. Presently, the park lacks facilities for the increased use of the open space for recreational and social activities. Infrastructure to be installed will deliver the facilities required to support community interaction activities and integration.

The provision of seating, shelters and lighting will promote usage of the park facility allowing for increased social integration of the citizens that reside in the South Inverell housing estate area. This will be facilitated by, but not limited to, community organisation based services and activities utilising the proposed infrastructure, local community members wanting to establish more recreational activities and community social use of the centralised park.

Project works include the installation of three (3) table settings with shelters and three (3) solar powered public park lights to increase safety during late evenings and nights for social and recreational activities.

RECOMMENDATION:

That the items contained in the Information Reports to the Economic & Community Sustainability Committee Meeting held on Wednesday, 13 April, 2016, be received and noted.

TO ECONOMIC & COMMUNITY SUSTAINABILITY COMMITTEE MEETING 13/04/2016

ITEM NO:	1.	FILE NO: S12.12.2/09
DESTINATION 5:	The communities are served by sustainable services and infrastructure	S
SUBJECT:	GOVERNANCE - MONTHLY INVESTMENT REPORT	
PREPARED BY:	Paul Pay, Manager Financial Services	

SUMMARY:

To report the balance of investments held as at 31 March, 2016.

COMMENTARY:

Contained within this report are the following items that highlight Council's Investment Portfolio performance for the month to 31 March, 2016 and an update of the investment environment:

- (a) Council's investments as at 31 March, 2016.
- (b) Council Investments by Fund as at 31 March, 2016.
- (c) Interest – Budgeted vs Actual.
- (d) Investment Portfolio Performance.
- (e) Investment Commentary.
- (f) Certification – Responsible Accounting Officer.

A) Council Investments as at 31 March, 2016.

Term Deposit Investment Group										
<i>Investment No.</i>	<i>Borrower</i>	<i>FUND</i>	<i>Rating</i>	<i>Risk Rating</i>	<i>Purchase Date</i>	<i>Maturity Date</i>	<i>Current Yield</i>	<i>Principal Value</i>	<i>Current value</i>	<i>Term (days)</i>
16/13	St George Bank	General	A1+	1	08-Oct-15	08-Apr-16	2.86%	2,000,000	2,000,000	183
16/01	National Australia Bank	General	A1+	1	15-Jul-15	11-Apr-16	2.95%	2,000,000	2,000,000	271
16/14	National Australia Bank	General	A1+	1	15-Oct-15	11-Apr-16	2.95%	1,000,000	1,000,000	179
16/15	St George Bank	General	A1+	1	16-Oct-15	16-Apr-16	2.80%	1,000,000	1,000,000	183
16/21	CBA	Sewer	A1+	1	21-Dec-15	19-Apr-16	3.20%	2,000,000	2,000,000	120
16/17	Suncorp	General	A1+	1	28-Oct-15	28-Apr-16	2.90%	2,000,000	2,000,000	183
16/18	Bank West	General	A1+	1	26-Nov-15	28-Apr-16	3.00%	2,000,000	2,000,000	90
16/10	CBA	General	A1+	1	16-Sep-15	16-May-16	2.70%	1,000,000	1,000,000	243
16-22	CBA	General	A1+	1	21-Dec-15	19-May-16	3.00%	1,000,000	1,000,000	150
16/23	National Australia Bank	General	A1+	1	04-Jan-16	02-Jun-16	3.05%	2,000,000	2,000,000	150
16/25	Suncorp	General	A1+	1	18-Jan-16	14-Jun-16	2.93%	1,000,000	1,000,000	148
16/19	Bank West	Water	A1+	1	14-Dec-15	14-Jun-16	3.00%	1,500,000	1,500,000	183
16/20	National Australia Bank	General	A1+	1	14-Dec-15	14-Jun-16	2.98%	2,000,000	2,000,000	183
16/24	National Australia Bank	General	A1+	1	11-Jan-16	11-Jul-16	3.05%	1,000,000	1,000,000	182
16/35	Bank West	Sewer	A1+	1	23-Jun-16	21-Jul-16	3.00%	2,000,000	2,000,000	120
16/26	St George Bank	General	A1+	1	22-Jan-16	22-Jul-16	2.95%	2,000,000	2,000,000	182
15/32	CBA	General	A1+	1	28-Jan-16	28-Jul-16	2.90%	1,000,000	1,000,000	182
16/02	National Australia Bank	Water	A1+	1	13-Sep-16	12-Aug-16	2.95%	1,000,000	1,000,000	181
16/29	AMP BANK	General	A1	2	01-Mar-16	01-Mar-16	3.00%	2,000,000	2,000,000	184
16/30	AMP BANK	General	A1	2	01-Mar-16	01-Mar-16	3.00%	1,000,000	1,000,000	184
16/31	AMP BANK	Water	A1	2	01-Mar-16	01-Mar-16	3.00%	1,000,000	1,000,000	184
16/11	National Australia Bank	General	A1+	1	16-Sep-15	15-Sep-16	2.80%	1,000,000	1,000,000	365
16/33	National Australia Bank	Sewer	A1+	1	17-Mar-16	16-Sep-16	3.10%	2,000,000	2,000,000	183
16/32	Suncorp	General	A1+	1	01-Mar-16	27-Sep-16	3.05%	1,000,000	1,000,000	210
16/33	Suncorp	General	A1+	1	01-Mar-16	27-Sep-16	3.05%	1,000,000	1,000,000	210
16/36	National Australia Bank	Water	A1+	1	23-Mar-16	27-Sep-19	3.12%	1,000,000	1,000,000	188
15/19	CBA	General	A1+	1	11-Dec-14	11-Dec-16	3.80%	1,000,000	1,000,000	732
14/22	Westpac	General	A1+	1	17-Dec-13	16-Dec-16	4.31%	2,000,000	2,000,000	1095
15/01	CBA	General	A1+	1	15-Jul-14	15-Jul-17	4.05%	1,000,000	1,000,000	1095
15/02	CBA	General	A1+	1	15-Jul-14	15-Jul-17	4.05%	1,000,000	1,000,000	1095
15/03	CBA	General	A1+	1	15-Jul-14	15-Jul-17	4.05%	1,000,000	1,000,000	1095
15/09	CBA	General	A1+	1	01-Sep-14	01-Sep-17	3.90%	1,000,000	1,000,000	1096
15/10	Bank of Queensland	General	A1	2	02-Sep-14	03-Sep-18	4.10%	1,000,000	1,000,000	1462
Sub Total - Term Deposit Investment Group								TOTALS	45,500,000	45,500,000

Cash Deposits Accounts Investment Group										
As at Date	Borrower	FUND	Rating	Risk Rating	Purchase Date	Maturity Date	Current Yield	Principal Value	Current value	
31-3-16	National Australia Bank (Cash Maximiser)	General	A1+	1			2.50%	1,000,000	1,000,000	
Sub Total - Cash Deposits Accounts Investment Group								1,000,000	1,000,000	
Floating Rate Notes Investment Group										
As at Date	Borrower	FUND	Rating	Risk Rating	Purchase Date	Maturity Date	Current Yield	Principal Value	Current value	
Sub Total - Floating Rate Notes Investment Group							-	-		
Structured Products Investment Group										
As at Date	Borrower	FUND	Rating	Risk Rating	Purchase Date	Maturity Date	Current Yield	Principal Value	Written Down Value 30-6-15	Current value
31/12/15	Lehman Brothers Treasury Co B.V (CPPI-745	Water	DD	5		9/5/2010*	0.00%	300,000	18,000	18,000

The written down value of the Structured Product Investment Group as at 30 June, 2015 was \$18,000, now holding at \$18,000. As previously advised, the write down in the value of Structured Products has been funded from previous years above benchmark investment returns (\$6.8M) which had been held in Internal Restricted Assets. These investments were all rated AA- and up to AAA (strong investment grade) when they were entered into and were permissible under the Ministers Investment Order. As noted by the Auditor in their 2014/2015 Audit Report, the Sewer Fund maintains a sound financial position to meet its operational requirements and the Water Fund maintains a strong financial position.

B) Council Investments by Fund 31 March, 2016

Portfolio by Fund	29/02/2016	31/03/2016
General Fund	37,043,367	36,000,000
Water Fund	4,518,000	4,518,000
Sewer Fund	6,000,000	6,000,000
TOTAL	\$47,561,367.27	\$46,518,000.00

Council's investment portfolio decreased during February, 2016 by \$1,000,000. This was in respect of normal cash flow movements for receipts collected and payments made during February.

While the level of Investments has been largely maintained over recent years, these will decrease during 2015/2016 as a number of major projects are completed. These include:

- Ashford Water Treatment Plant \$ 1.0 M
- Inverell Sewerage Treatment Works \$ 3.0 M
- Infrastructure Backlog Program \$ 4.01 M

In addition to these amounts, Council also holds substantial unexpended Grant Funds in the General Fund which can only be utilised for the purpose for which they were granted.

C) Interest – Budgeted verses Actual Result to Date

	Ledger	2015/2016 Budget	Actuals to Date
General Fund	128820	938,800.00	669,983.05
Water Fund	812350	50,000.00	71,192.89
Sewer Fund	906320	70,000.00	112,152.88
TOTAL		\$ 1,058,800.00	\$ 853,328.82

The interest received to date (cash basis) is in accordance with Budget and does not include accruals. It is again expected that Council's Investment Portfolio will achieve benchmark returns in 2015/2016.

D) Investment Portfolio Performance

Investment Portfolio Return		Benchmarks	
	% pa	Aus Bond Bank Bill	11am Cash Rate
Benchmark as at 28-2-2016		2.24%	2.00%
Term Deposits	3.20%		
Cash Deposit Accounts	2.25%		
Floating Rate Notes			
Structured Products*	0.00%		

*Structured Products exclude 1 CDO's currently in default and returning zero coupon

E) Investment Commentary

Council's investment portfolio returns exceeded the 11am Cash Rate benchmark in all investment categories except for Structured Products and Term Deposits exceed the UBSA Bank Bill Index benchmark. Money is held in cash deposits accounts for liquidity purposes.

Council's investment portfolio of \$46.5M is almost entirely invested in fixed term deposits. Overall, the portfolio is highly liquid, highly rated and short-dated from a counterparty perspective.

The RBA kept interest rates unchanged at 2.00% in its meeting in March. It appears that any immediate rate cut would be unlikely with the RBA noting that "there were reasonable prospects for continued growth in the economy, with inflation close to target. The Board therefore decided that the current setting of monetary policy remained appropriate." The RBA also noted that low inflation provides scope to cut interest rate if required. Recent interest rate quotes indicate some stability in the market.

Council staff will continue to monitor interest movements to ensure the best possible returns on investments.

F) Certification – Responsible Accounting Officer

I Ken Beddie, hereby certify that the investments listed in this report have been made in accordance with Section 625 of the *Local Government Act 1993*, Clause 212 of the Local Government (General) Regulations 2005 and Council's Investment Policy.

RELATIONSHIP TO STRATEGIC PLAN, DELIVERY PLAN AND MANAGEMENT PLAN:

Strategy: S.01 Sound Local Government Administration, Governance and Financial Management are provided.

Term Achievement: S.01.02 A sound long term financial position is maintained.

Operational Objective: S.01.02.01 To manage Council Finances with the view to ensuring Council's ongoing financial health and stability, the discharge of statutory and fiduciary responsibilities, proper accounting systems and standards and an efficient and equitable revenue base.

POLICY IMPLICATIONS:

Nil.

CHIEF FINANCIAL OFFICERS COMMENT:

It is noted that the volatility for current financial markets and pending legal actions will not impact on Council's Rates and Charges, its ability to deliver its existing Services across the funds, or its medium or long term sustainability. Council's overall Investment Portfolio remains sounds.

LEGAL IMPLICATIONS:

Nil.

RECOMMENDATION:

That the Committee recommend to Council that:

- i) the report indicating Council's Fund Management position be received and noted; and*
- ii) the Certification of the Responsible Accounting Officer be noted.*