

SUMMARY

The purpose of this report is to present to Council the minutes of the Audit, Risk and Improvement Committee meeting held Tuesday 13 February 2018, including the Annual Report from the Audit, Risk and Improvement Committee.

COMMENTARY

The quarterly meeting of the Audit, Risk and Improvement Committee was held on Tuesday 13 February 2018. The Minutes of the meeting are **ENCLOSED**, refer **ENCLOSURE 1**.

As part of the Audit, Risk and Improvement Committee Charter, the Committee must report annually to Council detailing the Committee's composition, responsibilities and how they were discharged, and any other information required by law, including non-audit services. The Annual Report is **ENCLOSED**, refer **ENCLOSURE 2**.

(a) Policy Implications

Nil

(b) Financial Implications

Costs associated with the Internal Audit function are budgeted in the 2017/2018 Annual Operational Plan.

(c) Legal Implications

Nil

(d) Community Consultation

Nil

9.6 EVENT MANAGEMENT AND ATTRACTION - REVENUE OPPORTUNITIES – FILE NO SF8628

DIRECTORATE: OFFICE OF THE GENERAL MANAGER
AUTHOR: Paul Bennett, General Manager

RECOMMENDATION

That in relation to the report “Event Management and Attraction – Revenue Opportunities”, Council:

- (i) pursue the implementation of a permanent Special Rate Variation across all of the business rate categories to take effect from the 2019/2020, 2020/2021 and 2021/2022 financial years;*
 - (ii) determine that the Special Rate Variation be an amount of three percent per year in each of the three years and be additional to the rate pegging limit set by the State Government;*
 - (iii) develop a targeted event attraction strategy that identifies the specific types of events that Council wishes to attract to the region along with a framework for determining the level of funding assistance that will be provided;*
 - (iv) maximise funding opportunities through the State and Federal Government by*
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identifying events and activities that qualify for subsidies under the various government programs; and

- (v) proactively seek additional sponsorship opportunities to reduce the net cost of both existing and new events to the local community;*

SUMMARY

Council resolved at its December 2017 Meeting, that the General Manager investigate and report to Council on what opportunities are available to establish a permanent revenue stream for the ongoing management and attraction of major events to the Tamworth Regional Council area.

This report examines the various options available to Council to raise additional revenue and recommends that Council pursue a special rate variation on the Business rating category to be applied in the 2019/2020 financial year.

COMMENTARY

The Issue

As outlined in the Mayoral Minute to the 12 December 2017 Council Meeting, Tamworth is well known as an events City, primarily because of the world renowned Country Music Festival but also because of the enormous capacity the region has to host large numbers of people in many different venues and supported by a strong accommodation and hospitality sector. While these events bring enormous economic, social and cultural benefits to the region they also come at a substantial cost with little or no direct revenue stream being returned to Council.

The Country Music Festival attracts many thousands of people to the region, is supported by significant sponsorship from large corporations and injects many millions of dollars into the local economy each year but still comes at a net cost to Council and by extension the majority of the rate paying community of the Tamworth Region.

While it may be argued that the principal beneficiaries of the festival are accommodation providers, hotels, restaurants, cafes and retailers who see an enormous surge in their turnover during this period, the reality is that the majority of businesses benefit directly or indirectly from the economic activity that 50,000 visitors bring to the region. Other major sporting events, concerts, festivals and conferences also benefit these business sectors albeit not to the same level as the Country Music Festival.

Council has already factored an ongoing commitment to the hosting of existing major events into its forward financial plans and could continue to support the existing level of event activity into the future. However, as a growing region there is constant demand from the community for new experiences such as hosting premier sporting events, artistic productions and cultural events. Attracting these events come at a cost and without an increase in revenues, Council would have to divert funds from existing services that are being provided to the community.

The Objective

In considering the information contained within the Mayoral Minute, Councillors made a number of comments regarding how they would like to address this issue. These comments can be summarised as follows:

- the majority of Councillors support the idea of raising additional revenue so that additional major events can be attracted to the region;
- major events deliver benefits to many different types of businesses in the region, not just tourism related;
- an acceptable solution may include a range of options including increased government support, increased sponsorship, public/private partnerships, and a local levy on business; and
- consider the financial impact of increased rates on local business.

In light of the above the objective is to develop a strategy that allows Council to attract additional events to the region by creating increased revenues from a variety of sources without unfairly impacting individual ratepayers.

The Options

Existing Revenue Streams

The Local Government Act provides the basis for Council being able to levy rates, charges and fees for service. The total amount of rates able to be levied by Council in any year is based on a notional income calculation that cannot be exceeded. This notional income amount can be increased either through the application of the annual rate cap or by applying to IPART for a special rate variation (option discussed below).

Other revenue streams include annual charges for services such as water, sewer and waste management, along with fees and charges for other activities undertaken by Council. These include everything from cemetery fees, development application fees, inspections fees, hire fees and many other services and facilities provided by Council. Some fees are increased by CPI each year while some are calculated based on the actual cost to provide a service. Others are set by legislation and Council cannot exceed these stipulated amounts regardless of whether or not the income being raised offsets the cost of providing the service. Finally, some fees are based on the principle of Council having a community service obligation in providing a service and in these circumstances the fee charged is less than the cost of providing the service – swimming pools are a prime example of this approach.

The legislative restrictions on Council's revenue raising avenues means that unless existing revenue streams are directed away from other services and facilities this option is not feasible to raise the level of revenue necessary to extend our current event hosting activities. However, it is imperative that where possible Council maintain a focus on recovering the cost of providing services directly from those who benefit.

Sponsorship

The Tamworth Country Music Festival attracts the support of many major corporations through sponsorship arrangements and partnership agreements. These sponsorships significantly offset the cost of the Festival to Council and the community and provide the opportunity generate enormous economic benefits to businesses across the region.

Council has also been able to partner with other local businesses to attract smaller events such as the hosting of trial matches for the National Rugby League, Rugby Union, and A-League Soccer competitions. Unfortunately, these types of events do not generate widespread economic activity as the majority of attendees are from the local area or immediate surrounds and only a small number of visitors require overnight stays.

Sponsorship remains an important source of revenue for our major events but is limited to where a company/business can receive significant brand exposure to justify their investment. Council will always seek out sponsorship opportunities where available.

Government grants and subsidies

Destination NSW provides a range of grant opportunities and programs to support the hosting and attracting of different activities to regional centres. The Regional Flagship Events Program (RFEP) supports events in regional NSW that have the potential to act as a 'cornerstone' or flagship tourism event for their area by attracting overnight visitation and delivering long term benefits to the region. The Program now has three funding streams as follows:

- Incubator Event Fund – supports the establishment of new events;
- Flagship Event Fund – supports the marketing of emerging events to increase their profile and encourage visitation; and
- Event Development Fund – supports the strategic development of proven flagship events as drivers of tourism.

Council has a very good relationship with Destination NSW and has secured significant ongoing support for the Country Music Festival on an annual basis. There may be opportunities to seek additional funding under specific funding streams, however, these are likely to always be supplementary to any investment made by Council and not something that could be relied upon to cover all of the costs associated with attracting new events and activities.

Tourism Accommodation Levy (Bed Tax)

In November 2017, Council received a letter from Byron Shire Council seeking support for their push to have the State Government allow a trial of a Tourism Accommodation Levy (Bed Tax). Byron Shire Council struggles to cope with the estimated 2.1 million visitors to their region every year and stated in their letter *"...There is a need to explore revenue raising options not currently available..."* and *"...A tourism accommodation levy (bed tax) has been used around the world for decades as a way to raise revenue from visitors in order to fund the infrastructure impacts by visitation..."*.

The proposal triggered an immediate response from the Accommodation of Australia with their CEO stating *"...The butcher, the baker, the candlestick maker ... everyone's benefiting from tourism; it's not just the hotels and motels and serviced apartments — everyone benefits..."* – a response very similar to that of the Tamworth Business Chamber who said that if an events levy was to be implemented then it should apply to all businesses.

The obvious impediment to considering this option is the fact that at present Councils in NSW are not permitted to raise revenue in the form of a Bed Tax. The State Government would need to amend the Local Government Act to allow this type of levy and history demonstrates that this would be a laborious task given the likely strong objections from the accommodation sector.

Special Rate Variation

A Special Rate Variation appears to be the most equitable revenue option for Council to levy a contribution from all businesses from across the region. One benefit is that the levy can be tailored to ensure all businesses pay a minimum amount but that larger businesses pay a proportionally larger share based on their higher land values.

As mentioned previously in this report any increase to rate income above the rate peg limit must be approved by IPART through a Special Rate Variation process.

The formal steps to applying for a Special Variation (SV) include:

- Council formally resolving to lodge an application;
- advising IPART of intention to apply by December; and
- lodging the application with IPART by February.

The development of a suitable application and folio of supporting evidence would involve:

- making early contact and ongoing engagement with IPART;
- ensuring the need for the Special Variation is included in existing Integrated Planning and Reporting (IP&R) documents;
- ensuring community awareness of the identified need; and
- ensuring all assessment criteria is adequately addressed.

The main criteria that IPART use to assess applications are:

- the need for the variation is clearly articulated and identified in the IP&R documents;
- evidence that the community is aware of the need for and the extent of the rate rise; and
- the impact on affected ratepayers is reasonable.

There are also specific purposes that Council can apply for a Special Variation to fund. The most relevant classification for this proposal is *“new or enhanced services to meet the needs of the local community”*.

Council must also include in the application details on how it intends to implement the Special Variation if successful. This mainly relates to how it will be introduced and in what form.

There are two types of application based on how it will be introduced, being:

- Section 508A – phased in by successive increases over two to seven years; or
- Section 508(2) – a single year increase.

Either type must also be declared as a permanent or temporary increase to the rate base.

There are also two methods of integrating the increase to the rate levy, being:

- applying the increase to the general rate of selected categories; or
- creating a Special Rate for the increase.

Creating a Special Rate allows for a minimum amount to be applied to individual properties and ensures the increase is separately disclosed in the Revenue Policy and on rates notices.

An initial analysis of how a Special Rate Variation would impact business rates across the region was undertaken on the basis of a 5% increase, a target figure of \$500,000 per annum (8.13%), and a 10% increase with the following results:

	Current Levy Amount	Sum of 5% Increase	Sum of 8.13% Increase	Sum of 10% Increase2
Barraba	94,281.23	4,714.06	7,665.06	9,428.12
Manilla	62,880.51	3,144.03	5,112.19	6,288.05
Standard	100,819.15	5,040.96	8,196.60	10,081.92
Tamworth	5,817,397.62	290,869.88	472,954.43	581,739.76
Kootingal/ Moonbi	29,820.57	1,491.03	2,424.41	2,982.06
Villages	33,393.48	1,669.67	2,714.89	3,339.35
Minimum Standard	17,413.45	870.67	1,415.71	1,741.35
Grand Total	6,156,006.01	307,800.30	500,483.29	615,600.60

There are currently 1,828 properties rated as business across the region and the average annual rate paid is approximately \$3,445. Under the above scenarios the following average increases would result:

- 5% increase = average rate of \$3,613 or an increase of \$168 p.a.
- 8.13% increase = average rate of \$3,719 or an increase of \$274 p.a.
- 10% increase = average rate of \$3,782 or an increase of \$337 p.a.

Comparative information published by the Office of Local Government has consistently shown that Tamworth Regional Council's rates are considerably lower than other major regional centres in NSW. The table below provides the comparative information for 2015/16 which is the latest currently available:

Council	Population	Average Residential Rate (\$)	Average Farmland Rate (\$)	Average Business Assessment (\$)
Albury City	51,722	1,218	2,831	5,795
Armidale Dumaresq	N/a	N/a	N/a	N/a
Bathurst Regional	42,231	975	1,281	3,899
Dubbo City	N/a	N/a	N/a	N/a
Orange City	41,809	1,233	1,769	5,696
Wagga Wagga City	63,428	972	2,426	5,386
Tamworth Regional	61,121	927	1,809	2,971
Group Average		1,065	2,023	4,749
TRC % variance to group		14.8%	11.9%	59.8%

(Armidale and Dubbo are newly amalgamated and comparative information is unavailable)

The TRC % variance indicates the variation that would be required to bring the TRC average rate in line with the comparative group averages. This shows that the average general rates for Tamworth Regional Council are well below the Group averages for these councils across all rate categories.

The figure for Average rates per category is considered the only reasonable way to compare rating levels between councils. Variances between individual properties can be due to a number of factors. The total on a Tamworth Regional Council rates and charges notice also includes water and sewer annual charges and is often incorrectly compared to metropolitan council bills which only include general rates and waste annual charges. The average residential bill (general rates and waste) for Sydney metropolitan councils for 2015-16 was \$1,513 compared to \$1,214 for Tamworth Regional Council.

As mentioned above, Section 508A of the Local Government Act gives Council the option of applying to have a Special Rate Variation implemented over a number of years rather than having a single large increase in the first year. It is recommended that Council consider increasing business rates above the rate pegging limit by 3% each year for a period of three years. The cumulative impact of this approach is summarised in the following table:

	Year 1	Year 2	Year 3
Increased Revenue	184,680	384,135	599,292
Cumulative % increase	3.0%	6.2%	9.7%
Average Rate	3,553	3,748	3,954

By the third year Council would be raising an additional \$600,000 of revenue per year to implement its event attraction strategy with these funds being quarantined solely for this purpose.

Should Council determine to proceed with the recommendation to pursue a Special Rate Variation the next step would be to commence development of a detailed event attraction strategy. The strategy would draw on the expertise of the Tamworth Business Chamber and Council staff to identify those events that would be actively pursued to be hosted in Tamworth and across the region as well as the type and amount of incentives to be offered. The focus would be on maximising the economic benefit of hosting events that extend over several days such as conferences, state and national sporting championships, University Games, and international acts that would attract out of area visitors.

(a) Policy Implications

A decision to proceed with an application for a Special Rate Variation would be included in Council's Revenue Policy.

(b) Financial Implications

Implementation of a Special Rate on the Business category would result in increased revenue that would be specifically allocated for the attraction and subsidisation of major events. None of the addition funds would be able to be used for other activities

(c) Legal Implications

There are no legal implications.

(d) Community Consultation

Application for a Special Rate Variation requires significant community consultation before it can be considered or approved by IPART.

9.7 COUNCIL INVESTMENTS FEBRUARY 2018 – FILE NO SF8283

DIRECTORATE: CORPORATE AND GOVERNANCE

AUTHOR: Rick Sanderson, Manager Financial Services

1 ANNEXURES ATTACHED

RECOMMENDATION

That in relation to the report “Council Investments February 2018”, Council receive and note the report.

SUMMARY

This report provides an overview of Council Investments for the month of February 2018.

COMMENTARY

In accordance with Section 212 of the Local Government (General) Regulation 2005, the details of all money Council has invested as at 28 February 2018, is **ATTACHED**, refer **ANNEXURE 1**.

The following table provides a summary of the types of investments held and the institution they are held with:

Institution	On Call	Term Deposit	Floating Rate	Total	% of Total
NAB	3,325,777	46,000,000	0	49,325,777	32.75%
BOQ	0	5,000,000	0	5,000,000	3.32%
CBA	0	39,000,000	6,000,000	45,000,000	29.87%
Newcastle Permanent	0	3,000,000	0	3,000,000	1.99%
St George	0	27,000,000	0	27,000,000	17.92%
TCorp	12,304,618	0	0	12,304,618	8.17%
Westpac	0	0	9,000,000	9,000,000	5.97%
TOTAL	15,630,395	120,000,000	15,000,000	150,630,395	

The amount invested at 28 February 2018, has decreased by \$1,479,336.26 since the previous month. Additional capital expenditures for the month offset the income received from the third rate instalment and FAGS grant instalment.

Council's investments mainly include restricted funds received for specific purposes or held for future renewal works for each of the three main funds, as summarised in the following table:

Fund	Restriction	Amount	%
General	Unrestricted	4,851,166	3.2%
General	Internally Restricted	55,895,534	37.1%
General	Externally Restricted	10,281,912	6.8%
General Fund Total		71,028,612	47.1%
Water	Unrestricted	2,189,291	1.5%
Water	Internally Restricted	19,228,977	12.8%
Water	Externally Restricted	17,620,172	11.7%
Water Fund Total		39,038,440	26.0%
Sewer	Unrestricted	2,889,205	1.9%
Sewer	Internally Restricted	24,521,697	16.3%
Sewer	Externally Restricted	13,152,441	8.7%
Sewer Fund Total		40,563,343	26.9%

Total Investments	<u>150,630,395</u>
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Moneys received for each Fund can only be used within that Fund. An explanation for each category of restriction is described below.

Unrestricted:

These are funds required to meet short term cash flow requirements and contingencies to maintain solvency.

Internally Restricted:

Funds set aside for future commitments mostly relate to asset renewals, remediation works, or leave provisions. For General Fund, this includes self funding activities such as the Airport, Waste Management and Fleet operations.

Externally Restricted:

Funds provided for specific purposes such as developer contributions, grants and loans.

The use of restricted funds is largely controlled by 10 – 20 year asset management plans which are included in the resourcing strategy of Council's Community Strategic Plan.

(a) Policy Implications

All of Council's investments are held in accordance with the 'Tamworth Regional Council Investment Policy' except for the one term deposit that is now below the minimum rating level due to a recent down grade.

(b) Financial Implications

Investment levels and interest rates are currently on par with the revised estimate calculations.

(c) Legal Implications

All of Council's investments are held in accordance with the 'Tamworth Regional Council Investment Policy' which accords with the requirements of the:

- Local Government Act 1993 – Section 625;
- Local Government Act 1993 – Order (of Minister) dated 16 November 2000;
- The Trustee Amendment (Discretionary Investments) Act 1997 – Sections 14A(2), 14C(1) and 2;
- Local Government (General) Regulation 2005 – Clauses 212 and 215; and
- Local Government Code of Accounting Practice & Financial Reporting – Update No. 15 dated June 2007.

(d) Community Consultation

Nil

10 COMMUNITY SERVICES

10.1 ARTSTATE CONFERENCE 2019 – FILE No SF5641

DIRECTORATE: BUSINESS AND COMMUNITY
AUTHOR: Kay Delahunt, Manager Cultural Services

RECOMMENDATION

That in relation to the report "Artstate Conference 2019", Council approve the allocation of \$35,000 in sponsorship from the general fund in the 2019/20 financial year, to secure this significant cultural event for the Tamworth Region.

SUMMARY

Tamworth has the opportunity to be the host venue for the Artstate Conference scheduled for November 2019. The conference brings the opportunity to showcase the region, opportunities for local artists and the arts community, opportunities to celebrate local Aboriginal cultures and will attract visitors, visitor expenditure and its flow on effect.

COMMENTARY

Regional Arts NSW (RANSW) has secured four years of NSW Government funding (commenced 2017) to provide four regional NSW based versions of the national regional arts conference and festival, ARTLANDS. The series of four conferences, known as Artstate NSW, demonstrate regional excellence and continue to build on the conversations, partnerships and opportunities for regional artists and arts organisations that were an outcome of ARTLANDS 2016.

RANSW delivered the 2016 National ARTLANDS conference in Dubbo. The organisation has demonstrated its capacity to deliver a highly successful arts conference.