

Fit for the Future

Have a say in Kyogle's long term financial plan



Kyogle

Australia

Which way would you like Council to go?

- What are the possible ways forward?
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Stable Future

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kyogle.nsw.gov.au



Kyogle Council is facing some tough decisions as it aims to achieve financial sustainability and a prosperous future.

What factors led to this situation?

The cost of delivering services to the community is increasing faster than its ability to collect rates. The NSW Government has pegged Council's rate increases for over 30 years (currently to 2.3% per year), and has also shifted costs to Council for which they were previously responsible.

The funding to maintain Council's \$460 million worth of public assets has reduced in real terms. This means non-safety related maintenance is being deferred, with assets deteriorating and reduced levels of service.

There is a backlog of \$48 million worth of works that need to be carried out, and this is growing by \$4 million each year, so doing nothing is not an option, at least not if we want to stay independent and show the NSW Government that we are indeed **fit for the future**.

What's the good news?

As identified in its Community Strategic Plan, Council is looking to:

- Improve rural local roads and replace most timber bridges across the local government area over the next 30 years.
- Implement a priority road-sealing program and double regional roads funding.
- Implement new sewerage schemes for Tabulam, Mallanganee and Wiangaree.
- Improve urban stormwater and flood management, including flood studies at Bonalbo and Tabulam.
- Improve energy efficiency at community facilities.
- Upgrade Kyogle Memorial Institute Hall.

For more detail see Attachment A of the draft Long Term Financial Plan (LTFP).

Kyogle Council is preparing for a long haul to financial recovery, and is calling on your help to decide which option or mix of options to take.

What work has taken place so far?

In 2013 Council asked the community to identify its priorities regarding infrastructure and service provision. The consultation expanded in 2014 through *Bridging the Gaps*, part of a review of Council's Community Strategic Plan and Long Term Financial Plan.

Kyogle Council commissioned an independent review of the current LTFP in April 2014. The review found that Council's financial outlook is **unsustainable** in its present form.

Council then revised its Financial Management Policy, reduced its minimum cash reserve levels and established a set of financial sustainability indicators and targets. In September 2014 the NSW Government released its reform package called "*Fit for the Future: a modern system of local government*". It set financial sustainability targets that were similar to Council's, and in some cases higher.



What are the possible ways forward?

In reviewing its Long Term Financial Plan, Council considered a number of possibilities, including;

- Changing the way services are delivered
- Reducing levels of service
- New revenue opportunities
- Additional borrowings
- Rate increases above the 2.3% peg
- Asset disposals

The draft Long Term Financial Plan examined six basic scenarios. They ranged from keeping the status quo, to drastically cutting services, to dramatically increasing rates. The proposals now up for discussion balance levels of service with the need to generate significantly increased revenue, whether it is mainly from ratepayers or supplemented by increased State and Australian Government sources.

Information on all six scenarios is included in the draft Long Term Financial Plan, which you'll find on Council's website kyogle.nsw.gov.au and in hard copies kept at Council's administration centre and libraries. Scenario 6 (Balanced Service Levels) presented a case where Council could meet all the criteria set down by the NSW Government in its Fit for the Future reform package. This scenario required an increase in rates of 46% above the rate pegging limits. The scenario adopted by Council for the draft Long Term Financial Plan is based on Scenario 6, but replaces some of the own source revenue with increased external funding, reducing the rate increases required to 22% above the pegging limit.

The adopted scenario will require Kyogle Council to get approval to proceed with the proposed above pegging rate increases from the Independent Pricing and Regulatory Tribunal (IPART). This scenario does not completely satisfy the NSW Government's criteria to show that Council is financially fit for the future, but will allow Council to argue a case to remain independent based on increased funding from other levels of government:

Key features of the draft LTFP

The following features are common to both Option One and Option Two:

- Additional borrowings of \$10M in 2016 repaid over 10 years under the NSW Government's proposed subsidised cheaper finance program.
- Clearing the infrastructure backlog by 2034.
- A significant capital renewal program and increased service levels in key areas identified by the community.
- Eliminating all timber bridges over 30 years.
- Not replacing some lower-order bridges.
- Reviewing the road network with some roads becoming sealed and others reverting to gravel.
- Rationalisation of the waste transfer stations servicing the Bonalbo, Tabulam and Mallanganee areas, with a single facility to service all areas.
- Closure of the Woodenbong landfill and conversion of the site to a waste transfer station.
- Disposal of Cedar Point Hall, Grove House and Horseshoe Creek Hall.

Option One: 46% self-funded solution

- A fully self-sufficient model not reliant on additional State or Federal funding.
- Meets all financial sustainability targets in seven years, except for the operating balance ratio (achieved in 2034).
- Rates are projected to increase at 9% above the rate peg for the first three years, 8% in the next year, then increases of 7% for the next three years, reducing to the 2.3% rate pegging limit in 2023.
- 46 % increase in general rates above rate pegging levels by 2022, or an extra \$10.23 per week.
- 7% increase in fees and charges for water, sewerage, and waste above CPI indexation by 2022, or an extra \$2.63 per week.

Option Two: 22% mixed funding solution

- A model requiring some rate increases plus additional State or Federal funding.
- Meets all financial sustainability targets in seven years, except for the operating balance ratio (trending towards target).
- Rates are projected to increase at 10.34% above the rate peg for the first year, then increases of 5.5% for the next four years, reducing to the 2.3% rate-pegging limit in 2021.
- 22 % increase in general rates above rate pegging levels in 2020, or an extra \$4.69 per week, and pegged after that.
- 7% increase in fees and charges for water, sewerage, and waste above CPI indexation by 2022, or an extra \$2.63 per week.

Further information

- Details of the proposed expenditure levels in the adopted Scenario, and comparison between Scenarios, can be found in Attachment A of the draft LTFP.
- A summary of the Scenarios assessed can be found in the Introduction section of the draft LTFP.
- Details of the assumptions made in the development of Scenarios can be found in the draft LTFP under Planning Assumptions and Attachment C.

How much will rates go up by?

The average rate currently paid is \$1,002 per assessment. Under the draft LTFP this would rise to \$1,103 in 2016, or an increase of \$1.54 per week.

With the proposed above rate pegging increases in the draft LTFP, the average rate would increase to \$1,352 by the year 2020. This represents a rise of \$244 above rate pegging, or an extra \$4.69 per week.

Isn't there a third option of amalgamation?

Yes. As part of the NSW Government's \$1billion Fit for the Future local government reforms, they are offering financial incentives for councils to amalgamate of \$5million for each merge. Considering Council's annual shortfall of \$4million and infrastructure backlog of \$48million, this amount is not sufficient to solve Council's financial sustainability issues.

Kyogle Local Government Area is faced with considerable challenges. One third of the land area is not rateable as it is State Forest or National Park, and the number of timber bridges is high. We are also below the critical population size of 10,000 that the NSW Government sees as the minimum for independent Councils.

Kyogle Council understands from surveys in 2009 and 2012 that our local community wants to remain an independent council rather than merge with Lismore City Council or Richmond Valley Council for the following reasons:

- Potential loss of services.
- Reduced sense of being involved in the decision-making process.
- Increased isolation and detachment.
- Loss of the ward system under a merger.
- No guarantee that rates won't rise.

A more detailed comparison between the existing and projected rates and charges for neighbouring Councils is available on the Kyogle Council web site. These Councils are also required to show that they can meet the NSW Governments Fit for the Future criteria.

The NSW Government also welcomes public submissions on its proposed local government reform package. For more information go to:

fitforthefuture.nsw.gov.au.

Council's response to the NSW Government is due by mid-2015.

Now is the time to speak up if you want to have your say about the future of Kyogle Council.

Where can I get more information?

The first place you can go to is kyogle.nsw.gov.au

There you will find the Draft Long Term Financial Plan, the Community Strategic Plan and comprehensive fact sheets covering:

- **Income**
- **Asset Management Strategy**
- **Roads and Streets**
- **Bridges**
- **Amalgamation**

Listening Posts

Council staff would be happy to discuss any matters relating to our financial plan at the following community Listening Post sessions:

25 October

Woodenbong Market

28 October

Bonalbo Community Hall, 2-6pm

1 November

Kyogle Farmers Markets

Community Survey

A random telephone survey will be carried out, so please be aware that if you receive a call in the next few weeks, it will be genuine.

You will also be able to fill in a survey on our website or call in to Council's offices and pick up a hard copy.

Submissions close 24 November 2014

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