



19 JUNE 2014

**LATE ITEMS**

**Ordinary Meeting of Council Meeting No. 10/14  
TUESDAY, 24 JUNE 2014**

**Council Chambers, Level 6, Civic Centre,  
1 Devlin Street, Ryde - 7.30pm**

## English

If you do not understand this letter, please come to the Ryde Civic Centre, Devlin Street, Ryde, to discuss it with Council staff who will arrange an interpreter service. Or you may ring the Translating & Interpreting Service on 131 450 to ask an interpreter to contact Council for you. Council's phone number is 9952 8222. Council office hours are 8.30am to 4.30pm, Monday to Friday.

## Arabic

إذا كنت لا تفهم محتويات هذه الرسالة، فالرجاء الاتصال بمركز مجلس بلدية رايد Ryde Civic Centre، وعنوانه: Ryde، Devlin Street، لمناقشتها مع العاملين في المجلس عن طريق مترجم، يستعين به العاملون لمساعدتك. أو يمكنك، بدلاً من ذلك، أن تتصل بمكتب خدمات الترجمة TIS على الرقم 131 450 وأن تطلب من أحد المترجمين أن يتصل بالمجلس نيابة عنك. رقم تليفون المجلس هو 9952 8222، وساعات العمل هناك هي من الساعة 8.30 صباحاً إلى 4.30 بعد الظهر من يوم الاثنين إلى يوم الجمعة.

## Armenian

Եթէ այս նամակը չէք հասկնար, խնդրեմ եկէք՝ *Բայր Սիվիք Սենթրը, Տելվին փողոց, Բայր, խոսակցելու* Բաղաքապետարանի պաշտօնետաներուն հետ, որոնք թարգմանիչ մը կրնան կարգադրել: Կամ, կրնաք հեռաձայնել Թարգմանութեան Ապասարկութեան՝ 131 450, եւ խնդրել որ թարգմանիչ մը Բաղաքապետարանին հետ կապ հաստատէ ձեզի համար: Բաղաքապետարի հեռաձայնի թիւն է՝ 9952 8222: Բաղաքապետարանի գրասենեակի ժամերն են՝ կ.ա. ժամը 8.30 - կ.ե. ժամը 4.30, Երկուշաբթիէն Ուրբաթ:

## Chinese

如果您看不懂這封信，請到位于 Devlin Street, Ryde 的禮特區市府禮堂 (Ryde Civic Centre) 與區政廳工作人員討論，他們將會給您安排傳譯員服務。或者您自己打電話給“翻譯及傳譯服務”，電話：131 450，請他們替您與區政廳聯係。區政廳的電話號碼是：9952 8222。區政廳工作時間是：周一至周五，上午 8.30 到下午 4.30。

## Farsi

اگر این نامه را نمی فهمید لطفاً به مرکز شهرداری رايد در Devlin Street مراجعه کنید. کارمندان شهرداری ترتیب استفاده از يك مترجم را براي شما خواهند داد. یا میتوانید به سرویس ترجمه کتبی و شفاهی شماره 131 450 تلفن بزنیید و بخواهید که يك مترجم از جانب شما با شهرداری تماس بگیرد. شماره تلفن شهرداری 9952 8222 و ساعات کار از 8.30 صبح تا 4.30 بعد از ظهر می باشد.

## Italian

Le persone che hanno difficoltà a capire la presente lettera, sono pregate di presentarsi al Ryde Civic Centre in Devlin Street, Ryde, e parlarne con gli impiegati municipali che provvederanno a richiedere l'intervento di un interprete. Oppure possono chiamare il Translating & Interpreting Service al 131 450 e chiedere ad uno dei loro interpreti di mettersi in contatto con il comune di Ryde. Il numero del comune è 9952 8222. Gli uffici comunali sono aperti dalle 8.30 alle 16.30, dal lunedì al venerdì.

## Korean

이 편지를 이해할 수 없으시면 Ryde의 Devlin Street에 있는 Ryde Civic Centre로 오셔서 카운슬 직원과 상담하여 주십시오. 저희 직원이 통역 서비스를 연결해 드릴 것입니다. 아니면 131 450번으로 통번역 서비스(TIS)에 전화하셔서 통역사에게 대신 카운슬에 연락해 주도록 부탁하셔도 됩니다. 카운슬 전화 번호는 9952 8222번입니다. 카운슬의 업무 시간은 오전 8:30부터 오후 4:30, 월요일에서 금요일까지입니다.

**Meeting Date: Tuesday 24 June 2014**

**Location: Council Chambers, Level 6, Civic Centre, 1 Devlin Street, Ryde**

**Time: 7.30pm**

*Council Meetings will be recorded on audio tape for minute-taking purposes as authorised by the Local Government Act 1993. Council Meetings will also be webcast.*

**NOTICE OF BUSINESS**

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## **LATE ITEMS**

### **16 CITY OF RYDE'S FINANCIAL FUTURE - PROPOSED ACTION PLAN**

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**Report prepared by:** Acting General Manager  
**File No.:** GRP/09/7/8 - BP14/798

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#### **REPORT SUMMARY**

This report is referred back to Council to confirm Council's response in addressing its current funding shortfall of \$8 - \$10 million in funding its infrastructure renewal program.

Councillors attended a full day workshop on Saturday 24 May 2014 that allowed Councillors to discuss a range of options in addition to receiving an overview of Council's financial position from Council's Auditor, PricewaterhouseCoopers ('PWC').

The Workshop on 24 May 2014 was in addition to the following Workshops undertaken on Council's Financial Future;

- 6 August 2013
- 13 August 2013
- 17 September 2013
- 8 October 2013
- 7 November 2013
- 19 November 2013
- 8 April 2014
- 10 June 2014

Attachments to this report are key documents that have been considered previously by Council / Councillors on this matter which include;

- Memo circulated by the Acting General Manger prior to Council's reconvened meeting on Tuesday 4 March 2014 – **ATTACHMENT 1 – CIRCULATED UNDER SEPARATE COVER – CONFIDENTIAL.**
- Updated list of efficiency savings previously circulated to Councillors, totalling \$2.5 million – **ATTACHMENT 2 – CIRCULATED UNDER SEPARATE COVER – CONFIDENTIAL.**
- Results of Councillor Survey from Councillor Workshop on Saturday 24 May 2014 – **ATTACHMENT 3 – CIRCULATED UNDER SEPARATE COVER – CONFIDENTIAL.**
- Council's adopted Community Engagement Program – **ATTACHMENT 4 – CIRCULATED UNDER SEPARATE COVER – CONFIDENTIAL .**

**ITEM 16 (continued)**

- Results of Stage 1 – Community Engagement Program – **ATTACHMENT 5 – CIRCULATED UNDER SEPARATE COVER – CONFIDENTIAL.**
- PricewaterhouseCoopers – Summary of Findings and Councillor’s Presentation – **ATTACHMENT 6 – CIRCULATED UNDER SEPARATE COVER – CONFIDENTIAL.**
- Extract of draft community brochure – **ATTACHMENT 7 – CIRCULATED UNDER SEPARATE COVER – CONFIDENTIAL.**

This report also should be read in conjunction with Item 6 – Four Year Delivery Plan 2014-2018 including One Year Operational Plan 2014/2015.

If Council supports progressing with the Special Rate Variation (‘SRV’) process, Council staff will undertake the community consultation process and then report back to Council by 28 October 2014, on the results of the consultation. If Council then supports progressing with making a SRV application, Council will then be required to update the 2014-2018 Delivery Plan for further public exhibition and comment.

This report details the results of the overview and benchmarking review that has been undertaken by Mr Dennis Banicevic, PWC Council’s external auditor. A summary of the auditor’s findings and the presentations made to Councillors is **ATTACHMENT 6**. In general, the auditor has stated that whilst Council is required to undertake further work to ascertain a more accurate position in respect of the condition of Council’s infrastructure and its asset renewal backlog, there is justification for Council to consider raising additional revenue to invest in asset renewal.

The report also attaches an extract of the draft community brochure that would be circulated to the community, if supported by Council **ATTACHMENT 7**.

This report recommends for Council to progress with the Community Engagement Program in undertaking a comprehensive engagement process with our community in providing detailed information on Council’s overall financial position, the actions taken by Council to date in reducing Council’s operating costs and increasing revenue, an overview of the condition of Council’s infrastructure and the recommended areas where Council’s proposes to spend the additional proposed revenue to be raised by an SRV, if supported by the community and Council.

This report also details key actions in relation to undertaking further work to establish a more accurate position in respect of the condition of Council’s infrastructure assets and the asset renewal backlog.

**ITEM 16 (continued)****RECOMMENDATION:**

- (a) That Council note the information provided in this report and acknowledge Council's funding shortfall in respect of the renewal of Council's existing infrastructure assets.
- (b) That Council note the findings from Council's auditor, PricewaterhouseCoopers, following their review of the City of Ryde's financial position and comparison of key financial and other benchmark indicators to other similar sized Councils.
- (c) That Council endorse the Acting General Manager to complete the remaining stages of Council's Community Engagement Program – Proposed SRV Application, as detailed in the Program and in this report.
- (d) That Council, subject to endorsing part (c) of this recommendation, note that the Acting General Manager will report the findings of the Community Engagement Program and the additional information relating to the condition of Council's infrastructure, asset renewal backlog and Long Term Financial Plan to Council's meeting by 28 October 2014.

**ATTACHMENTS**

- 1 Memo to Councillors from Roy Newsome - Financial Futures - 3 March 2014 - CIRCULATED UNDER SEPARATE COVER - CONFIDENTIAL
- 2 Proposed Increases in Revenue and Reductions in Expenditure - CIRCULATED UNDER SEPARATE COVER - CONFIDENTIAL
- 3 Councillor Workshop Survey Results - 10 responses - CIRCULATED UNDER SEPARATE COVER - CONFIDENTIAL
- 4 Final Community Engagement Program - SRV Application (Community Education, Awareness and Engagement Campaign) - CIRCULATED UNDER SEPARATE COVER - CONFIDENTIAL
- 5 Financial Futures Survey Results - Rates, Services and Asset Renewal - The Right Balance (instinct and reason - 2014) - CIRCULATED UNDER SEPARATE COVER - CONFIDENTIAL
- 6 PricewaterhouseCoopers - Review and Presentation - CIRCULATED UNDER SEPARATE COVER - CONFIDENTIAL
- 7 Draft Community Brochure - Extract - CIRCULATED UNDER SEPARATE COVER - CONFIDENTIAL

Report Prepared and Approved By:

**Roy Newsome**  
**Acting General Manager**

**ITEM 16 (continued)****Discussion**

The previous report to Council on 25 February 2014 on this matter, detailed the number of workshops and information that has been provided to Councillors relating to Council's financial position and financial future to ensure Council was fully understanding of its financial position and current funding shortfall for the renewal of Council's infrastructure assets. **ATTACHMENT 1** details the additional information that was provided to Council at that meeting.

Following Council's resolution from its meeting on the 25 February 2014 and the Councillor submissions received to address Council's financial position, it was clear there was no consensus amongst Councillors on how to address and rectify Council's financial future.

Therefore, Council at its meeting on 22 April 2014 resolved to hold a further Councillor Workshop, which was held on Saturday, 24 May 2014, to discuss and gain direction from Councillors in addressing the funding shortfall of \$8 - \$10 million for the renewal of Council's infrastructure assets. Council at the meeting on 22 April 2014, also adopted to undertake the first stage of the Community Engagement Program.

As a result of the above resolutions and also from the Councillor Workshop held on 24 May 2014, the following information is now provided to Council for its consideration.

**1. Findings from Stage 1 – Community Engagement Program**

As endorsed by Council, the first stage of the Community Engagement Program has been undertaken with the report being **ATTACHMENT 5**.

City of Ryde engaged Instinct and Reason, an independent organisation to research, consult and engage with the community on rating levels, the implication on service standards, and the likely impact on City of Ryde households. A robust research and engagement approach was designed around the need to find out how ratepayers would vote and why, with the relevant information available.

The consultation process has comprised 3 main stages;

1. 6 discussion groups which occurred from the 28<sup>th</sup> of April to the 1<sup>st</sup> of May 2014. The groups were made up of the following life stage profiles: younger single people; families with young children; families with older children; older people/empty nesters; the Chinese community and the Korean community. 37 participants were recruited after 384 invitations were made, which included 235 phone calls being made to ratepayers.

**ITEM 16 (continued)**

2. A follow up workshop for discussion group participants was held on the 3 May 2014. 25 participants attended the second session which provided an opportunity for views to be shared and consolidated across the different life stages and for Council to help ratepayers give a more informed view by providing all of the information that had been requested throughout the discussion groups. An online forum was set up immediately after the workshop at the request of participants, to allow for any follow up questions.
3. A survey among ratepayers was then conducted to obtain a full picture of the views of a cross-section of the community. 2,322 participants were invited from databases including eRates subscribers, CityNews subscribers and participants from previous community surveys. 802 responded, and 718 fully completed the survey.

In total, 2,706 people were invited to be involved throughout this consultation process, of which 839 participated.

**Summary of key findings**

The survey found that when initially asked for their preferences, 46% of ratepayers would choose an 8% rate increase per annum for 4 years to renew Council's infrastructure and maintain services, 18% would choose to maintain their rates at the rate peg level and cut services, whilst 11% would choose a 12% rate increase per annum for 4 years to maintain services and achieve more asset renewal. The remainder wanted alternatives or more information, particularly with regards to Council's efficiency. These undecided voters were asked to choose one of the options, which resulted in a final result of: 30% for no increase apart from the current rate peg, 59% for an 8% increase per annum for 4 years, and 11% for a 12% increase per annum for 4 years.

In terms of potential community reactions to the options Council may support, more than half (53%) said they would be happy if Council voted for an 8% increase, but 51% would be unhappy with no increase if it meant cuts in services, and 74% would be unhappy with a 12% rate increase.

The survey also found that apart from the actual rate levels, ratepayers' preferences are highly sensitive to any suggestion of cuts in services. The survey also clearly showed that those with positive attitudes and experiences of contact with Council are significantly more likely to support a rate increase to renew assets and maintain the levels of services. Most ratepayers have a positive image of Council and only 10% would describe it as 'wasteful and inefficient.' Most also perceive the current rates as being reasonable.



**ITEM 16 (continued)**

In terms of affordability, whilst it is understandably an issue for some, importantly no significant differences were found in ratepayers' preferences and their stated household income levels.

Through the combination of discussion groups, workshops, online forum and survey, Council has a full and robust picture of the community's views and preferences, as well as the reasons for these preferences. Throughout the process, it was also evident that the provision of information can cause ratepayers to shift their positions to support a higher rate increase with the understanding that the funds are to be utilised towards asset renewal.

Feedback from participants has helped to establish what information is seen to be most useful and will help further shape the type of information ratepayers would receive through a wider scale community consultation process to help ratepayers with making an informed decision.

**2. Councillor Workshop – 24 May 2014**

At the Workshop on 24 May 2014, the Acting General Manager recommended that Council address the projected \$10 million funding shortfall for asset renewal, through a combination of efficiency savings on Council's operations, together with applying for a Special Rate Variation.

Details of the efficiency savings of \$2.5 million were presented at the Councillor Workshop which comprised both new and additional revenue of \$580K and reductions in expenditure of \$1.94 million.

The balance of \$7.5 million would then be addressed through a proposed SRV application, that would generate the required funds over a 4 year period. This would equate to a 7% (3% rate peg, 4% SRV) increase over the financial years 2015/2016 – 2019/2020. It should be noted that included in the 7%, is the estimate of 3% for the approved rate cap amount by the Minister for Local Government together with an additional 4%, being the subject of the proposed SRV application. This will generate \$1.9 million of addition revenue in the first year. These additional funds would be directed towards various asset areas in the renewal of existing infrastructure.

Also at the Workshop, Councillors requested to be provided with options for reductions in services from the Acting General Manager, that would equate to in excess of 10% of Council's operating expenditure. If Councillors agreed, there may be additional areas where Council could reduce its expenses. As a result, staff presented these options to Councillors.

Councillors were then surveyed to ascertain if there was a consensus of agreed areas to reduce or cut. The results of this survey are detailed in **ATTACHMENT 3**.

**ITEM 16 (continued)****3. Overview of Council's Financial Position and Results of Benchmarking by Mr Banicevic, PricewaterhouseCoopers, Council's External Auditor**

Council at its meeting on 22 April 2014, resolved to receive an independent review of Council's financial position and to undertake a benchmarking comparison of key financial and other indicators with similar size Councils. This review was undertaken by Mr Dennis Banicevic, PWC and he has provided two (2) presentations to Councillors on the progress of his review.

Mr Banicevic has provided Council with a summary of his findings and a copy of his presentations to Councillors. **ATTACHMENT 6.**

Briefly, Mr Banicevic has found;

- Council's current financial position is sound with Council having strong liquidity and low debt.
- Council's data and information relating to the condition of Council's infrastructure needs updating.
- Due to the need to update the condition data of Council's infrastructure, he has questioned the accuracy of Council's projections of the funds required to address Council's infrastructure renewal. He also has questioned the accuracy of the amount of the actual and projected asset backlog and renewal requirements.
- However, the auditor has undertaken a physical inspection of Council's infrastructure and notes that Council's infrastructure is in need of renewal.
- The auditor has recommended that Council undertake further assessment of the condition of its infrastructure assets to determine a more accurate estimate of both the backlog and the required works.
- Mr Banicevic has also found that the City of Ryde compares quite favourably in the benchmark comparison with other similar sized Councils both in key financial and other indicators. He found that Council's expenditure indicators were very competitive with other Councils and further cuts in expenditure were not warranted. The auditor suggested that the focus for Council should be in raising additional revenue.

**4. Proposed Action Plan**

Council is required to determine if, in addition to adopting the Draft Delivery Plan 2014-2018 as detailed in Item 6 on this Council Agenda, it endorses proceeding with the community consultation process as required for a SRV application. If supported, this matter will be reported back to Council in October 2014 for Council's determination if an SRV application is to be made. If approved, the SRV is planned to apply from 1 July 2015.

**ITEM 16 (continued)**

Details of the adopted Community Engagement Program are detailed in **ATTACHMENT 4**.

If supported by Council, this process will be undertaken between July 2014 - October 2014. The results of this process would then be reported back to Council by 28 October 2014.

Therefore, if Council supported proceeding with the public consultation for the SRV process, the following actions would be undertaken;

- All Council ratepayers would receive an information brochure containing key information on this proposal. An extract of key pages in the community brochure is detailed in **ATTACHMENT 7**.
- As detailed in the program, extensive advertising in local newspapers, direct mail outs to ratepayers and social media initiatives would be undertaken in addition to information sessions in shopping centres and high traffic areas.
- Council staff, in response to the Auditors review, will also initiate an independent review of the condition of key infrastructure. This information will be utilised in updating Council's Asset Management Plans and Long Term Financial Plan (LTFP). This will enable a more accurate assessment of Council's estimated asset renewal backlog and verify the amount of the estimated funding shortfall.
- The Acting General Manager will then provide a report back to Council by 28 October 2014 that will cover the results of the community consultation, plus an updated position of the condition of Council's assets and projections of Council's infrastructure backlog and overall financial position.

**Summary**

As detailed in this report, Council has been provided with extensive information relating to its overall financial position, condition of Council's infrastructure assets, funding shortfall relating to the renewal of council's assets and projections within Council's LTFP.

Council's auditor, PWC, has found that the City of Ryde needs to undertake a more detailed assessment of the condition of its assets, to enable Council to determine a more accurate understanding of the funds required to renew its assets and to gain a more accurate estimate of the backlog relating to asset renewal works.

Council staff, through the various presentations, have demonstrated to Councillors that the annual funding shortfall is estimated to be between \$8-\$10 million, with \$8 million relating to renewal works and \$2 million relating to maintenance works.

**ITEM 16 (continued)**

Staff have provided Council with an annual efficiency gain of \$2.5 million from 1 July 2015, with the balance of \$7.5 million being proposed to be raised from an SRV.

In addition to the above approach, Councillors requested staff to provide options to Council of in excess of 10% of its operating expenditure that would allow Councillors to consider any further reductions in its operating costs. A summary of these items is attached to this report, however these items are not recommended in this report.

Given Council's financial position and the actions taken by Council's Executive Team, it is recommended that Council proceed with completing the Community Engagement Program required for a proposed SRV application. This is on the basis of Council raising an additional \$7.5 million over 4 years, noting Council has further reduced the annual operating expenses by \$2.5 million.

**Financial Implications**

The main focus at all the Workshops on Council's financial position has been to understand that Council has had a funding shortfall for its asset renewals, ranging between \$8-\$10 million.

As explained, if Council can address and bring this result back to a balanced position over time, it will allow Council to restore the allocation required for Council's existing infrastructure renewal works. This is a realistic objective if addressed through a number of initiatives and multiple actions that include, new revenue initiatives, reductions in expenses/ services and exploring a SRV application.

It needs to be highlighted that rate income is Council's major income source (51% of total operating revenue), therefore while various actions can be taken in growing income, these actions potentially take longer to realise and therefore have limited impact compared to a rate increase. As provided to Council, an SRV of 7% (ie: 4% additional over the estimated 3% rate peg) would provide Council with an additional \$1.9 million per annum, and approximately \$7.5 million over 4 years.

If Council supported the SRV application and the \$2.5 million efficiency gain as proposed in this report, then Council would generate the required \$10 million in 4 years' time.

Council could consider making further additional reductions to services as detailed in the options presented by the Executive Team at the Councillor Workshop. This would result in a reduction of the amount required from the SRV. However, Councillors should note both the results of the community survey results and also the comments from the auditor, that the City of Ryde was very competitive in respect of key expense indicators when compared to other Councils.

**ITEM 16 (continued)**

It is suggested that further future action may be required as this initial strategy did not contemplate addressing Council's current infrastructure backlog, which is currently estimated at \$58 million.

Therefore, Council by taking the initiatives as previously discussed, including the exploration of an SRV application, will result in confirming the community's views on this matter. Council would still have the option not to proceed with lodging an SRV application when this matter is reported back to Council by 28 October 2014.

**Critical Dates**

Council is required to comply with the Local Government Act especially related to the Integrated Planning and Reporting Framework. IPART requires a Council to notify them early December in the year prior to the SRV being implemented. Therefore this determination needs to be adopted by Council in November 2014.

**Options**

1. Council could defer this report for further discussion and additional information.

This option is not recommended as it is believed that the information relating to Council's financial position, funding shortfall and overview of its infrastructure assets has been comprehensive and no additional information could be provided to Council.

2. Council could endorse the recommendations in this report and therefore complete the Community Engagement Program with the findings to be reported back to Council on 28 October 2014.

This option is recommended.

3. Council could, in addition to the efficiency savings, endorse further reductions in services as discussed at the Councillor Workshop.

This option is not recommended and is a matter for Council. Council should be mindful of both the community survey results and the comments from Council's auditor, PricewaterhouseCoopers.

4. Council could determine to note this report and take no further action.

This option is not recommended as Council needs to address its annual funding shortfall of \$10 million that would be directed towards the asset renewal backlog.

## **CONFIDENTIAL ITEMS**

### **17 PROPERTY MATTER**

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#### **Confidential**

This item is classified CONFIDENTIAL under Section 10A(2) of the Local Government Act, 1993, which permits the meeting to be closed to the public for business relating to the following: (c) information that would, if disclosed, confer a commercial advantage on a person with whom the Council is conducting (or proposes to conduct) business; AND (d) (ii) information that would, if disclosed, confer a commercial advantage on a competitor of the council.

**Report prepared by:** Section Manager - Properties

**File No.:** GRP/09/6/5 - BP14/740

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#### **NOTICE**

**A Confidential Report on a Property Matter will be made available to Councillors on the evening of the Council Meeting to be held on Tuesday, 24 June 2014.**

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