



Notice of Finance Committee Meeting

a Finance Committee Meeting will be held in the Ballina Shire Council Chambers, Cnr Cherry & Tamar Streets, Ballina on **Tuesday 23 June 2015 commencing at 5.00pm.**

Business

1. Apologies
2. Declarations of Interest
3. Deputations
4. Committee Reports

A handwritten signature in black ink, appearing to read 'Paul Hickey', with a horizontal line underneath.

Paul Hickey
General Manager

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1. Apologies
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1. Apologies

2. Declarations of Interest

3. Deputations

4.1 National Stronger Regions Fund - Project Priority - Round Two

4. Committee Reports

4.1 National Stronger Regions Fund - Project Priority - Round Two

Delivery Program Governance and Finance

Objective To confirm Council's preferred priority listing for applications under the Federal Government's National Stronger Regions Fund

Background

Council at the October 2014 Ordinary meeting considered a report on the application process for the National Stronger Regions Fund (NSRF).

The NSRF was announced by the Federal Government in 2014 and the advice at that time was that this program will invest \$1 billion over five years into community infrastructure projects that promote economic development and address disadvantage in Australia's regions and local communities.

Applications for round one opened on 1 October 2014 and closed on 28 November 2014 and round two opened on 1 May 2015 and close on 31 July 2015.

Grants will be between \$20,000 and \$10 million and funds must be matched in cash at least on a dollar for dollar basis.

The guidelines are available at the following website:
www.infrastructure.gov.au/nsrf

At the October 2014 meeting Council resolved as follows:

1. *That Council confirms that it will submit applications as follows:*
 - (a) *\$1 million for the construction of the Ballina Coastguard Tower*
 - (b) *Balance of the coastal recreational path east*
 - (c) *Airport Boulevard Road*

as part of the round one applications for the Federal Government's National Stronger Regions Fund.
2. *That Council confirms that for the round two applications a further report(s) is needed, to a separate committee meeting, to evaluate the merits of the various projects under consideration.*

Councillors were advised via the Councillor bulletin on 14 November 2014 that Council can only submit one application for the round one funding with \$1m for the Ballina Marine Rescue Tower being our application.

Council was subsequently advised in May 2015 that our round one application was unsuccessful. A list of the successful applications is included as attachment one.

4.1 National Stronger Regions Fund - Project Priority - Round Two

With round two now open Council needs to determine its preferred priority. Importantly the guidelines now allow two applications to be submitted as part of round two.

Key Issues

- Grant criteria
- Council priorities
- Eligibility
- Council contribution to project

Information

The assessment guidelines for round two do not appear to have changed from round one (excluding two applications now being allowed) and the second attachment to this report is a copy of those guidelines. Section 5 of the guidelines outlines the four criterion for the projects, which are defined as:

1. The extent to which the project contributes to economic growth
2. The extent to which the project supports or addresses disadvantage in the region
3. The extent to which the project increases investment and builds partnerships in the region
4. The extent to which the project and proponent are viable and sustainable.

Under each criterion are a range of points that will be considered in assessing the eligibility of projects. A couple of key points in reviewing the criterion are:

- Criterion one has a strong focus on economic growth through improved supply chains, exports etc
- Criterion two looks at unemployment data, housing, rents, etc (Socio Economic Index for Areas)
- Criterion three focuses on partnerships with other government departments and the community
- Criterion four seeks to ensure all planning approvals are in place, or will be in place, within six months and whether the project will be able to commence within 12 months.

Page 21 of the guidelines also provides a number of examples of projects that could be eligible. An extract from that page is as follows.

Projects seeking funding from the NSRF could, for example:

- *improve or upgrade transport networks to support connectivity and freight movement, such as transport hubs, intermodal services, airports, or upgrades to wharves or cargo loading facilities which cannot be funded by the market*
- *enhance the efficient movement of freight, support an industrial estate or strengthen supply chains*
- *increase access to water and waste services, support improved water management or enhance irrigation services (routine upgrades and repairs will not be funded)*

4.1 National Stronger Regions Fund - Project Priority - Round Two

- *extend or enhance services to regions, for example deliver gas pipelines to new industrial estates, upgrade water pipes to support irrigation and industrial growth, or more efficiently manage waste water*
- *convention centres and community or performance centres which deliver economic benefits or support increases in tourism*
- *construct large flagship or signature multi-purpose sporting facilities which generate significant long term economic and social benefits and/or support leadership in local communities, for example a state-of-the-art facility which will act as the state hub and will host national, state and elite events on a regular and ongoing basis*
 - *upgrades to or the expansion of local sporting facilities or the construction of sporting facilities which are otherwise available in the state or territory are unlikely to be supported; or*
 - *facilities which support a single sport or which can be funded by state and national bodies are unlikely to be supported.*

Applicants should note that these are examples only and projects supporting these activities will not be given priority in the appraisal process.

The major projects previously reported to Council as part of round one of this funding were as per the following table.

Description	Estimate (\$)	Comment
Ballina Coastguard Tower	\$2.2m	\$1m in Council funding available - \$500,000 grant application with State Government – Volunteers have raised over \$100,000 in funding – Planning approvals in place
Ballina Sports / Events Centre	\$7m to \$15m	Funding in LTFP only for design and approvals – Construction funding not in LTFP – Site not confirmed.
Coastal Shared Path	\$4m (works still to be completed)	This project is fully funded in Council's LTFP subject to land sales for the segment from Skennars Head Road to Pat Morton – All planning approvals in place
Hutley Drive	\$12m to \$18m	Included in Council's LTFP in 2018/19 - Financed from loans and Section 94 contributions.
Lake Ainsworth Improvements	\$2m	\$1.2m allocated for concept plans – currently subject to community consultation.
Lennox Head Surf Club	\$5m	Not funded and only preliminary concept plans to date - \$100,000 allocated for planning approvals – currently subject to community consultation.
Main Street - Ballina	\$3 to \$4m	Final stage from Grant to Moon Street – Looking to finance this from loans once the loan repayments for the completed works reduce. Currently not included in LTFP.
Main Street - Lennox	\$3m to \$6m	A push is growing for the redevelopment of this main street. Currently not funded.
Skennars Head Sports Fields	\$1.1m	In Council's LTFP in 2015/16, subject to land sales.
Swimming Pools	\$8m	Subject to current special rate proposal.
Southern Cross / Ballina Byron Gateway Airport Precinct – Concept submitted to NSW State Government as part of their	\$5m to \$50m	Possible works include: <ul style="list-style-type: none"> • Terminal Expansion - \$6.95m • Airport Boulevard - \$5m • NBN - Unknown • North Creek Bridge - \$15m

4.1 National Stronger Regions Fund - Project Priority - Round Two

Description	Estimate (\$)	Comment
"poles and wires" sell off.		<ul style="list-style-type: none"> Possible Sports and/or Events Centre - \$7m to \$15m Cumbalum - South Facing Ramps - \$10m
Wardell Boardwalk	\$400,000	Council has part funding in reserve for this project.

As a result of our round one application being unsuccessful the Mayor and staff have spoken to representatives from the Federal Government and key feedback points include:

- there is an increased emphasis on projects that demonstrate economic growth and employment generation
- there is \$25 million in funding available for smaller projects seeking a grant of less than \$1 million
- replacement of existing infrastructure will only be eligible where there is a demonstrated improvement in productivity
- the Ballina Marine Rescue Tower application, if resubmitted, should focus more on safety and to emphasise that it is the linchpin of wider maritime infrastructure (i.e. Regatta Avenue, Ballina Trawler Harbour etc). A stronger focus on commercial rather than recreational fishing benefits is also needed and the application should focus on increased shipping traffic and the possible re-introduction of dredging.
- projects need to address social disadvantage.

In respect to project priorities the Marine Rescue Tower remains the preferred option. Council has already submitted one application and that application can be further refined based on the feedback received.

In respect to the actual funding amount the preference is to keep the application under \$1m so it is also eligible for the projects less than \$1m.

The Council budget for this project, as reported to the Facilities Committee in December 2013, was as follows:

Description	Amount (\$)
Construction of new building	1,311,709
Refurbishment of public toilets	133,246
Demolition of existing tower	33,000
Construction of car park	164,344
Environmental Items	9,680
Contingency	247,797
Sub Total as Per Quantity Surveyor's Report	1,899,776
Design and Project Management	135,112
Total	2,034,888

A copy of the QS report is included as the third attachment to this report.

To date Council has expended approximately \$114,000 to date (\$53,459 2013/14 and \$60,734 in 2014/15) on this project with a planning consent now in place and detailed designs ready to call tenders. From a budget perspective the following funds are currently available for the project:

4.1 National Stronger Regions Fund - Project Priority - Round Two

Description	Amount (\$)
Council (balance of 2014/15 budget)	39,000
Council (revenue funds allocated in 2015/16)	825,500
State Government Crown Reserve Monies	350,000
Total	1,214,500

In respect to the remaining budget an updated QS report was sourced in November 2014 and the planning consent conditions also resulted in increased civil works for the car park area and also for works related to connectivity to the shared path network.

Based on this latest information the updated budget is now as follows:

Description	2013 (\$)	2015 (\$)
Construction of new building	1,311,709	1,322,000
Refurbishment of public toilets	133,246	137,000
Demolition of existing tower	33,000	33,000
Construction of car park	164,344	258,000
Environmental Items	9,680	10,000
Contingency	247,797	255,000
Sub Total	1,899,776	2,015,000
Design and Project Management	135,112	160,000
Total	2,034,888	2,175,000
Less Expended to Date		114,000
Remaining Expenditure		2,061,000
Less Funding Available		1,214,500
Net Budget Shortfall		846,500

Therefore the recommendation is to apply for \$850,000 (rounded) from the NSRF for this project.

In respect to the second priority the August 2014 Council resolution identified the coastal shared pathway and the Airport Boulevard Road as the priorities.

In examining the project criteria the Airport Boulevard Road has a very strong focus on employment generation by opening up a significant amount of industrial land, along with its linkages to the Ballina Byron Gateway Airport (refer to copy of concept plan as per attachment four).

Similar types of projects were funded in the first round and Council has plans designed for this road along with indicative cost estimates.

The coastal shared path is not as strong on the actual grant criterion and with Council already having an adopted funding strategy for the path, the preference between these two projects is the Airport Boulevard Road.

The one other Council project that is considered to have merit is the Sports and Events Centre. A number of community facilities were funded in round one.

4.1 National Stronger Regions Fund - Project Priority - Round Two

Whereas the Airport Boulevard Road has strong economic benefits the Sports and Events Centre is stronger on the social disadvantage criteria, through the involvement of volunteers and a wide range of users of the facility.

The downside of this project is that there are still many uncertainties in respect to the actual location of the centre, along with the actual type of centre that is to be constructed. This lack of certainty would detract from the assessment of the merits of this project by the Federal Government.

Legal / Resource / Financial Implications

If any grant application is successful it will have financial implications as Council will need to confirm our funding for the project.

Based on the feedback received those applicants who could demonstrate that they were 'shovel ready' scored higher in the assessment process.

Funding has been allocated for the Marine Rescue Tower however there is no funding available for the construction of either the Airport Boulevard Road or the Sports and Events Centre. Council may well need to base our second project application on the basis that if we are successful every effort will need to be made to find the matching funds.

Consultation

Many of the projects listed in this report are a result of Council's on-going consultation with the community.

Options

In respect to round two the options revolve around the preferred project applications.

It is recommended that Council resubmit the Marine Rescue Tower as the project remains a high priority, Council has planning approval and funding set aside for the construction of the facility, and we already have the supporting information available for the application based on the round one submission. Since our original application the State Government has also provided approval for \$350,000 in funding which will also assist in the assessment process as funding is being sourced from all three levels of government, along with the volunteer fund raising.

In respect to the second application, on balance, the preferred option is the Airport Boulevard Road. There is a far higher level of certainty for this project, with concept plans having been completed along with the estimated costs (\$5m). There is also a significant amount of supporting information already available for a grant application based on work that has been undertaken by Airport staff.

There is also a very strong nexus with economic development through the availability of industrial land and the road's connection to the Airport.

Finally, from a matching funding perspective we are in a position to juggle existing road construction projects to source part, or all of the funding required to match the grant, if we are successful.

RECOMMENDATIONS

1. That Council confirms that it will re-submit an application of \$850,000 (EX GST) for the construction of the Ballina Marine Rescue Tower as part of the round two applications for the Federal Government's National Stronger Regions Fund.
2. That Council confirms that the second project application for round two of Federal Government's National Stronger Regions Fund will be for the Airport Boulevard Road due to its strong economic benefits.

Attachment(s)

1. Round One - Projects Funded
2. Funding Guidelines
3. Quantity Surveyor's Report - December 2013
4. BBGA & Sth Cross Expansion Area - Link Roads

4.2 Fit for the Future - Submission

4.2 Fit for the Future - Submission

Delivery Program Governance and Finance

Objective To review Council's submission to the State Government's Fit for the Future Program.

Background

To date Council has considered the State Government's Fit for the Future Program (FFTFP) at two Finance Committee meetings and at a Councillor briefing. Based on the feedback from those meetings a submission to the State Government on the FFTFP has now been prepared. The purpose of this report is to provide an overview of the submission and seek any further feedback prior to it being lodged by the due date, which is 30 June 2015.

It is important to note that Council has had in place 'Fit for the Future Strategies' for over a decade. By 2016/17 Council will have achieved special variations for nine of the last eleven years. This strategy to grow the rate base together with strategies associated with minimising operating expenses, improved asset management and taking up of borrowings have been gradually improving the sustainability of the Council. Hence a lot of the heavy lifting has been done and the strategies going forward to meet the 'Fit for the Future' benchmarks are in many respects a continuation of what has been happening for quite some time.

Key Issues

- Fit for the Future criteria
- Council compliance with criteria
- Strategies to reach compliance

Information

Reports to the February and March 2015 Finance Committee meetings identified the seven key financial indicators that a council must meet to be financially sustainable and therefore be compliant with the FFTFP. The seven indicators are as follows:

1. Infrastructure Backlog Ratio – Less than 2%
2. Asset Maintenance Ratio – Greater than 100% average over three years
3. Debt Service Ratio – Greater than 0 and less than or equal to 20% average over three years
4. Own Source Revenue Ratio – Greater than 60% average over three years
5. Decrease in Real Operating Expenditure per capita over time.
6. Building and Infrastructure Asset Renewal Ratio – Greater than 100% average over three years
7. Operating Performance Ratio – Greater or equal to a break even average over three years

4.2 Fit for the Future - Submission

Council is generally compliant with items one to five, however items six and seven need to be addressed by generating additional revenues and allocating that money to increased capital expenditure, reducing operating expenses and transferring those savings to increased capital expenditure, or a combination of both.

IPART is now responsible for assessing all FFTFP submissions. IPART will rate councils, rather clinically, as either Fit or Unfit. Council Finance Staff have always found IPART very good to deal with as they appear to assess matters entirely on the empirical evidence, rather than applying more subjective, or political considerations.

IPART released a consultation paper on their proposed methodology for the assessment of Fit for the Future Proposals in April 2015 with submissions on that paper closing on 25 May 2015. The final methodology paper was released at the beginning of June 2015 and a copy of that paper is included as attachment one.

An important consideration is that the sustainability criterion must be met within five years by 2019/20 (page 11). Discussions with the Office of Local Government had earlier indicated that this timeframe may have been longer however it is now clear that the FFTFP submission must comply with this five year timetable to achieve a Fit rating from IPART.

The other concern with the criterion is that a number of the benchmarks are based on an average over three years. Therefore it may be necessary to meet certain benchmarks prior to year five to ensure that the three year average is above the benchmark.

Based on this information and the feedback obtained from Councillors at the February and March Finance Committee meetings, along with the Councillor workshop, the Council's Long Term Financial Plan has now been updated to meet the FFTFP criterion.

The following table provides the criterion results as per this latest revision.

Table One - FFP Indicator Summary – As Per Latest LTFP

Indicator	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25
Infrastructure Backlog	0.27%	0.26%	0.26%	0.26%	0.26%	0.25%	0.25%	0.25%	0.25%	0.24%	0.24%
Asset Maintenance	103%	98%	101%	101%	102%	102%	102%	102%	102%	102%	102%
Debt Service	9%	11%	11%	11%	9%	8%	8%	7%	6%	5%	4%
Own Source Operating Rev	62%	73%	76%	77%	79%	80%	82%	82%	82%	83%	86%
Operating Expenditure	1.10	1.01	0.96	0.95	0.93	0.92	0.92	0.90	0.89	0.88	0.87
Asset Renewal	93%	104%	115%	109%	104%	106%	111%	108%	101%	95%	96%
Operating Performance	-13%	-14%	-8%	-4%	-1%	0%	1%	2%	2%	2%	2%

Key assumptions to achieve this outcome include:

- Increases in operating expenses have been minimised where possible

4.2 Fit for the Future - Submission

- There have been no material changes to existing service levels
- A 2.9% rate increase above an estimated rate pegging limit of 3% has been applied in 2017/18, 2018/19 and 2019/20. The additional income generated from these increases has been allocated totally to increased capital expenditure, with the money allocated in full, at this point in time, to additional road works.

The Independent Local Government Review Panel report that resulted in the FFTFP included a recommendation that councils would be able to increase rates up to 5% above the standard rate pegging limit, without undergoing the extensive community consultation process that currently occurs, as long as their key corporate documents such as the Delivery Program and Asset Management Plans clearly outlined the need for the increase.

As part of the Independent Panel's consultation process IPART had identified that increases up to 3% above the rate pegging limit would be the preferred approach, albeit that the Panel decided the figure of 5% was more realistic to overcome some of the existing backlogs.

The revised LTFP has adopted the IPART approach and limited the increases to 2.9% for three years, resulting in a forecast increase of 5.9% each year assuming the rate pegging limit is 3%.

As Council already has IPART approval for increases above the limit for 2015/16 and 2016/17 this would result in a five year program of increases as per the following table. It is proposed to make the application for the next three year special variation in 2016/17 not 2015/16. This will mean that the new Council, elected September 2016, will have the opportunity to endorse the strategy.

Table Two – Rate Increase Forecast as per LTFP

Year	2015/16	2016/17	2017/18	2018/19	2019/20
Percentage	5.41	5.34	5.90	5.90	5.90

An important consideration by IPART is how a council's rates compare to similar or adjoining councils. That information is summarised in the following three tables.

The tables assume that the average rates for the councils listed will move by 2.4% in 2015/16, as per the current rate pegging limit for that year, 3% for the period 2016/17 to 2019/20, or if the council has an existing special variation approval that approval percentage is applied (i.e. Coffs Harbour and Richmond Valley).

Average Residential Rates – 2014/15 to 2019/20

Year	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Ballina (1)	859	905	953	1,009	1,069	1,132
Byron	1,077	1,103	1,136	1,170	1,205	1,241
Coffs Harbour (2)	1,006	1,088	1,172	1,207	1,243	1,383
Lismore	1,134	1,161	1,196	1,232	1,269	1,307
Richmond (3)	785	827	871	917	966	1,017
Tweed	1,290	1,321	1,361	1,402	1,444	1,487

Average Business Rates – 2014/15 to 2019/20

Year	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Ballina (1)	2,869	3,024	3,185	3,373	3,572	3,783
Byron	2,668	2,732	2,814	2,898	2,985	3,075
Coffs Harbour (2)	3,585	3,877	4,177	4,302	4,431	4,564
Lismore	4,588	4,698	4,839	4,984	5,134	5,288
Richmond (3)	2,219	2,337	2,461	2,591	2,728	2,873
Tweed	3,087	3,161	3,256	3,354	3,455	3,559

Average Farmland Rates – 2014/15 to 2019/20

Year	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Ballina (1)	1,314	1,385	1,459	1,545	1,636	1,733
Byron	1,787	1,830	1,885	1,942	2,000	2,060
Coffs Harbour (2)	1,846	1,996	2,151	2,216	2,282	2,350
Lismore	2,180	2,232	2,299	2,368	2,439	2,512
Richmond (3)	1,270	1,337	1,408	1,483	1,562	1,645
Tweed	2,122	2,173	2,238	2,305	2,374	2,445

- (1) Ballina has IPART approval for increases of 5.41% in 2015/16 and 5.34% in 2016/17
- (2) Coffs Harbour has IPART approval for increases of 8.14% in 2015/16 and 7.75% in 2016/17
- (3) Richmond Valley has IPART approval for increases of 5.3% (2015/16 to 2018/19).

As per these tables Council's average rates still remain competitive by 2019/20, albeit that our business rate is far higher than Byron and Richmond Valley due to the differential we apply to that rate.

Also it is highly likely that some of the other councils listed will include additional rate increases in their FFTFP submissions, which will result in higher increases than those forecast in the three tables.

For example Kyogle has IPART approval for increases of 12.43% (2015/16), 5.43% (2016/17) 5.43% (2017/18), 5.44% (2018/19) and 5.44% (2019/20), however they were unable to provide us with comparative rate information for this report.

Also Lismore are looking at generating an additional \$500,000 in 2016/17 for a biodiversity strategy and an extra \$2m in 2018/19 for infrastructure works.

Other points of interest

In reviewing the LTFP, consideration was also given to options raised by Councillors, which included the possibility of generating additional revenue from the airport lease, along with additional revenues from increased commercial property ventures.

Due to the uncertainties, or risk, associated with these options the forecast revenues were not included in the base LTFP. Rather the preference has been to include the assessment of these options as other strategies that Council will pursue to further enhance our long term sustainability.

4.2 Fit for the Future - Submission

This information has been included in the draft FFTFP submission, which is included as the second attachment to this report.

That submission outlines all the various options, strategies etc that have been examined in respect to Council's on-going financial sustainability and it is important that Councillors are satisfied with the contents of that document.

It is that submission that will determine whether Council is assessed as Fit or Unfit by IPART.

Legal / Resource / Financial Implications

The FFTFP has a strong focus on resource allocation and financial sustainability.

Consultation

Consultation will be required in the medium term if Council is assessed as being Fit, to inform the community of the actions being implemented.

Options

The attached submission attached reflects the outcomes from the consultation undertaken to date.

Earlier reports examined options of reducing costs, increasing revenues or a combination of both to achieve financial sustainability. Councillors were reluctant to materially reduce any existing budgets or service levels therefore the focus has been on revenue generation.

Significant internal reviews have also been applied to the depreciation expense, with that figure now at a level that is almost \$3m less than the actual expense for 2013/14. This reassessment has helped greatly in ensuring that Council can target a breakeven operating result for the General Fund.

In looking at options for this report the LTFP could be amended through further cost savings, higher increases in revenues or a combination of both. For example the current forecast is for Council to achieve a 0% figure for the operating result (on a three year average) by 2019/20. This leaves no room for slippage. Council may well want to consider further changes to provide a higher buffer for this result.

Also there is no change to existing service levels, besides the additional revenues generated from the additional rate income being applied fully to increased road works. Council may well want to consider improved service levels in areas such as open spaces, stormwater, drainage etc, which would all require increased revenue generation.

Similarly the additional revenue being generated from higher than rate pegging increases, which are around \$2m per annum, could be spread across other capital works besides roads. To keep our response relatively straightforward the money has been applied to roads as this is our largest

4.2 Fit for the Future - Submission

infrastructure item. Council will be able to amend this allocation at a future date assuming we are assessed as being Fit for the Future.

RECOMMENDATIONS

1. That Council notes the contents of this report in respect to the Fit for the Future Program.
2. That Council approves the lodging of the Fit for the Future Program submission, as attached to this report.

Attachment(s)

1. IPART - Methodology for Assessment of Council Fit for the Future Proposals
2. Fit For The Future Submission (Draft) (Under separate cover)