

Independent Pricing and Regulatory Tribunal  
New South Wales

## Special Variation Application Form – Part B

**For 2018-19**

**Insert Name of Council: Clarence Valley Council**

Date Submitted to IPART: 12/02/2018

Council Contact Person: Matthew Sykes

Council Contact Phone: [REDACTED]

Council Contact Email: [REDACTED]

## © Independent Pricing and Regulatory Tribunal (2017)

With the exception of any:

- (a) coat of arms, logo, trade mark or other branding;
- (b) third party intellectual property; and
- (c) personal information such as photos of people,

this publication is licensed under the Creative Commons Attribution-NonCommercial-NoDerivs 3.0 Australia Licence.



The licence terms are available at the Creative Commons website:  
<https://creativecommons.org/licenses/by-nc-nd/3.0/au/legalcode>

IPART requires that it be attributed as creator of the licensed material in the following manner: © Independent Pricing and Regulatory Tribunal ([Year of Publication]).

The use of any material from this publication in a way not permitted by the above licence or otherwise allowed under the *Copyright Act 1968* (Cth) may be an infringement of copyright. Where you wish to use the material in a way that is not permitted, you must lodge a request for further authorisation with IPART.

### Disclaimer

IPART does not guarantee or warrant, and accepts no legal liability whatsoever arising from or connected to, the accuracy, reliability, currency or completeness of any material contained in this publication.

Information in this publication is provided as general information only and is not intended as a substitute for advice from a qualified professional. IPART recommends that users exercise care and use their own skill and judgment in using information from this publication and that users carefully evaluate the accuracy, currency, completeness and relevance of such information. Users should take steps to independently verify the information in this publication and, where appropriate, seek professional advice.

Nothing in this publication should be taken to indicate IPART's or the NSW Government's commitment to a particular course of action.

ISBN [Click here and type in ISBN number, inserting spaces in correct positions.]

### **The Independent Pricing and Regulatory Tribunal (IPART)**

IPART provides independent regulatory decisions and advice to protect the ongoing interests of the consumers, taxpayers and citizens of NSW. IPART's independence is underpinned by an Act of Parliament. Further information on IPART can be obtained from IPART's website: <https://www.ipart.nsw.gov.au/Home>.

---

## Tribunal Members

The Tribunal members for this review are:

Dr Peter J Boxall AO, Chair

Mr Ed Willett

Ms Deborah Cope

Enquiries regarding this document should be directed to a staff member:

Derek Francis (02) 9290 8421

Anthony Rush (02) 9113 7790

# Contents

<b>1</b>	<b>Introduction</b>	<b>1</b>
1.1	Completing the application form	1
1.2	Notification and submission of the special variation application	2
<b>2</b>	<b>Preliminaries</b>	<b>4</b>
2.1	Focus on Integrated Planning and Reporting	4
2.2	Key purpose of special variation	4
2.3	Capital expenditure review	9
<b>3</b>	<b>Assessment Criterion 1: Need for the variation</b>	<b>10</b>
3.1	Case for special variation – community need	10
3.2	Financial sustainability	19
3.3	Financial indicators	34
3.4	Contribution plan costs above the cap	41
<b>4</b>	<b>Assessment criterion 2: Community awareness and engagement</b>	<b>43</b>
4.1	The consultation strategy	44
4.2	Feedback from the community consultations	58
<b>5</b>	<b>Assessment criterion 3: Impact on ratepayers</b>	<b>64</b>
5.1	Impact on rates	64
5.2	Consideration of affordability and the community’s capacity and willingness to pay	73
5.3	Addressing hardship	82
<b>6</b>	<b>Assessment criterion 4: Public exhibition of relevant IP&amp;R documents</b>	<b>83</b>
<b>7</b>	<b>Assessment criterion 5: Productivity improvements and cost containment strategies</b>	<b>92</b>
<b>8</b>	<b>List of attachments</b>	<b>92</b>
<b>9</b>	<b>Certification</b>	<b>108</b>

# 1 Introduction

IPART will assess each application against the criteria set out in the Office of Local Government's (OLG) *Guidelines for the preparation of an application for a special variation to general income* (the [Guidelines](#)). Councils should refer to these Guidelines before completing this application form.

Each council must complete this Part B application form when applying for a special variation to general income either under section 508(2) or section 508A of the *Local Government Act 1993* (NSW).

In addition, councils must complete the Part B form with the Part A (spreadsheet) form for both section 508(2) or section 508A applications. The Guidelines also require the council to have resolved to apply for a special variation. You must attach a copy of the council's resolution. IPART's assessment of the application cannot commence without it.

If the proposed special variation includes increasing minimum rates above the statutory limit, or is to apply a higher rate of increase to an existing minimum rate than to its other rates, it is not necessary for the council to also complete the separate Minimum Rates application form. However, this must be clearly identified and addressed in the special variation application. In such circumstances, councils are encouraged to discuss their proposed application with IPART as soon as possible.

As outlined in the Guidelines, new councils created in 2016 (apart from Mid-Coast Council) will be ineligible for special variations for the 2018-19 rating year.

## 1.1 Completing the application form

This form is structured to provide guidance on the information we consider is necessary for us to assess a special variation application. To complete the form, the council will need to respond to questions and insert text in the boxed area following each section or sub-section.

The amount of information that a council provides will be a matter of judgement for the council, but it should be sufficient for us to make an evidence-based assessment of the application. Generally, the extent of the evidence should reflect the size of the variation sought. More complex applications or requests for a high cumulative percentage increase should be supported by stronger, more extensive evidence.

Councils may submit additional supporting documents as attachments to the application (refer to section 8). These attachments should be clearly cross-referenced in Part B. We prefer to receive relevant extracts rather than complete publications, unless the complete publication is relevant to the criteria. If you provide complete documents when only an extract is relevant, we may ask you to resubmit the extract only. (You should provide details of how we can access the complete publication should this be necessary.)

We publish videos and fact sheets on how IPART assesses special variations and on the nature of community engagement for special variation applications. These will assist in preparing the application. The latest videos and fact sheets on these topics are available on [IPART's website](#).

We may ask for additional information to assist us in making our assessment. If this is necessary, we will contact the nominated council officer.

This application form consists of:

- ▼ Section 2 – Preliminaries
- ▼ Section 3 – Assessment criterion 1
- ▼ Section 4 – Assessment criterion 2
- ▼ Section 5 – Assessment criterion 3
- ▼ Section 6 – Assessment criterion 4
- ▼ Section 7 – Assessment criterion 5
- ▼ Section 8 – List of attachments
- ▼ Section 9 – Certification.

## **1.2 Notification and submission of the special variation application**

### **Notification of intention to apply**


Councils intending to submit an application under either section 508(2) or section 508A should have notified us of their intention to apply, via the Council Portal, by Friday 15 December 2017.

**Any councils that did not notify but intend to apply for a special variation for 2018-19 should contact us as soon as possible.**

### **Online submission of applications**

All councils intending to apply for a minimum rate increase must use the [Council Portal](#) on IPART's website to register as an applicant council and to submit an application.

You are required to submit the application, via the Council Portal, by **Monday 12 February 2018**.



The [User Guide](#) for the Portal will assist you with the registration and online submission process. If you experience difficulties please contact:

- ▼ Arsh Suri - [Arsh\\_Suri@ipart.nsw.gov.au](mailto:Arsh_Suri@ipart.nsw.gov.au) or 02 9113 7730

File size limits apply on the Council Portal to each part of the application. For this Part B application form the limit is 10MB. The limit for supporting documents is 70MB for public documents and 50MB for confidential documents. We generally request supporting documents of the same type to be combined and most supporting document categories have a maximum number of 5 documents allowed. These file limits should be sufficient for your application. Please contact us if they are not.

We will post all applications (excluding confidential content) on the IPART website. Confidential content may include part of a document that discloses the personal identity or other personal information pertaining to a member of the public or whole documents such as a council working document and/or a document that includes commercial-in-confidence content. Councils should ensure that documents provided to IPART are redacted so that they do not expose confidential content.

Councils should also post their application on their own website for the community to access.

## 2 Preliminaries

### 2.1 Focus on Integrated Planning and Reporting

Councils must identify the need for a proposed special variation to their General Fund's rates revenue as part of their Integrated Planning and Reporting (IP&R) process. The IP&R documents will need to be publicly exhibited and adopted by the council prior to it submitting its application to us. Also refer to section 6 for a more detailed explanation.

The key IP&R documents are the Community Strategic Plan, Delivery Program, Long Term Financial Plan and, where applicable, the Asset Management Plan. A council's application may also include supplementary and/or background publications used within its IP&R processes. You should refer to these documents to support your application for a special variation where appropriate.

### 2.2 Key purpose of special variation

At the highest level, indicate the key purpose(s) of the proposed special variation by marking one or more of the boxes below with an "x".

Maintain existing services	<input type="checkbox"/>
Enhance financial sustainability	<input checked="" type="checkbox"/>
Environmental services or works	<input type="checkbox"/>
Infrastructure maintenance / renewal	<input checked="" type="checkbox"/>
Reduce infrastructure backlogs	<input type="checkbox"/>
New infrastructure investment	<input type="checkbox"/>
Other (specify)	<input type="checkbox"/>

You should summarise below the key aspects of the council's application, including the purpose and the steps undertaken in reaching a decision to make an application.

#### Council's response:

##### *Purpose:*

The proposed Section 508(A) Special Rate Variation (SRV) of 8% p.a. (inclusive of rate peg) for three years commencing 2018/19 (with the cumulative increase of 25.97% inclusive of rate peg to be retained permanently in Council's rate base), is to provide Council with around an additional \$7.4m in general rates income in 2020/21 (inclusive of assumed 2.5% rate peg for 2020/21), which along with a further \$8.6m in efficiency savings re Attachment F 'Improvement Strategies 2017/18 to 2020/21' to the 27 June 2017 Ordinary Council meeting Item 13.035/17 (see Attachment 1 'Final Improvement Strategies') will deliver the



\$15.343 million required to “balance the books” (improve Council’s General Fund financial sustainability i.e. meet the greater than or equal to breakeven General Fund Operating Performance ratio by 2020/21 which was the Fit For the Future Reassessment Round 2 benchmark requirement) and improve Council’s General Fund asset sustainability (asset renewals only for 2018/19 to 2020/21, and asset renewals and asset maintenance from 2021/22). Council’s General Fund asset sustainability needs attention as historically the General Fund Asset (Buildings & Infrastructure) Renewals ratio and General Fund Asset Maintenance ratio have been below the Office of Local Government (OLG) benchmarks and as per the Revised 2017/18 to 2026/27 Asset Management Strategy Version 2, Scenario 1 of the Revised 2017/18 to 2026/27 Long Term Financial Plan Version 2 the baseline scenario (i.e. no SRV) provides insufficient funds to address this issue.

The proposed Section 508 (A) SRV will also provide Council with an additional \$10.298 million general rate income (\$1.632 million 2018/19, \$3.373 million 2019/20, and \$5.293 million 2020/21) above the 2.3% actual rate peg for 2018/19 and the assumed rate peg of 2.5% p.a. for 2019/20 and 2020/21 over the three (3) years 2018/19 to 2020/21 under Scenario 2 of the Revised 2017/18 to 2026/27 Long Term Financial Plan Version 2 which enables Council to meet the General Fund Operating Performance ratio by achieving a General Fund operating surplus before grants and contributions for capital purposes of \$183,217 in 2020/21, and this allows Council to bridge the General Fund asset renewal ratio gap and the General Fund asset maintenance ratio gap over the 10 year period of the Revised 2017/18 to 2026/27 Long Term Financial Plan Version 2.

***Steps undertaken in reaching a decision to make an application:***

On the 10 September 2014 the NSW Government announced its response to the Independent Local Government Review Panel (ILGRP) and Local Government Acts Taskforce reports. Part of this response included a requirement for each council to submit a proposal to the Government by 30 June 2015 outlining how they planned to become “Fit for the Future”.

Clarence Valley Council’s initial assessment demonstrated that Council did not meet five (5) of the seven (7) key financial indicator benchmarks for the General Fund listed in the self assessment tool (i.e. the Operating Performance Ratio, Own Source Revenue Ratio, Asset (Building & Infrastructure) Renewal Ratio, Infrastructure Backlog Ratio, and Asset Maintenance Ratio). Council lodged a submission to IPART on 30 June 2015 to outline how it will become ‘Fit for the Future’. In October 2015 IPART delivered its assessment of all NSW Council’s Fit For the Future Proposals. Clarence Valley Council was determined as ‘Not Fit’ as it did not meet the financial criteria overall. The reasons given was Council’s forecast General Fund operating performance ratio of -5.7%, which is below the benchmark, and that Council did not meet the General Fund infrastructure backlog benchmark of 2% or lower within the required 5 years i.e. by 2019/20. The OLG announced on 2 May 2016 that councils assessed as “not fit” because they did not meet financial criteria can nominate by 16 May 2016 for reassessment of their revised Fit For The Future proposals and submit a revised Improvement Plan by 15 July 2016.

To address Council being determined as ‘Not Fit’ in relation to the financial criteria Council applied to IPART for a Section 508 (A) SRV of 6.5% p.a. inclusive of rate peg for 5 years from 1 July 2016. On 17 May 2016 IPART did not approve Council’s application for a Section 508(A) SRV of 6.5% p.a. inclusive of rate peg for 5 years from 1 July 2016, but instead approved a Section 508(2) SRV of 6.5% (including the 1.8% rate peg limit) for 2016/17 only.

The approval by IPART of a Section 508(2) SRV meant that the additional income above the 1.8% rate peg limit which was an increase of \$1.29M in general rates income only applied to 2016/17 and was removed when setting the general rates for 2017/18.

On 7 June 2016 the General Manager, Director Corporate and Manager Finance and Supply attended a workshop conducted by the OLG on preparation of Council's Fit For The Future revised Improvement Plan. At the workshop it was announced that the new target year for achieving the **Fit For The Future benchmarks is 2020/21** for all OLG Group 1 to 7 Council's (Clarence Valley Council is a Group 4 Council). Subsequent to the Fit For The Future workshop conducted by the OLG on 7 June 2016, OLG issued an email on 17 June 2016 advising of the new due date for submission of 29 July 2016.

In a letter dated 26 July 2016 the General Manager sought an extension from the OLG for the resubmission of Council's Fit For the Future proposal. On 9 August 2016 the OLG responded to the General Manager's request, advising that Clarence Valley Council will be included in the second round of the reassessment process for Fit For the Future. On 25 August 2016 Council received an email from the OLG advising that Council could submit a revised Fit For the Future Improvement Plan by 30 November 2016 and was also provided with Financial Criteria Reassessment Round 2 Guidelines.

With the election of the new Council in September 2016, it was agreed that an SRV was not the sole solution to the problem of achieving the Fit For the Future benchmarks by 2020/21, but rather Council should undertake an extensive review of its operations with a view to reducing costs.

At the 30 November 2016 Extraordinary Council meeting a report on 'Fit For The Future Improvement Plan – Updated Report' (Item 13.063/16) was presented. The nature and timing of the resolution (which included substantive changes to the Revised 2016/17 to 2025/26 Long Term Financial Plan) for Item 13.063/16 meant that Council staff had insufficient time to incorporate the requested changes into the Long Term Financial Plan to be included as support documentation for Council's Fit for the Future Reassessment Round 2 Proposal due on 30 November 2016 and therefore a Reassessment Proposal (including a revised Improvement Plan) was not submitted to the OLG.

On 4 April 2017 a workshop was held with staff from the OLG at which it was clearly indicated by the OLG that Council must implement strategies to contain costs or increase revenues in order to deliver the **primary Fit for the Future benchmark of a greater than or equal to breakeven General Fund Operating Performance Ratio (a balanced General Fund net operating result before grants and contributions for capital purposes) by 2020/21.** Along those lines several workshops were undertaken with Councillors and the Executive Team to discuss a range of options to reduce the projected General Fund 2017/18 budget deficit of some \$15.343 million inclusive of depreciation (see 18 April 2017 Ordinary Council meeting Item 13.016/17 Attachment C 'Summary Income Statement by External Fund - DRAFT Budget 2017/18') over four years i.e. from 2017/18 to 2020/21.

At the 18 April 2017 Ordinary Council meeting a report '2017/18 to 2020/21 Efficiency Savings and Improvement opportunities' (Item 13.016/17) was presented to Council. This report presented a range of efficiency savings and proposed a SRV. Council resolved firstly that the range of efficiency savings and improvement opportunities identified in the report be incorporated into Council's Draft 2017-18 Budget and Draft 2017/18 to 2026/27 Long

Term Financial Plan (LTFP). Secondly, it was resolved that Council incorporate the proposal for an SRV of 8% per year for three years (including an assumed rate peg of 2%) commencing 2018/19 (with the cumulative increase of 25.97% inclusive of an assumed rate peg to be retained permanently in Council's rate base) in Council's Integrated Planning and Reporting (IP&R) documents (Scenario 2 of the Draft 2017/18 to 2026/27 LTFP) which were adopted for community consultation at the 16 May 2017 Ordinary Council meeting (Items 13.026/17 & 13.027/17).

At the 27 June 2017 Ordinary Council meeting (Item 13.035/17) Council resolved to adopt the 2017-2021 Delivery Program including the 2017/18 Operational Plan as exhibited subject to amendments and any changes to the LTFP adopted in the report including adoption of the Improvement Strategies for inclusion in Council's Fit For The Future reassessment proposal; and including adoption of Scenario 2 of the LTFP which includes Council's intention to make an application to IPART for a Section 508(A) SRV of 8% per year (including an estimated rate peg of 2% p.a.) for 3 years commencing 2018/19 to 2020/21 with the cumulative increase of 25.97% to be retained permanently in Council's rate base. The additional funds from the Section 508(A) SRV from 2018/19 to 2020/21 of \$11.008M (proposed SRV income above the assumed rate peg), to be applied for the purposes of General Fund Financial & Asset Sustainability. Also at part 3 of Item 13.035/17 Council resolved to:

*Apply to IPART for a Special Rate Variation (SRV) of 8% per year for three years (including an estimated rate peg of 2%) commencing 2018/19 to 2020/21, with the cumulative increase of 25.97% to be retained permanently in Council's rate base, and the General Manager ensure that the community is made aware of the need for and extent of the rate rise in accordance with IPART requirements.*

At the same Council meeting at Item 13.034/17 Council adopted the "Clarence 2027" Community Strategic Plan, Workforce Management Strategy 2017-2021, Asset Management Strategy 2017-2027, Disability Inclusion Action Plan.

On 7 July 2017 in a teleconference with representatives from IPART regarding the 2018/19 SRV application process Council was advised to incorporate an assumed 2.5% p.a. rate peg from 2018/19 onwards. Along those lines some of the 2017/18 IP&R documents were revised for the assumed 2.5% p.a. rate peg from 2018/19 onwards (i.e. the Asset Management Strategy, Delivery Program and Operational Plan, and Long Term Financial Plan).

At the 15 August 2017 Ordinary Council Meeting (part 2 of Item 13.052/17 'Special Rate Variation Consultation Plan and Amendments to Associated Integrated Planning and Reporting Documents') Council resolved to rescind part 3 of the Council Resolution to Item 13.035/17 of the 27 June 2017 Ordinary Council meeting as advised by IPART, as it states that Council will apply to IPART for an SRV in advance of full community consultation occurring. Council replaced part 3 of the Council Resolution to Item 13.035/17 with part 3 of the Council Resolution to Item 13.052/17 which stated that 'The General Manager ensures that the community is made aware of the need for and extent of the rate rise in accordance with IPART requirements and Council will consider the application to IPART for a Special Rate Variation (SRV) at a December 2017 Council meeting.' A plan to address IPART's requirement of full community consultation was included as Attachment G to Item 13.052/17 (see **Attachment 2 'Community Engagement Plan'**). Also at the 15 August

Ordinary Council meeting Council resolved to place the revised 2017/18 IP&R documents for the 2.5% assumed rate peg amendment on public exhibition for 28 days. The revised 2017/18 IP&R documents were placed on public exhibition from 29 September 2017 to 3 November 2017.

At the 21 November 2017 Ordinary Council meeting (Item 13.070/17) the revised 2017/18 IP&R documents were adopted and Council also resolved to:

*Apply to Independent Pricing and Regulatory Tribunal (IPART) for a Special Rate Variation (SRV) of 8% (including the assumed rate peg of 2.5%) per year for three (3) years from 2018/19 to 2020/21 in accordance with Section 508(A) of the Local Government Act, which will remain permanently in Council's rate base, being a total cumulative increase of 25.97% (inclusive of the assumed rate peg) over the 3 year term. The increased general (ordinary) rate revenue above the rate peg amount for each year (\$10.122 million based on the assumed rate peg of 2.5% p.a. over the 3 years 2018/19 to 2020/21) to be specifically used to improve Council's General Fund financial sustainability and Council's General Fund asset sustainability (asset renewals only for 2018/19 to 2020/21, and asset renewals and asset maintenance from 2021/22).*

**See Attachment 4 'Resolution to apply for the proposed special variation'.**

On 23 November 2017 the OLG sent a letter inviting Council to nominate for reassessment of its financial sustainability, and attached to that letter were the OLG Fit for the Future Financial Criteria Reassessment Round 3 Guidelines. In that letter the OLG asked Council to review its Fit for The Future Improvement Plan submitted to the OLG for Round 2 Reassessments on 30 June 2017 in line with the Financial Criteria Reassessment Round 3 Guidelines. The OLG advised Councils in Round 3 that they should extend Improvement Action Plans to 2021/22. This means that the achievement of a General Fund Operating Performance Ratio of greater than or equal to breakeven has now been extended from 2020/21 to 2021/22.

At the Extraordinary Council Meeting on 7 December 2017 Council resolved that the General Manager advise the OLG that Council wishes to review and update its Fit for the Future Improvement Plan (as submitted to the OLG June 2017) so that the Plan reflects the updated Fit for the Future Financial Criteria Reassessment Round 3 Guidelines. In accepting this offer from the OLG the General Manager noted that it was not his intention to change Council's focus on meeting the General Fund Operating Performance Ratio result of greater than or equal to breakeven (i.e. have a balanced General Fund operating result before grants and contributions for capital purposes) by 2020/21.

On 28 November 2017 IPART announced a 2018/19 rate peg of 2.3%. Council has now updated the revised Delivery Program 2017-2021 & 2017/18 Operational Plan, revised 2017/18 to 2026/27 Long Term Financial Plan, and revised 2017/18 to 2026/27 Asset Management Strategy for the IPART announced 2018/19 rate peg of 2.3% to support our Section 508(A) SRV application. These documents are now known as Revised Delivery Program 2017-2021 & 2017/18 Operational Plan Version 2, Revised 2017/18 to 2026/27 Long Term Financial Plan Version 2, and Revised 2017/18 to 2026/27 Asset Management Strategy Version 2.

---

## 2.3 Capital expenditure review

You should complete this section if the council intends to undertake major capital projects that are required to comply with the OLG's Capital Expenditure Guidelines, as outlined in OLG Circular 10-34. A capital expenditure review is required for projects that are not exempt and cost in excess of 10% of council's annual ordinary rates revenue or \$1 million (GST exclusive), whichever is the greater.

A capital expenditure review is a necessary part of a council's capital budgeting process and should have been undertaken as part of the Integrated Planning and Reporting requirements in the preparation of the Community Strategic Plan and Resourcing Strategy.

---

Does the proposed special variation require council to do a capital expenditure review in accordance with OLG Circular to Councils, Circular No 10-34 dated 20 December 2010	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
If Yes, has a review been done and submitted to OLG?	Yes <input type="checkbox"/>	No <input type="checkbox"/>

---

## 3 Assessment Criterion 1: Need for the variation

Criterion 1 in the OLG Guidelines is:

*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 canvass 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:*

- *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/projects and limited council resourcing alternatives.*

*Evidence could also include the assessment of the council's financial sustainability conducted by Government agencies.*

The response to this criterion should summarise the council's case for the proposed special variation. It is necessary to show how the council has identified and considered its community's needs, as well as alternative funding options (to a rates rise).

The criterion states that the need for the proposed special variation must be identified and clearly articulated in the council's IP&R documents especially the Long Term Financial Plan and the Delivery Program, and, where appropriate, the Asset Management Plan. The purpose of the proposed special variation should also be consistent with the priorities of the Community Strategic Plan.

### 3.1 Case for special variation – community need

Summarise and explain below:

- ▼ How the council identified and considered the community's needs and desires in relation to matters such as levels of service delivery and asset maintenance and provision.
- ▼ How the decision to seek higher revenues above the rate peg was made and which other options were examined, such as changing expenditure priorities or using alternative modes of service delivery.

- ▼ Why the proposed special variation is the most appropriate option: for example, typically other options would include introducing new or higher user charges and/or an increase in council loan borrowings, or private public partnerships or joint ventures.
- ▼ How the proposed special variation impacts the Long Term Financial Plan forecasts for the General Fund and how this relates to the need the council identified. Our assessment will also consider the assumptions which underpin the council's Long Term Financial Plan forecasts.

In addressing this criterion, you should include extracts from, or references to, the IP&R document(s) that demonstrate how the council meets this criterion.

**Council's Response:**

**Why the variation is needed**

The case for the variation is structured around two key themes:

- General Fund Financial Sustainability;
- General Fund Asset Sustainability.

The following provides commentary on each of these key issues.

**General Fund Financial Sustainability**

At Council's 28 June 2016 meeting (Item 13.030/16) Council directed the General Manager to commence preliminary planning for a SRV with a view to allowing timely community consultation should the Council elected in September 2016 decide to apply to IPART for a SRV for 2017/18. As part of that preliminary planning Ernst & Young (EY) were engaged to undertake a review of Council's debt position and how it has changed since EY's Debt Review and Strategy Determination report dated February 2015. The EY review also considered Council's general capacity to fund long term infrastructure and an assessment of the Council's General Fund loan liability and whether the General Fund on its own has additional borrowing capacity. The main finding of the review is that Council's sustainable debt level could be increased from \$110M to \$131M as at 30 June 2017 (refer Attachment B Item 15.112/16 of the 18 October 2016 Ordinary Council meeting).

At the 21 February 2017 Ordinary Council meeting the updated Borrowing Policy (Item 15.014/17) was adopted by Council. The updated Borrowing Policy increased the targeted long term sustainable debt range from \$110M to \$131M for the loan portfolio. However, NSW Treasury Corporation (T-Corp) has expressed, as part of their 2016 Financial Assessment and Sustainability Report (**see Attachment 3 'TCorp Financial Assessment and Sustainability Report 2016'**), which is based on current and forecast performance that they do not 'recommend further borrowings in the General Fund until operating improvements are achieved.' TCorp's assessment was based on forecast financials as per Scenario 2 of the 2016/17 to 2025/26 LTFP, adopted by Council at the 28 June 2016 Ordinary Council meeting (Attachment D to Item 13.031/16).

At the 21 March 2017 Ordinary Council meeting (Item 13.011/17) a report was presented that disclosed revised Efficiency Savings and Improvement Opportunities (which included service reviews, service reductions, service delivery changes, cost reductions, and additional revenue raising opportunities) for adoption into the Draft 2017-18 Budget and Draft 2017/18 to 2026/2027 Long Term Financial Plan. These Efficiency Savings and Improvement Opportunities were based on the original Efficiency Savings and Improvement Opportunities (disclosed at the 30 November 2016 Extraordinary Council meeting (Item 13.063/16)) that were further reviewed by Council staff and directors to determine only those strategies that they were confident of realising within the timeframes indicated and additional strategies were also included, and were listed in Attachment B to Item 13.011/17. The reasons for changes to the original Efficiency Savings and Improvement Opportunities are included in Attachment C to Item 13.011/17.

These efficiency savings and improvement opportunities detailed in Attachment B to Item 13.011/17 were incorporated into Council's Draft 2017-18 Budget and Draft 2017/18 to 2026/27 Long Term Financial Plan after further assessment by Council (at various workshops during the following 6 weeks) prior to being formally adopted for community consultation at the 16 May 2017 Ordinary Council meeting.

At workshops with councillors on 24 March and 31 March Council staff presented the Draft 2017/18 Budget which indicated a budget deficit for the General Fund of \$15.343 million. In order for Council to achieve the benchmark General Fund Operating Performance Ratio by 2020/21 Council staff were directed by Council to examine all options to reduce expenditure and increase revenue to achieve a balanced General Fund operating result by 30 June 2021.

Council has been advised by the OLG that as an OLG group 4 Council, as part of the Fit For the Future Financial Criteria Reassessment Round 2 process it was to achieve all the General Fund financial criteria requirements by 2020/21. At the 4 April 2017 workshop between Councillors, Council Executive staff and representatives of the OLG, the OLG provided Council with clear direction that Council must implement strategies to contain costs or increase revenues which focus on achieving the primary Fit for the Future benchmark of a balanced General Fund net operating result before grants and contributions for capital purposes by 2020/21 (i.e. a General Fund Operating Performance Ratio greater than or equal to zero by 2020/21). As at 30 June 2016 Council's Operating Performance Ratio for the General Fund was -10.74%. Therefore even though a sustainable debt level of \$131M provided "headroom" to the loan portfolio balance at 30 June 2017, for Council to meet a General Fund Operating Performance Ratio of greater than or equal to breakeven by 2020/21 Council will not be entering new borrowings for the General Fund (which would be detrimental to the operating result due to the addition of interest expense). Based on the studies and reviews discussed above Council has concluded that additional debt financing is not a viable option to achieve financial sustainability.

The schedule of Efficiency Savings and Improvement Opportunities adopted by Council at 21 March 2017 Ordinary Council meeting was updated (Refer Attachment A Item 13.016/17 to the 18 April 2017 Ordinary Council meeting) to include additional savings which now totalled \$3.561 million in 2017/18. These savings include a reduction in staff numbers of 24.5 Full Time Equivalent (FTE) from a review of Council's organisation structure which would result in productivity gains (i.e. in some cases providing the same level of service with less staff) and a reduction in employee costs of \$2.233 million in 2017/18. Of the 24.5 FTE 16 positions were vacant. If all staff impacted by the organisation restructure elect to take



redundancies then this could reduce the estimated savings in 2017/18 by approximately \$570,000. These reductions in employee costs of \$2.233 million combined with the additional Efficiency Savings and Improvement Opportunities included in the report to Council's March 2017 meeting (refer Attachment A Item 13.016/17) resulted in Council's General Fund budget deficit being reduced by \$8.487 million in 2020/21. This result still leaves Council short by \$6.856 million (to address the budget deficit for the General Fund of \$15.343 million).

The options to bridge this funding gap were considered to be either further service reductions and/or elimination of some of Council's discretionary services or for Council to consider a SRV. A summary of these discretionary services and the associated cost savings that could result from eliminating these services from Council's operations in 2017/18 is per Attachment B to Item 13.016/17 of the 18 April 2017 Ordinary Council meeting. These savings are \$7.599 million in 2020/21.

The alternate option was for Council to consider a SRV. The SRV recommended was 8% per year for three (3) years (including an estimated rate peg of 2%) commencing 2018/19 to 2020/21 with the cumulative increase of 25.97% to be retained permanently in Council's rate base. A key action included in Council's Draft 2017/18 Operational Plan was for Council to undertake consultation with the community to determine which discretionary services as listed in Attachment B to Item 13.016/17 of the 18 April 2017 Ordinary Council meeting are to be put forward to either reduce the amount of the SRV required or to eliminate the need for the SRV in total.

At the 16 May 2017 Ordinary Council Meeting (Item 13.026/17) Council resolved:

**COUNCIL RESOLUTION – 13.026/17**

**Williamson/Baker**

**That:**

- 1. The draft July 2017 - June 2021 Delivery Program, 2017/18 Operational Plan, Budget and Service Plans be adopted for exhibition purposes noting the following; that the Improvement Strategies and Savings Measures (as per Attachment N):**
  - (i) Does not include the closure of the Iluka Library. The \$60,000 identified as savings in 2017/18 (at Item 21) are to be found from cost reductions in the CVC Library Service.**
  - (ii) A further review of the Environment Planning and Community Directorate (at Item 19) has resulted in the reduction of 1 FTE (vacant Safe Communities position) and this has been replaced by adding back 1 FTE within Corporate, Organisational Performance &**

	<b>Governance (at Item 33).</b>
(iii)	<b>A reduction in staff numbers of 23.9 FTE which results in savings of \$2.19 million in 2017/18.</b>
(iv)	<b>Total savings over the 4 years to 2020/21 are \$8.544 million.</b>
(v)	<b>Includes a proposal for Council to apply for a Special Rate Variation (SRV) of 8% per year for three (3) years (includes an estimated rate peg of 2%) commencing 2018/19 to 2020/21 with the cumulative increase of 25.9% to be retained permanently in Council's rate base. The SRV will raise \$7.114 million in rate income over the 3 years 2018/19 to 2020/21.</b>
(vi)	<b>Combined savings and increased revenue totalling \$15.658 million over the four (4) years 2017/18 to 2020/21 which results in Council achieving a General Fund Operating Surplus before Capital Grants &amp; Contributions in 2020/21.</b>
2.	<b>The draft 2017/18 Revenue Policy (including Fees and Charges) be adopted for exhibition purposes.</b>
3.	<b>The exhibition period commence 19 May 2017 and conclude 16 June 2017 with community consultation to be conducted during this period.</b>
4.	<b>All public submissions received be reported back to Council and considered prior to the final adoption at the 27 June 2017 Council Meeting.</b>
	<b>Voting recorded as follows:</b>
<b>For:</b>	<b>Simmons, Kingsley, Baker, Clancy, Ellem, Novak, Williamson, Toms, Lysaught</b>
<b>Against:</b>	<b>Nil</b>

The schedule of Efficiency Savings and Improvement Opportunities adopted by Council at the April 2017 meeting were updated (refer Attachment N Item 13.026/17) to include the following: (i) The Iluka Library now not recommended for closure as a response to community feedback. The \$60,000 identified as savings in 2017/18 (at Improvement Strategy Item 21) are to be found from cost reductions in the CVC Library Service (ii) A further review of the Environment Planning and Community Directorate (at Improvement Strategy Item 19) which resulted in the reduction of 1 FTE (vacant Safe Communities position) and which was replaced by adding back 1 FTE within Corporate, Organisational Performance & Governance (at Improvement Strategy Item 33) (iii) A reduction in staff numbers of 23.9 FTE which results in savings of \$2.19 million in 2017/18 (iv) Total savings increasing over the 4 years to be \$8.544 million in 2020/21 (v) a proposal for Council to apply for a SRV of 8% per year for three (3) years (includes an estimated rate peg of 2%) commencing 2018/19 to 2020/21 with the cumulative increase of 25.97% to be retained permanently in Council's general rate base. The SRV will raise \$7.434 million (\$7.114 million net of pensioner abandonments) in rate income including the rate peg in 2020/21 (vi) Combined savings and increased revenue (including the proposed SRV) over the four (4) years 2017/18 to 2020/21 resulting in additional \$15.658 million in savings/income in 2020/21 which results in Council achieving a General Fund Operating Surplus before Grants & Contributions for Capital Purposes in 2020/21. An option was provided to Council that should they elect not to proceed with the 8% SRV a number of alternate SRV % options were modelled for Council's consideration and were included in Attachment S to Item 13.026/17. In order for Council to achieve a General Fund operating surplus by 2020/21 Council was advised that any reduction to the proposed 8% SRV requires further service reductions and/or elimination of some of Council's discretionary services. A summary of these discretionary services were detailed in Attachment O to Item 13.026/17.

The final Improvement Strategies were adopted at the 27 June 2017 Ordinary Council meeting (Attachment F of Item 13.035/17). These improvement strategies included reductions in FTE's (27.0) Council services in , service reviews, cost reduction strategies, changes in service delivery methods, additional revenue raising strategies, and service reductions, all of which achieved \$8.598 million in savings/income in 2020/21, which was

insufficient to address by 2020/21 the projected General Fund 2017/18 budget deficit (inclusive of depreciation) of \$15.343 million.

Both Scenario 1 and Scenario 2 of the Revised 2017/18 to 2026/27 LTFP Version 2 include the final improvement strategies adopted on 27 June 2017. However Scenario 1 which is the Base Case scenario (no SRV - rate peg only) shows a General Fund Net Operating Deficit before Grants and Contributions provided for Capital Purposes of \$5.059 million in 2020/21. Scenario 2 of the Revised 2017/18 to 2026/27 LTFP Version 2 which includes the proposed Section 508 (A) SRV achieves a General Fund Net Operating Surplus before Grants and Contributions provided for Capital Purposes of \$183,217 in 2020/21 thereby achieving Council's desired result of a greater than or equal to breakeven General Fund Operating Performance Ratio (i.e. a General Fund Net Operating Surplus before Grants and Contributions provided for Capital Purposes) by 2020/21.

The importance to the Clarence Valley community of financial sustainability is evident from the response results for the survey sent out in relation to the Revised 2017/18 IP&R documents where Question 3 of the survey asked 'How important is it for Council to be financially sustainable and viable?', 35% of the printed survey form respondents answered very important and 52% important.

### **General Fund Asset Sustainability**

#### **Background**

Council's Local Government area is 10,429 km<sup>2</sup> and in that area Council owns and is responsible for a total net carrying amount of \$1.393 billion (as at 30 June 2017) of General Fund Infrastructure, property, plant and equipment assets. Comprising the following:

- 1,170ha of parks, sports fields and reserves
- 3 indoor sports centres
- 5 public swimming pools and 1 rock pool
- 2 community centres and 31 community halls
- 4 public libraries
- 2,059 km of local roads (sealed and unsealed)
- 286 bridges (128 timber & 158 concrete)
- 378 km of regional roads (sealed and unsealed)
- 1 regional art gallery
- 1 regional airport
- 2 administration buildings and 1 leased admin building
- 6 works depots and 1 leased depot facility

Council's current state of General Fund assets is largely as a result of both the former Councils of Copmanhurst Shire and Pristine Waters Council being large rural Councils with a large network of sealed and unsealed roads and timber bridges with a very low rate base to fund the maintenance and renewal of these assets. The other Councils involved in the amalgamation have inherited this burden and the challenge now is to carefully manage the transition to ensure Council raises the necessary funds (via increased revenue or reducing our cost of services) to ensure Council can manage and maintain its asset base sustainably. The results of managing a large asset base with a very low general rate base have been evident in the historical performance of Council's General Fund Asset (Buildings & Infrastructure) Renewal ratio and General Fund Asset Maintenance ratio as seen from the table below:

General Fund Key Financial Indicator	OLG Benchmark	2012/13	2013/14	2014/15	2015/16	2016/17
Infrastructure Renewals Ratio	100%	15%	45%	37%	28%	34%
Asset Maintenance Ratio	100%	47%	87%	70%	60%	65%

Along those lines Council has implemented an asset rationalisation process to reduce duplication and operating costs which has resulted in the sale of four (4) works depots and three (3) administration buildings resulting in net proceeds of \$3.75 million. The property rationalisation project as at June 2017 had 21 properties and land still under review and awaiting sale (27 June 2017 Council meeting refer Item 13.040/17). To date, implementation of the Uniqco recommendations from the Review of Council's Light Fleet & Heavy Plant Operations (19 April 2016 Council meeting refer Item 15.019/16) has resulted in:

- annual operating cost savings of \$440,000 (9 August 2016 Council meeting refer Item 15.096/16) which were realised in Council's 2016/17 Budget.
- \$6.5 million being re-allocated from the Light Fleet & Heavy Plant Financial Reserves to a new Infrastructure Assets Renewals Reserve with these funds (\$1.5 million per year 2017/18 to 2020/21) to be specifically used to address the timely renewal of road related infrastructure (assessed as condition 2 and 3) so as to ensure these assets don't deteriorate increasing Council's Infrastructure backlog (15 November 2016 Council meeting refer Item 13.059/16).

Council has also commenced the construction of a new works depot in South Grafton (19 July 2016 Council meeting refer Item 16.017/16) which when complete (estimated February 2018) will enable Council to consolidate its civil works operations in Grafton/South Grafton from five (5) depots into one (1) with estimated minimum annual ongoing savings of \$916,927 (Attachment F to Item 13.035/17).

### **Revised 2017/18 to 2026/27 Asset Management Strategy Version 2**

The Revised 2017/18 to 2026/27 Asset Management Strategy Version 2 (see **Attachment 6 'Extracts from the Revised 2017/18 to 2026/27 Asset Management Strategy Version 2'**) and Asset Management Plans have been developed in line with Council's Revised 2017/18 to 2026/27 Long Term Financial Plan Version 2. Two Scenarios included in these documents from the Revised 2017/18 to 2026/27 Long Term Financial Plan Version 2 are:

**Scenario 1 (Base Case)** – This represents council's base case position (rate peg only). The future sustainability of council is dependent upon generating sufficient funds to meet the costs of maintaining and renewing assets to deliver services. Under Scenario 1, Council is

not generating sufficient funds to continue providing current service levels or renew its assets when required for the General Fund.

**Scenario 2 (Base Case PLUS SRV)** – This represents Council’s Achieve General Fund Financial Sustainability and General Fund Asset Sustainability scenario. This scenario is our Base case Scenario (Scenario 1) PLUS a Section 508(A) Special Rate Variation (SRV) of 8% each year for three (3) years (including an actual rate peg of 2.3% for 2018/19 and an assumed rate peg of 2.5% p.a. for 2019/20 and 2020/21) commencing 2018/19 to 2020/21. The cumulative SRV increase over the 3 years of 25.97% in the general rate (including an actual rate peg of 2.3% for 2018/19 and an assumed rate peg of 2.5% p.a. for 2019/20 and 2020/21) is to be retained permanently in Council’s rate base. This option will provide Council over the 3 years from 2018/19 to 2020/21 with an additional \$10.298 million above the rate peg (actual rate peg of 2.3% for 2018/19 and an assumed rate peg of 2.5% p.a. for 2019/20 and 2020/21). These funds are to be used to improve Council’s General Fund financial sustainability and asset sustainability (asset renewals only from 2018/19 to 2020/21, and asset renewals and asset maintenance from 2021/22 onwards – **See Attachment 29 – ‘Allocation of funds above rate peg only path from SRV between 2018-19 and 2026-27’**).

There are four key indicators for asset management and sustainability utilised in the Asset Management Plans and Strategy:

1. Asset Sustainability Ratio	Estimated Capital Renewal LTFP / Projected capital renewal Exp. AMP
2. Long Term – Life Cycle Indicator	Life cycle expenditure / life cycle cost
3. Medium Term – 10 Year Financing Indicator	LTFP Budget Exp. / 10 year Projected Exp.
4. Short Term – 5 Year Financing Indicator	LTFP Budget Exp. / 5 year Projected Exp.

Life cycle costs (or whole of life costs) are the average costs that are required to sustain the service levels over the longest asset life. Life cycle costs include operating and maintenance expenditure and asset consumption (depreciation expense). Life cycle costs can be compared to life cycle expenditure to give an indicator of sustainability in service provision.

Life cycle expenditure includes operating and maintenance expenditures plus capital renewal expenditure. Life cycle expenditure will vary depending on the timing of asset renewals. The life cycle costs and life cycle expenditure comparison highlights any difference between present outlays and the average cost of providing the service over the long term. If the life cycle expenditure is less than the life cycle cost there is a ‘life cycle gap’ and it is most likely that outlays will need to be increased or cuts in services made in the future.

The General Fund Asset Sustainability ratio is the most important indicator and reveals whether projected capital renewal and replacement expenditure are able to be financed in the long-term financial plan. Council’s Financial Planning Policy outlines a target range of between 90% - 110%.

The 4 key indicators are detailed in the following table for the General Fund assets only:

	Scenario 1 - Base Case	Scenario 2 - Base Case Plus SRV
<b><i>SUSTAINABILITY INDICATORS</i></b>		
<b>Asset Sustainability Ratio</b>		
Asset Sustainability Ratio	<b>74%</b>	<b>95%</b>
<b>Long Term - Life Cycle Costs</b>		
Life Cycle Cost [average 10 years projected ops, maintenance expenditure and depreciation.]	\$51,924	\$51,924
Life Cycle Expenditure [average 10 years LTFP budget ops, maintenance & capital renewal expenditure]	\$39,934	\$44,697
Life Cycle Gap [life cycle expenditure – life cycle cost (-ve = gap)]	<b>(\$11,990)</b>	<b>(\$7,229)</b>
Life Cycle Indicator [life cycle expenditure / life cycle cost]	<b>77%</b>	<b>86%</b>
<b>Medium Term - 10 year financial planning period</b>		
10 year Operations, Maintenance & Renewal Projected Expenditure	\$47,726	\$47,726
10 year Operations, Maintenance & Renewal LTFP Budget Expenditure	\$39,934	\$44,696
10 year financing shortfall [10 year projected expenditure - LTFP Budget expenditure]	<b>(\$7,792)</b>	<b>(\$3,031)</b>
10 year financing indicator [LTFP Budget expenditure / 10 year projected expenditure]	<b>84%</b>	<b>94%</b>
<b>Short Term – 5 year financial planning period</b>		
5 year Operations, Maintenance & Renewal Projected Expenditure	\$42,138	\$42,138
5 year Operations, Maintenance & Renewal LTFP Budget Expenditure	\$36,174	\$39,229
5 year financing shortfall [5 year projected expenditure - LTFP Budget expenditure]	<b>(\$5,964)</b>	<b>(\$2,909)</b>
5 year financing indicator [LTFP Budget expenditure / 5 year projected expenditure]	<b>86%</b>	<b>93%</b>

### Scenario 1 – Base Case, No SRV

The medium term projected expenditure for Scenario 1 is \$47.7M per year per the General Fund Asset Management Plans (average operations and maintenance expenditure plus projected renewals required over 10 years).

The medium term LTFP budgeted expenditure over the 10 year planning period is \$39.9M per year (average operations and maintenance plus capital renewal budgeted expenditure in the LTFP over 10 years).

The financing shortfall is \$7.8M per year, a medium term (10 year) financing indicator of 84%. This scenario is not financially sustainable in the long term. Infrastructure renewals aren't performed when required under this scenario, generating a backlog of renewal works. With the ageing infrastructure, asset conditions will deteriorate which significantly increases levels of risk and potential of failure. Levels of service will have to decrease to sustain available funding.

The General Fund Asset Sustainability ratio indicates Council will have 74% of the funds required for the optimal renewal and replacement of its assets, this is outside Council's target range of 90% to 110%. The ratio indicates assets are deteriorating at a greater rate than the budgeted capital expenditure on renewals and replacements.

**Scenario 2 – Base Case PLUS Section 508(A) SRV 8% p.a. (inclusive of an actual rate peg of 2.3% for 2018/19 and an assumed rate peg of 2.5% p.a. for 2019/20 and 2020/21), from 2018/19 to 2020/21, which is a cumulative increase of 25.97% inclusive of rate peg to be retained permanently in Council’s rate base.**

The medium term projected expenditure for Scenario 1 is \$47.7M per year per the General Fund Asset Management Plans (average operations and maintenance expenditure plus projected renewals required over 10 years).

The medium term LTFP budgeted expenditure over the 10 year planning period is \$44.7M per year (average operations and maintenance plus capital renewal budgeted expenditure in the LTFP over 10 years).

The financing shortfall is \$3.0M per year, a medium term (10 year) financing indicator of 94%. This scenario is financially sustainable in the long term. Council will be able to maintain the condition of infrastructure assets in a sustainable fashion. Performing renewals as they are required will stop the deterioration and failure of assets reducing the levels of risk. Levels of service can be maintained at current levels.

The General Fund Asset Sustainability ratio indicates Council will have 95% of the funds required for the optimal renewal and replacement of its assets; this is within Council’s target range of 90% to 110%. The ratio indicates optimised budgeted capital expenditure assisting in minimising the life cycle costs of the assets.

The importance to the Clarence Valley community of asset sustainability is evident from the response results for the survey sent out in relation to the Revised 2017/18 IP&R documents where Question 4 of the survey asked ‘How satisfied are you with the quality of infrastructure, services and facilities provided by Council in the local area?’, 45% of respondents answered that they were not satisfied.

### **3.2 Financial sustainability**

The proposed special variation may be intended to improve the council’s underlying financial position for the General Fund, or to fund specific projects or programs of expenditure, or a combination of the two. We will consider evidence about the council’s current and future financial sustainability and the assumptions it has made in coming to a view on its financial sustainability.

You should explain below:

- ▼ The council’s understanding of its current state of financial sustainability, its long-term projections based on alternative scenarios and assumptions about revenue and expenditure.
- ▼ Any external assessment of the council’s financial sustainability (eg, by auditors, NSW Treasury Corporation). Indicate how such assessments of the council’s financial sustainability are relevant to supporting the decision to apply for a special variation.
- ▼ The council’s view of the impact of the proposed special variation on its financial sustainability.

## Council's Response:

### **Financially unsustainable.**

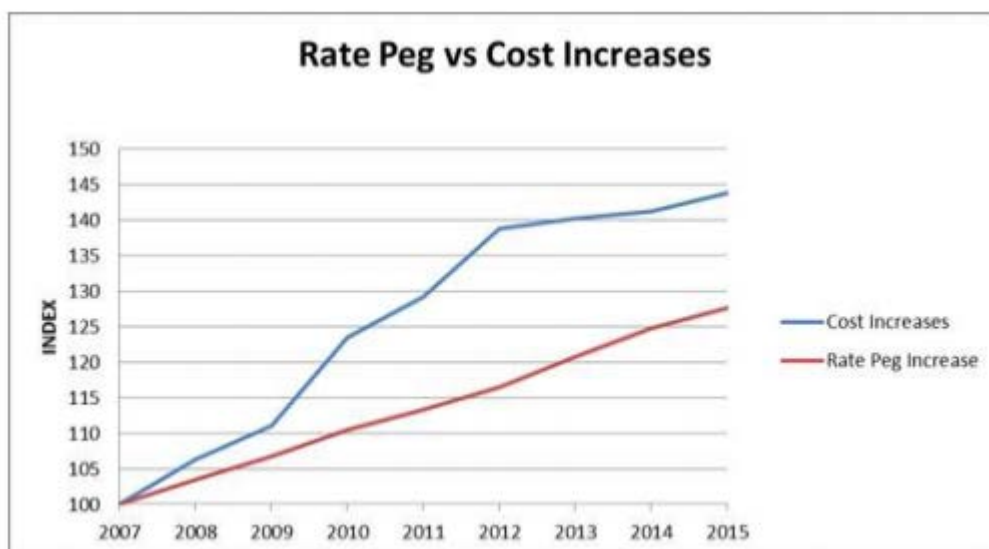
Council's Long Term Financial Plan and Asset Management Strategy have been driven primarily by the need to address Council's unsustainable position relating to the General Fund Operating Performance Ratio, and secondly by the General Fund asset (buildings & infrastructure) renewal and General Fund asset maintenance gaps.

As noted in Council's Revised 2017/18 to 2026/27 Long Term Financial Plan Version 2, two key factors, not uncommon to local government authorities, were the main contributors to this unsustainable position:

- The fact annual expenditure has been rising at a faster rate than income means it has become increasingly difficult to continue to maintain the activities and service levels the community has become accustomed to. In order to continue with historical activities and service levels council has had to utilise its existing financial reserves. This strategy cannot continue indefinitely, and
- The deterioration of community infrastructure.

The 'widening gap' between expenditure and revenues arises from:

- State Government 'Rate Pegging': legislation that has, for more than 30 years, meant increases in revenue have not always kept pace with inflation or costs for construction. In fact several of the pre amalgamation councils had a historical practice of not taking the rate peg which has resulted in Clarence Valley Council's asset position and inability to meet the desired Fit for The Future benchmarks. The impact on Clarence Valley Council of the "Rate Pegging" policy is shown in the graph below which clearly shows that Council's income from rate revenue has not kept pace with Council's rising costs.



- Cost Shifting: the latest report commissioned by LGNSW found that as at 2013-14 Council was responsible for a number of extra services that were previously the responsibility of State or Federal Government and that these cost Clarence Valley Council approximately



\$7.03 million each year to deliver, which is 7.55% of Total Income from Operations before Capital Amounts (Consolidated Funds from 2016/17 Annual Financial Statements).

- Community Expectations: Council now delivers a wider range of services than it did in the past.

The competing financial pressures noted above have made it increasingly difficult to achieve a balanced General Fund Operating Performance Ratio and have led to a gradual reduction in funding for General Fund infrastructure maintenance and renewal over a number of years, to the point where Council cannot continue to deliver the services it currently does to the current standards, let alone achieve new objectives over and above these.

### **Council’s Long Term Financial Plan (LTFP)**

Council’s 10-year ‘Base-Line’ Revised 2017/18 to 2026/27 LTFP Version 2 (Scenario 1) budget projections show ongoing and substantial General Fund deficit positions. Without the proposed SRV (Scenario 2 of the Revised 2017/18 to 2026/27 LTFP Version 2), Council does not have the funding capacity to achieve a General Fund Operating Performance Ratio benchmark (i.e. a balanced General Fund net operating result before grants and contribution for capital purposes by 2020/21) and undertake the required General Fund asset renewal and asset maintenance works to stop the further deterioration of Council’s General Fund infrastructure assets.

In simple terms, if the proposed SRV is approved, Council will be able to achieve the General Fund Operating Performance Ratio benchmark by 2020/21 and reduce further infrastructure asset deterioration through a significant increase in its General Fund annual asset renewal expenditure from 2018/19 to 2020/21 and through a significant increase in its General Fund annual asset renewal and asset maintenance expenditure from 2021/22 onwards.

### ***The Financial Position of General Fund***

Council’s ‘General Fund’ continues to be in a poor financial position, having minimal untied revenues to allocate to new or expanded operational programs and to capital works.

Council’s more recent revenue and expenditure trends (Operating Result) for the General Fund are summarised in the following table:

<b>General Fund Income Statement Type</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Revenue	85,700	85,402	90,485	91,048	108,498
Revenue (ex-Capital Revenue & Financial Assistance Grant paid in Advance)	80,047	75,542	86,589	82,965	97,576
Expenditure	105,892	92,883	101,985	102,267	114,358
Operating Result - Surplus/(Deficit)	(20,192)	(7,481)	(11,500)	(11,219)	(5,860)
Operating Result before Capital - Surplus/(Deficit)	(25,845)	(17,341)	(15,396)	(19,302)	(16,782)

Source: Note 21 of Annual Financial Statements.

### **Assessment of Council’s Financial Sustainability by T-Corp**

In December 2011 the Division of Local Government (now the OLG) had engaged TCorp to assist the OLG with the State Government's Local Infrastructure Renewal Scheme applications, with the announcement of the Local Government Review Panel it was decided to expand the scope of TCorp's reports to incorporate additional material to facilitate use by the Review Panel, particularly in respect of the area of financial sustainability.

In June 2016 TCorp undertook an assessment of Council's 2010/11, 2011/12, 2012/13, 2013/14 and 2014/15 Annual Financial Statements and the 2016/17 LTFP adopted by Council at the 28 June 2016 Ordinary Council meeting (Item 13.031/16), and provided comments and recommendations on the basis of that assessment. Some of the key observations from T Corp's 2016 review of Council's updated 10-year forecasts for its General Fund were:

- Operating results in FY2016 and FY2017 are forecast to be adversely affected due to a reduction in expected levels of grants and contributions, which has in turn improved Council's Own Source Operating Revenue Ratio. Although the trend in later years of the forecast is positive, Council is expecting consecutive deficits larger than the \$8.7m loss achieved in FY2015 for a minimum of the next nine years.
- The temporary Section 508(2) SRV of 6.5% for FY2017 which has been approved by IPART will have minimal impact on Council's overall operating performance, as indicated in Scenario 2.
- Council has implemented numerous cost containment measures to improve its operating performance - asset rationalisation strategies to reduce duplication of services, and annual service reviews to identify potential operating efficiencies and/or reduce non-essential services. These efficiency savings are projected to reduce Council's operating costs by \$24.1m over FY2017 to FY2025. However, as Council's operating expenses currently exceed operating revenue by at least 10.0%, these cost savings are insufficient for Council to break-even in the short to medium term.

In respect of the long term Sustainability of the Council TCorp's key observations were:

- Council's management is focussed on the significant challenge that they face to achieve the long term sustainability of the Council. Council's operating performance is forecast to show improvement compared to the previous LTFP forecast provided to TCorp in FY2012. However, even with the proposed SRV in Scenario 3, Council is forecasting operating deficits in each of the 10 years, highlighting the challenge that Council has to achieve financial sustainability.
- While the proposed seven-year SRV in Scenario 3 will assist with improving operating results, Council will have to review all areas within the Council including its service levels if it is to breakeven in the medium term to long term.
- The additional income generated from the SRV will enable Council to improve its asset ratios over time however significant work is still required for the ratios to achieve the respective benchmarks. Council's Asset Maintenance Ratio is expected to achieve the TCorp benchmark of 1.0x by FY2024, however the remaining three asset ratios are still considerably below the benchmarks and if not addressed, will compound the backlog figure.

- The General Fund debt is currently at acceptable levels however due to the high amount of borrowings within the Sewer Fund, TCorp does not recommend Council utilise further debt at this time. This limits Council's options to fund capital expenditure and is one of the reasons Council's asset ratios are at low levels.

In 2013 Clarence Valley Council was rated as having a weak Financial Sustainability Rating (FSR), with a Negative Outlook. In 2016 Clarence Valley Council was rated as having a weak FSR, with a Neutral Outlook. A council with a FSR score lower than moderate was assessed to be at a much greater risk of being unsustainable. A weak FSR is defined by TCorp as 'A local government with an acceptable capacity to meet its financial commitments in the short to medium term and a limited capacity in the long term. It has a record of reporting moderate to significant operating deficits. It is unlikely to be able to address its operating deficits, manage unforeseen financial shocks and any adverse changes in its business, without the need for significant revenue and/or expense adjustments. The expense adjustments would result in significant changes to the range of and/or quality of services offered. It may experience difficulty in managing core business risks. A Negative Outlook is defined by TCorp as 'As a result of a foreseeable event or circumstance occurring, there is the potential for deterioration in the local government's capacity to meet its financial commitments (short and/or long term) and resulting change in its rating. However, it does not necessarily indicate that a rating change may be forthcoming.' A Neutral Outlook is defined by TCorp as 'There are no known foreseeable events that would have a direct impact on the financial sustainability of the local government. It may be possible for a rating upgrade or downgrade to occur from a neutral outlook, if warranted by an event or circumstance.'

Although Council's FSR remained unchanged between 2013 and 2016 TCorp stated that 'there is a noticeable improvement in the FSR score band which indicates that Council is on the right path to an improved position.' The improved assessment by TCorp of Council's Outlook as per the 2016/17 General Fund LTFP was a direct outcome of initiatives implemented such as: a loan portfolio review, additional income from a Section 508(2) temporary SRV, annual service reviews to identify potential operating efficiencies and/or reduce nonessential services, land and building rationalisations and light fleet and heavy plant reviews. However TCorp also stated that whilst Council had IPART approval for a Section 508(2) SRV 'the need for additional revenue is clear if Council is to address its longer term sustainability position.'

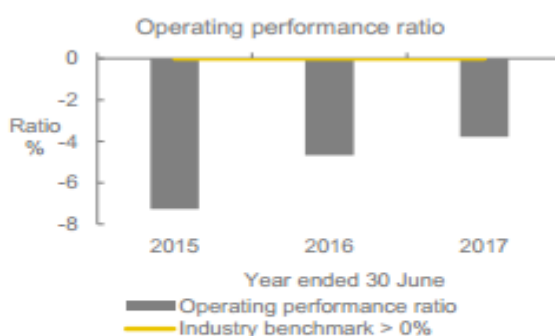
#### **Audit Office of New South Wales comment on Council's 2016/17 financial performance ratios.**

In the 'Report on the Conduct of the Audit for the year ended 30 June 2017' the Audit Office of New South Wales made the following disclosures on Clarence Valley Council's 2016/17 Operating Performance Ratio (page 108 of the 2016/17 Clarence Valley Council Annual Financial Statements) and Building and infrastructure renewals ratio (page 110 of the 2016/17 Clarence Valley Council Annual Financial Statements):

### Operating performance ratio

- Council has not met the industry benchmark for the operating performance ratio for the last 3 years.
- The increase in the ratio for the 2016/17 financial year is largely attributable to the receipt of 50 per cent of the 2017/18 financial assistance grant in June 2017.
- Council's water fund achieved a ratio of 12.94 per cent for the year, which is above the industry benchmark.

The 'operating performances ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than zero per cent.

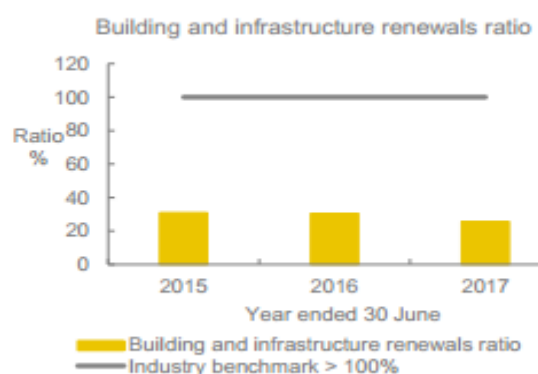


### Building and infrastructure renewals ratio

- Council continues to fail to meet the industry benchmark, by a wide margin
- Council's asset renewal expenditure had not kept pace with the rate at which these assets were depreciating in the past three years
- No fund has achieved an asset renewal ratio above the industry benchmark.

The 'building and infrastructure renewals ratio' assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent.

This ratio is sourced from council's Special Schedule 7 which has not been audited.



### IPART Fit for the Future Assessment

The NSW Government released the IPART Assessment of Council Fit for the Future Proposals report on Tuesday 20 October 2015. Council was assessed by IPART as being "Not Fit" as Council did not meet all the Sustainability and Infrastructure and Service Management benchmarks by 2019-20 (See Attachment 5 'Extract of Assessment of Fit for the Future Proposal October 2015'). The financial criterion that Council was assessed against, and how it was assessed by IPART, is as follows:

Sub Category	Performance Measure	Benchmark	When required	CVC 2013/14	CVC 2019/20 Estimate	CVC 2019/20 3 yr Avg
Sustainability	Operating Performance Ratio	Greater than or equal to breakeven average over 3 years	Must meet within 5 years	-26.6%	0.2%	-5.7%
	Own Source Revenue	Greater than 60% average over 3 years	Must meet with 5 years	56.6%	70.10%	67.50%
	Building and Infrastructure Asset Renewal Ratio	Greater than 100% average over 3 years	Meet or improve within 5 years	38.3%	83.7%	72.2%
Infrastructure and Service Management	Infrastructure Backlog	Less than 2%	Meet or improve/inform within 5 years	26.3%	4.9%	4.9%
	Asset Maintenance	Greater than 100% average over 3 years	Meet or improve/inform within 5 years	64.7%	83.4%	79.9%
	Debt Service	Greater than 0% and less than or equal to 20% average over 3 yrs	Meet within 5 years	6.5%	4.9%	5.0%
Efficiency	Real operating expenditure per capita	A decrease in ROE per capita over time.	Demonstrate operational savings over time.	1.69	1.40	1.40

The financial indicators demonstrate Council needs to increase the level of funding it has committed to the renewal and maintenance of its General Fund building and infrastructure assets.

At the 17 November 2015 Council Meeting (Item 12.059/15) in relation to Council's response to the Fit For the Future assessment, Council resolved to:

\* Acknowledge the need for ongoing financial improvement and commit to progressively making the necessary changes to become a sustainable organisation.

\* To demonstrate and assess ongoing improvement, Council will engage NSW Treasury Corporation to assess Council performance independently by June 2016.

The Office of Local Government (OLG) announced on 2 May 2016 that councils assessed as "not fit" because they did not meet financial criteria could nominate by 16 May 2016 for assessment of their Fit For the Future revised Improvement Plan and submit a revised Improvement Plan by 15 July 2016. The General Manager advised the OLG on 11 May 2016 of Council's nomination for reassessment. OLG issued an email on 17 June 2016 advising of the new due date for submission of 29 July 2016 and attached the Fit For the Future Reassessment Template to assist completion of Council's revised Improvement Action Plan.

Council, at the Ordinary Meeting of 28 June 2016 (as part of Resolution 13.030/16), resolved to direct the General Manager to undertake preliminary planning for a Section 508(A) SRV with a view to allowing timely community consultation should the Council elected in September 2016 decide to apply to IPART for a SRV for 2017/18, and that commentary on this direction to the General Manager be included in Council's adopted 2016/17 Operational Plan. With this position it was considered pointless to resubmit a Fit For the Future proposal by 29 July 2016, with a preference to delay the process until the newly elected Council could consider Council's financial position. Council sought an extension to this date and was advised by the OLG that it could be considered as part of the Reassessment Round 2 process which closed on 30 November 2016. Council failed to meet this deadline as a decision was made at the 30 November 2016 Extraordinary meeting which had significant financial strategy impacts which meant that the Long Term Financial Plan could not be modified in time to comply with the deadline. Council submitted a reassessment proposal for Round 2 on 30 June 2017.

On 23 November 2017 council received a letter from the OLG inviting Council to submit a reassessment proposal for the Fit For the Future Reassessment Round 3 by 16 March 2018. In the improvement plan to be provided as part of the reassessment proposal to be presented at the 20 February 2018 Ordinary Council meeting, Council has included Scenario 2 of the Revised 2017/18 to 2026/27 LTFP Version 2 as a key strategy to achieving the Fit For the Future Reassessment Round 3 financial criteria requirements.

### **Long Term Financial Plan (LTFP) Scenario's and Assumptions**

Assumptions of the Revised 2017/18 to 2026/27 Long Term Financial Plan (LTFP) Version 2.

#### ***Scenario 1 (Base Case) Assumptions***

Assumptions and factors affecting the budget result have been incorporated into the 2017/18 budget and "Base Case" (Scenario 1) ten year plan as follows:

1. General rate revenue for 2017/18 will be increased by the rate peg as advised by IPART in November 2016 of 1.5%, for 2018/19 by the rate peg advised by IPART in November 2017 of 2.3% and is assumed at 2.5% p.a. from 2019/20 onwards.
2. Recurrent operating expenditure for 2017/18 will remain at December 2016 revised budget levels unless there is a contractual obligation to differ from these levels. From 2018/19 recurrent operating expenditure generally will be indexed by 2% p.a. as a cost containment strategy.
3. Recurrent operating revenue for 2017/18 onwards will generally be increased by 2.5% p.a.
4. Interest and investment income forecast at a conservative rate of 2.70% per year, based on 30 September 2016 1 Year AusBond Bank Bill Index 2.19% plus 0.51% portfolio outperformance. Even if rates did rise above this, other variables may result in internal reserves having to be further utilised to maintain the increased spending required on asset maintenance and renewals.
5. Water Charges will be indexed by 1.5% pa for 4 years from 2017/18 to 2020/21 and then by 2.5% p.a. from 2021/22 to 2026/27.

6. Sewer Charges will be indexed by 1.5% pa for 4 years from 2017/18 to 2020/21 and then by 2.5% p.a. from 2021/22 to 2026/27.

7. Domestic Waste Management Charges will be calculated based upon the reasonable cost requirements (income funds the operating and maintenance costs associated with providing the service) for 2017/18 Budget and will then be increased by 2% from 2018/19 onwards.

8. Operating Grants - Council has assumed it will continue to receive operating grants in relation to ongoing operations (where evidenced by management) and that these will increase annually in line with estimated CPI (2.5%). Operating grants received for specific project related purposes have been included in the year Council anticipates they will be received.

9. Capital Grants - the capital grants applied in the model will be based on the funding sources as indicated in the Delivery Program four year capital works program. These assumptions have been carried out into latter years.

10. The Financial Assistance Grant will be indexed by estimated CPI (2.5%). An advanced payment for the Financial Assistance Grant of up to 50% (\$5.263M) of Council's 2017/18 allocation has been made in 2016/17. Council has assumed over the 10 years of the LTFP that the "in advance" tap has not been turned off, and therefore Council does not have to report a drop in Financial Assistance Grant income.

11. Tax equivalent dividends will be based upon the maximum allowable rate of \$3 per assessment (which equates to approximately \$66K from the Water Fund and \$56K from the Sewer Fund).

12. All positions on the adopted organisation structure to be funded unless otherwise indicated.

13. Employee wage increases for 2017/18 are 2.35% and for the 2 years from 2018/19 to 2019/20 2.5%p.a. as per the Local Government (State) Award 2017 and then by an estimated increase of 2.5% p.a. from 2020/21 onwards.

14. Leave Entitlement accruals will be based upon the assumption that all positions in the organisation structure will be filled.

15. Workers Compensation premiums will be based upon 3.5% of the estimated wages from 2017/18 onwards. The 2016/17 premium indicated a Council overall average rate % on wages of 3.24% which resulted in a total premium amount of \$1,329,393. Any savings realised will be transferred to the smoothing reserve. Any additional costs will firstly be funded from the Workers Compensation Smoothing Reserve. The limit to be set on the smoothing reserve at \$400,000.

16. Superannuation - Employees are generally in either of two schemes being:

a. The Defined Benefits scheme, are calculated as per employee contribution

b. The Super Guarantee Scheme (SG), Council is legislatively required to contribute 9.5% of the employee's gross wages for 2017/18. The SG rate will remain at 9.5% for a further 3 years, increasing to 10% from July 2021, and eventually to 12% from July 2025.

17. Field staff oncost recovery rate is charged as a percentage of field staff wages and salaries allocated amongst various Council projects, and set at a full cost recovery (i.e. includes Allowances, Employee Leave Entitlements, Training, Superannuation, Workers Compensation Insurance, Protective Clothing, Uniforms, and Motor Vehicle Running Expenses).

18. Street lighting electricity charges will be increased by 10% from 2017/18 onwards. Street lighting electricity charges increases are a weighted % increase, using 2016/17 actual costs year to date, contract increases provided by Essential Energy for Street Light Use of System Charges (SLUOS) and Origin Energy Network/Energy Charges & Environmental Charges and an allowance for growth in the road network.

19. Insurances indexed by estimated CPI 2.5%. Historically, Council has received a rebate on its annual property insurance premium but as there is no guarantee that Council will receive this, no allowance for this is included in the original budget. If any amount is received it will be posted as a variation and general fund saving. Historically, Council has received a risk incentive bonus but as there is no guarantee that Council will receive this, no allowance for this is included in the original budget and any amount received will be transferred to a restricted reserve to be utilised on risk management issues.

20. Improvement Strategies are included based on Attachment F to Item 13.035/17 of the June 2017 Council meeting.

Whilst these assumptions provide a general guideline there are items in the budget that are predetermined, for example services that are subject to tender.

***Scenario 2 - 'Achieve Financial Sustainability & Asset Sustainability' (BASE CASE PLUS SRV) Assumptions***

1. General rate revenue for 2017/18 will be increased by the rate peg as advised by IPART in November 2016 of 1.5% with a Section 508(A) Special Rate Variation (SRV) for the purposes of General Fund Financial Sustainability & General Fund Asset Sustainability (8% each year for three (3) years (including an actual rate peg of 2.3% for 2018/19 and an assumed rate peg of 2.5% p.a. for 2019/20 and 2020/21)) commencing 2018/19 to 2020/21. The cumulative increase over the 3 years of 25.97% (inclusive of actual rate peg of 2.3% for 2018/19 and an assumed rate peg of 2.5% p.a. for 2019/20 and 2020/21) in the general rate to be retained permanently in Council's rate base. This option will provide Council from 2018/19 to 2020/21 with an additional \$10.298 million above the rate peg (actual rate peg of 2.3% for 2018/19 and assumed rate peg of 2.5% p.a. for 2019/20 and 2020/21). These funds are to be used to improve Council's General Fund financial sustainability and General Fund asset sustainability (additional income from 2018/19 to 2020/21 spent on General Fund asset renewals and from 2021/22 onwards General Fund asset renewals and General Fund asset maintenance).

2. The \$10.298 million additional funds from the SRV above the rate peg (actual rate peg of 2.3% for 2018/19 and assumed rate peg of 2.5% p.a. for 2019/20 and 2020/21) to be allocated to firstly achieve a balanced General Fund net operating result before grants and contributions provided for capital purposes (financial sustainability), and then to bridge the General Fund asset renewal ratio gap and General Fund asset maintenance ratio gaps (asset sustainability).



3. All other assumptions as listed in Scenario 1

1) Scenario 1 - Base Case (Baseline) Scenario

This scenario does not include the revenue from the SRV but includes all improvement strategies as adopted on 27 June 2017 (refer Attachment F to Item 13.035/17).

<b>Clarence Valley Council</b>				
<b>10 Year Financial Plan for the Years ending 30 June 2027</b>				
<b>INCOME STATEMENT - GENERAL FUND</b>				
<b>Scenario: Scenario 1: Base Case</b>				
	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Income from Continuing Operations</b>				
<b>Revenue:</b>				
Rates	27,473,460	28,132,348	28,865,004	29,615,975
Annual Charges	7,809,219	7,974,645	8,143,440	8,315,674
User Charges & Fees	19,694,373	20,649,804	21,623,399	22,555,337
Interest & Investment Revenue	1,398,066	1,239,406	1,196,282	1,235,518
Other Revenues	2,147,119	2,318,063	2,701,006	2,733,003
Grants & Contributions provided for Operating Purposes	22,107,824	22,645,997	22,747,571	23,333,740
Grants & Contributions provided for Capital Purposes	5,215,017	3,803,697	3,604,628	3,612,923
<b>Other Income:</b>				
Net gains from the disposal of assets	-	-	-	-
Joint Ventures & Associated Entities	-	-	-	-
<b>Total Income from Continuing Operations</b>	<b>85,845,078</b>	<b>86,763,961</b>	<b>88,881,329</b>	<b>91,402,169</b>
<b>Expenses from Continuing Operations</b>				
Employee Benefits & On-Costs	35,822,840	36,334,673	37,243,040	37,830,945
Borrowing Costs	1,690,983	1,540,345	1,394,389	1,235,271
Materials & Contracts	16,808,975	14,899,529	15,171,193	15,509,267
Depreciation & Amortisation	25,662,477	25,732,878	25,819,056	25,860,063
Impairment	-	-	-	-
Other Expenses	11,536,523	11,818,451	12,110,354	12,412,847
Interest & Investment Losses	-	-	-	-
Net Losses from the Disposal of Assets	-	-	-	-
Joint Ventures & Associated Entities	-	-	-	-
<b>Total Expenses from Continuing Operations</b>	<b>91,521,798</b>	<b>90,325,876</b>	<b>91,738,032</b>	<b>92,848,392</b>
<b>Operating Result from Continuing Operations</b>	<b>(5,676,720)</b>	<b>(3,561,914)</b>	<b>(2,856,703)</b>	<b>(1,446,223)</b>
Discontinued Operations - Profit/(Loss)	-	-	-	-
<b>Net Profit/(Loss) from Discontinued Operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Operating Result for the Year</b>	<b>(5,676,720)</b>	<b>(3,561,914)</b>	<b>(2,856,703)</b>	<b>(1,446,223)</b>
<b>Net Operating Result before Grants and Contributions provided for Capital Purposes</b>	<b>(10,891,737)</b>	<b>(7,365,612)</b>	<b>(6,461,331)</b>	<b>(5,059,146)</b>

<b>Clarence Valley Council</b>				
<b>10 Year Financial Plan for the Years ending 30 June 2027</b>				
<b>BALANCE SHEET - GENERAL FUND</b>				
<b>Scenario: Scenario 1: Base Case</b>				
	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash & Cash Equivalents	4,000,000	4,000,000	4,000,000	7,101,628
Investments	30,165,505	29,009,563	28,831,579	28,831,579
Receivables	12,346,600	12,477,027	12,987,789	13,326,012
Inventories	1,362,654	1,324,406	1,336,179	1,355,945
Other	421,677	413,971	420,802	430,061
<b>Total Current Assets</b>	<b>48,296,436</b>	<b>47,224,967</b>	<b>47,576,349</b>	<b>51,045,226</b>
<b>Non-Current Assets</b>				
Investments	7,414,375	7,130,256	7,086,509	7,086,509
Receivables	537,494	523,139	513,268	506,701
Inventories	166,956	166,956	166,956	166,956
Infrastructure, Property, Plant & Equipment	1,363,288,407	1,358,158,861	1,353,194,282	1,346,323,981
Investments Accounted for using the equity method	47,000	47,000	47,000	47,000
Intangible Assets	628,716	1,028,716	968,716	948,716
<b>Total Non-Current Assets</b>	<b>1,372,082,948</b>	<b>1,367,054,928</b>	<b>1,361,996,731</b>	<b>1,355,079,864</b>
<b>TOTAL ASSETS</b>	<b>1,420,379,384</b>	<b>1,414,279,895</b>	<b>1,409,573,080</b>	<b>1,406,125,090</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Payables	16,490,796	15,748,260	15,923,260	16,066,967
Borrowings	2,379,252	2,530,436	2,594,312	2,370,158
Provisions	14,221,918	14,674,296	15,044,548	15,354,323
<b>Total Current Liabilities</b>	<b>33,091,966</b>	<b>32,952,992</b>	<b>33,562,120</b>	<b>33,791,448</b>
<b>Non-Current Liabilities</b>				
Borrowings	20,477,196	17,946,760	15,352,448	12,982,290
Provisions	8,358,731	8,490,566	8,625,638	8,764,701
<b>Total Non-Current Liabilities</b>	<b>28,835,927</b>	<b>26,437,326</b>	<b>23,978,086</b>	<b>21,746,991</b>
<b>TOTAL LIABILITIES</b>	<b>61,927,892</b>	<b>59,390,318</b>	<b>57,540,206</b>	<b>55,538,438</b>
<b>Net Assets</b>	<b>1,358,451,492</b>	<b>1,354,889,577</b>	<b>1,352,032,874</b>	<b>1,350,586,651</b>
<b>EQUITY</b>				
Retained Earnings	483,651,492	480,089,577	477,232,874	475,786,651
Revaluation Reserves	874,800,000	874,800,000	874,800,000	874,800,000
Council Equity Interest	1,358,451,492	1,354,889,577	1,352,032,874	1,350,586,651
Minority Equity Interest	-	-	-	-
<b>Total Equity</b>	<b>1,358,451,492</b>	<b>1,354,889,577</b>	<b>1,352,032,874</b>	<b>1,350,586,651</b>

**Clarence Valley Council**  
**10 Year Financial Plan for the Years ending 30 June 2027**  
**CASH FLOW STATEMENT - GENERAL FUND**  
**Scenario: Scenario 1: Base Case**

	2017/18	2018/19	2019/20	2020/21
	\$	\$	\$	\$
<b>Cash Flows from Operating Activities</b>				
<b>Receipts:</b>				
Rates & Annual Charges	35,316,840	36,054,348	36,950,881	37,872,698
User Charges & Fees	19,655,668	20,576,839	21,549,047	22,484,166
Interest & Investment Revenue Received	1,496,754	1,231,608	1,182,880	1,173,032
Grants & Contributions	28,979,757	26,614,452	26,370,595	26,834,491
Other	1,573,206	2,193,473	2,361,645	2,735,313
<b>Payments:</b>				
Employee Benefits & On-Costs	(39,531,684)	(41,026,851)	(41,735,048)	(42,579,676)
Materials & Contracts	(17,645,349)	(15,965,808)	(16,078,948)	(16,405,598)
Borrowing Costs	(1,626,467)	(1,473,226)	(1,325,456)	(1,162,324)
Other	(11,536,523)	(11,818,451)	(12,110,354)	(12,412,847)
<b>Net Cash provided (or used in) Operating Activities</b>	<b>16,682,202</b>	<b>16,386,385</b>	<b>17,165,242</b>	<b>18,539,254</b>
<b>Cash Flows from Investing Activities</b>				
<b>Receipts:</b>				
Sale of Investment Securities	1,849,621	1,440,061	221,730	-
Sale of Infrastructure, Property, Plant & Equipment	5,145,859	1,708,357	1,551,957	1,155,486
Deferred Debtors Receipts	31,834	59,987	55,764	52,175
<b>Payments:</b>				
Purchase of Investment Securities	-	-	-	-
Purchase of Infrastructure, Property, Plant & Equipment	(21,436,824)	(16,783,704)	(16,432,424)	(14,019,141)
Purchase of Intangible Assets	-	(400,000)	-	-
Deferred Debtors & Advances Made	-	(31,834)	(31,834)	(31,834)
<b>Net Cash provided (or used in) Investing Activities</b>	<b>(14,409,509)</b>	<b>(14,007,133)</b>	<b>(14,634,806)</b>	<b>(12,843,314)</b>
<b>Cash Flows from Financing Activities</b>				
<b>Payments:</b>				
Repayment of Borrowings & Advances	(2,272,693)	(2,379,252)	(2,530,436)	(2,594,312)
<b>Net Cash Flow provided (used in) Financing Activities</b>	<b>(2,272,693)</b>	<b>(2,379,252)</b>	<b>(2,530,436)</b>	<b>(2,594,312)</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,101,628</b>
<b>plus: Cash, Cash Equivalents &amp; Investments - beginning of year</b>	<b>4,000,000</b>	<b>4,000,000</b>	<b>4,000,000</b>	<b>4,000,000</b>
<b>Cash &amp; Cash Equivalents - end of the year</b>	<b>4,000,000</b>	<b>4,000,000</b>	<b>4,000,000</b>	<b>7,101,628</b>
<b>Cash &amp; Cash Equivalents - end of the year</b>	<b>4,000,000</b>	<b>4,000,000</b>	<b>4,000,000</b>	<b>7,101,628</b>
<b>Investments - end of the year</b>	<b>37,579,879</b>	<b>36,139,818</b>	<b>35,918,088</b>	<b>35,918,088</b>
<b>Cash, Cash Equivalents &amp; Investments - end of the year</b>	<b>41,579,879</b>	<b>40,139,818</b>	<b>39,918,088</b>	<b>43,019,717</b>
<b>Representing:</b>				
- External Restrictions	16,229,109	17,382,806	18,579,189	21,462,175
- Internal Restrictions	23,454,171	21,601,277	19,700,874	19,760,895
- Unrestricted	1,896,599	1,155,735	1,638,025	1,796,647
	<b>41,579,879</b>	<b>40,139,818</b>	<b>39,918,088</b>	<b>43,019,717</b>

**2) Scenario 2 - 'Achieve Financial Sustainability & Asset Sustainability' - BASE CASE PLUS Section 508(A) SRV of 8% each year for three (3) years (including an actual rate peg of 2.3% for 2018/19 and an assumed rate peg of 2.5% p.a. for 2019/20 and 2020/21) commencing 2018/19 to 2020/21. The cumulative SRV increase over the 3 years of 25.97% in the general rate (inclusive of actual rate peg of 2.3% for 2018/19 and an assumed rate peg of 2.5% p.a. for 2019/20 and 2020/21) is to be retained permanently in Council's rate base. This option will provide Council from 2018/19 to 2020/21 with an additional \$10.298 million above the rate peg (inclusive of an actual rate peg of 2.3% for 2018/19 and an assumed rate peg of 2.5% p.a. for 2019/20 and 2020/21). These funds are to be used to improve Council's General Fund financial sustainability and General Fund asset sustainability (from 2018/19 to 2020/21 General Fund asset renewals and from 2021/22 onwards General Fund asset renewals and General Fund asset maintenance).**

Clarence Valley Council  
10 Year Financial Plan for the Years ending 30 June 2027  
**INCOME STATEMENT - GENERAL FUND**  
Scenario: Scenario 2: Base Case Plus SRV

	2017/18	2018/19	2019/20	2020/21
	\$	\$	\$	\$
<b>Income from Continuing Operations</b>				
<b>Revenue:</b>				
Rates	27,473,460	29,763,996	32,237,792	34,909,460
Annual Charges	7,809,219	7,974,645	8,143,440	8,315,674
User Charges & Fees	19,694,373	20,649,804	21,623,399	22,555,337
Interest & Investment Revenue	1,398,066	1,239,406	1,196,282	1,235,518
Other Revenues	2,147,119	2,318,063	2,701,006	2,733,003
Grants & Contributions provided for Operating Purposes	22,107,824	22,645,997	22,747,571	23,333,740
Grants & Contributions provided for Capital Purposes	5,215,017	3,803,697	3,604,628	3,612,923
<b>Other Income:</b>				
Net gains from the disposal of assets	-	-	-	-
Joint Ventures & Associated Entities	-	-	-	-
<b>Total Income from Continuing Operations</b>	<b>85,845,078</b>	<b>88,395,609</b>	<b>92,254,117</b>	<b>96,695,654</b>
<b>Expenses from Continuing Operations</b>				
Employee Benefits & On-Costs	35,822,840	36,334,673	37,243,040	37,830,945
Borrowing Costs	1,690,983	1,540,345	1,394,389	1,235,271
Materials & Contracts	16,808,975	14,915,287	15,203,766	15,560,388
Depreciation & Amortisation	25,662,477	25,732,878	25,819,056	25,860,063
Impairment	-	-	-	-
Other Expenses	11,536,523	11,818,451	12,110,354	12,412,847
Interest & Investment Losses	-	-	-	-
Net Losses from the Disposal of Assets	-	-	-	-
Joint Ventures & Associated Entities	-	-	-	-
<b>Total Expenses from Continuing Operations</b>	<b>91,521,798</b>	<b>90,341,633</b>	<b>91,770,605</b>	<b>92,899,514</b>
<b>Operating Result from Continuing Operations</b>	<b>(5,676,720)</b>	<b>(1,946,024)</b>	<b>483,513</b>	<b>3,796,140</b>
Discontinued Operations - Profit/(Loss)	-	-	-	-
<b>Net Profit/(Loss) from Discontinued Operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Operating Result for the Year</b>	<b>(5,676,720)</b>	<b>(1,946,024)</b>	<b>483,513</b>	<b>3,796,140</b>
<b>Net Operating Result before Grants and Contributions provided for Capital Purposes</b>	<b>(10,891,737)</b>	<b>(5,749,721)</b>	<b>(3,121,115)</b>	<b>183,217</b>

Clarence Valley Council  
 10 Year Financial Plan for the Years ending 30 June 2027  
**BALANCE SHEET - GENERAL FUND**  
 Scenario: Scenario 2: Base Case Plus SRV

	2017/18	2018/19	2019/20	2020/21
	\$	\$	\$	\$
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash & Cash Equivalents	4,000,000	4,000,000	4,000,000	8,364,380
Investments	30,165,505	28,929,257	28,654,899	28,654,899
Receivables	12,346,600	12,581,504	13,201,301	13,684,963
Inventories	1,362,654	1,324,406	1,336,179	1,355,945
Other	421,677	413,971	420,802	430,061
<b>Total Current Assets</b>	<b>48,296,436</b>	<b>47,249,138</b>	<b>47,613,181</b>	<b>52,490,248</b>
<b>Non-Current Assets</b>				
Investments	7,414,375	7,110,517	7,043,083	7,043,083
Receivables	537,494	542,050	552,358	568,050
Inventories	166,956	166,956	166,956	166,956
Infrastructure, Property, Plant & Equipment	1,363,288,407	1,359,790,509	1,358,198,718	1,355,186,357
Investments Accounted for using the equity method	47,000	47,000	47,000	47,000
Intangible Assets	628,716	1,028,716	988,716	948,716
<b>Total Non-Current Assets</b>	<b>1,372,082,948</b>	<b>1,368,685,748</b>	<b>1,366,996,830</b>	<b>1,363,960,162</b>
<b>TOTAL ASSETS</b>	<b>1,420,379,384</b>	<b>1,415,934,886</b>	<b>1,414,610,011</b>	<b>1,416,450,411</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Payables	16,490,796	15,787,361	16,004,085	16,193,819
Borrowings	2,379,252	2,530,436	2,594,312	2,370,158
Provisions	14,221,918	14,674,296	15,044,548	15,354,323
<b>Total Current Liabilities</b>	<b>33,091,965</b>	<b>32,992,093</b>	<b>33,642,945</b>	<b>33,918,300</b>
<b>Non-Current Liabilities</b>				
Borrowings	20,477,196	17,946,760	15,352,448	12,982,290
Provisions	8,358,731	8,490,566	8,625,638	8,764,701
<b>Total Non-Current Liabilities</b>	<b>28,835,927</b>	<b>26,437,326</b>	<b>23,978,086</b>	<b>21,746,991</b>
<b>TOTAL LIABILITIES</b>	<b>61,927,892</b>	<b>59,429,419</b>	<b>57,621,031</b>	<b>55,665,291</b>
<b>Net Assets</b>	<b>1,358,451,492</b>	<b>1,356,505,468</b>	<b>1,356,988,980</b>	<b>1,360,785,120</b>
<b>EQUITY</b>				
Retained Earnings	483,651,492	481,705,468	482,188,980	485,985,120
Revaluation Reserves	874,800,000	874,800,000	874,800,000	874,800,000
Council Equity Interest	1,358,451,492	1,356,505,468	1,356,988,980	1,360,785,120
Minority Equity Interest	-	-	-	-
<b>Total Equity</b>	<b>1,358,451,492</b>	<b>1,356,505,468</b>	<b>1,356,988,980</b>	<b>1,360,785,120</b>

<b>Clarence Valley Council</b>				
<b>10 Year Financial Plan for the Years ending 30 June 2027</b>				
<b>CASH FLOW STATEMENT - GENERAL FUND</b>				
<b>Scenario: Scenario 2: Base Case Plus SRV</b>				
	2017/18	2018/19	2019/20	2020/21
	\$	\$	\$	\$
<b>Cash Flows from Operating Activities</b>				
<b>Receipts:</b>				
Rates & Annual Charges	35,316,840	37,582,028	40,212,725	43,043,797
User Charges & Fees	19,655,668	20,576,839	21,549,047	22,484,166
Interest & Investment Revenue Received	1,496,754	1,212,049	1,164,462	1,127,554
Grants & Contributions	28,979,757	26,614,452	26,370,595	26,834,491
Other	1,573,206	2,232,713	2,403,517	2,781,504
<b>Payments:</b>				
Employee Benefits & On-Costs	(39,531,684)	(41,026,851)	(41,735,048)	(42,579,676)
Materials & Contracts	(17,845,349)	(15,981,566)	(16,111,520)	(16,456,720)
Borrowing Costs	(1,626,467)	(1,473,226)	(1,325,456)	(1,162,324)
Other	(11,536,523)	(11,818,451)	(12,110,354)	(12,412,847)
<b>Net Cash provided (or used in) Operating Activities</b>	<b>16,682,202</b>	<b>17,917,989</b>	<b>20,417,968</b>	<b>23,659,945</b>
<b>Cash Flows from Investing Activities</b>				
<b>Receipts:</b>				
Sale of Investment Securities	1,849,621	1,540,105	341,792	-
Sale of Infrastructure, Property, Plant & Equipment	5,145,859	1,708,357	1,551,957	1,155,486
Deferred Debtors Receipts	31,834	59,987	55,764	52,175
<b>Payments:</b>				
Purchase of Investment Securities	-	-	-	-
Purchase of Infrastructure, Property, Plant & Equipment	(21,436,824)	(18,415,352)	(19,805,212)	(17,877,080)
Purchase of Intangible Assets	-	(400,000)	-	-
Deferred Debtors & Advances Made	-	(31,834)	(31,834)	(31,834)
<b>Net Cash provided (or used in) Investing Activities</b>	<b>(14,409,509)</b>	<b>(15,538,737)</b>	<b>(17,887,532)</b>	<b>(16,701,253)</b>
<b>Cash Flows from Financing Activities</b>				
<b>Payments:</b>				
Repayment of Borrowings & Advances	(2,272,693)	(2,379,252)	(2,530,436)	(2,594,312)
<b>Net Cash Flow provided (used in) Financing Activities</b>	<b>(2,272,693)</b>	<b>(2,379,252)</b>	<b>(2,530,436)</b>	<b>(2,594,312)</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,364,380</b>
<b>plus: Cash, Cash Equivalents &amp; Investments - beginning of year</b>	<b>4,000,000</b>	<b>4,000,000</b>	<b>4,000,000</b>	<b>4,000,000</b>
<b>Cash &amp; Cash Equivalents - end of the year</b>	<b>4,000,000</b>	<b>4,000,000</b>	<b>4,000,000</b>	<b>8,364,380</b>
<b>Cash &amp; Cash Equivalents - end of the year</b>	<b>4,000,000</b>	<b>4,000,000</b>	<b>4,000,000</b>	<b>8,364,380</b>
<b>Investments - end of the year</b>	<b>37,579,879</b>	<b>36,039,774</b>	<b>35,697,982</b>	<b>35,697,982</b>
<b>Cash, Cash Equivalents &amp; Investments - end of the year</b>	<b>41,579,879</b>	<b>40,039,774</b>	<b>39,697,982</b>	<b>44,062,361</b>
<b>Representing:</b>				
- External Restrictions	16,229,109	17,382,806	18,579,189	21,462,175
- Internal Restrictions	23,454,171	21,601,277	19,700,874	21,196,439
- Unrestricted	1,896,599	1,055,691	1,417,919	1,403,747
	<b>41,579,879</b>	<b>40,039,774</b>	<b>39,697,982</b>	<b>44,062,361</b>

It is only under Scenario 2 of the Revised 2017/18 to 2026/27 LTFP Version 2 that council is placed in a financially sustainable position as Council achieves a balanced General Fund Operating Performance Ratio by 2020/21 and achieves all the Fit for the Future Reassessment Round 3 requirements except for the Asset Maintenance Ratio by 2021/22 (which is not achieved under either Scenario of the Revised 2017/18 to 2026/27 LTFP Version 2).

### 3.3 Financial indicators

How will the proposed special variation affect the council's key financial indicators (General Fund) over the 10-year planning period? Please provide, as an addendum to the Long Term Financial Plan, an analysis of council's performance based on key indicators (current and forecast) which may include:

- ▼ Operating balance ratio excluding capital items (ie, net operating result before capital grants and contributions as percentage of operating revenue before capital grants and contributions).
- ▼ Unrestricted current ratio (the unrestricted current assets divided by unrestricted current liabilities).
- ▼ Rates and annual charges ratio (rates and annual charges divided by operating revenue).
- ▼ Debt service ratio (principal and interest debt service costs divided by operating revenue excluding capital grants and contributions).
- ▼ Broad liabilities ratio (total debt plus cost to clear infrastructure backlogs as per Special Schedule 7 divided by operating revenue).
- ▼ Asset renewal ratio (asset renewals expenditure divided by depreciation, amortisation and impairment expenses).

**Council's Response:**

Page 7 and page 21 and pages 28 to 45 of the Attachments section of the Revised 2017/18 to 2026/27 LTFP Version 2 contain Key Financial Indicators (KFIs) for the General Fund.

Of the KFI's mentioned above in Section 3.3 of this application, the Revised 2017/18 to 2026/27 LTFP Version 2 shows the Operating Performance (Balance) Ratio, Unrestricted Current Ratio, Debt Service Ratio, and Asset Renewal (Building & Infrastructure) Ratio for General Fund projected for the next 10 years under both Scenario 1 the 'Base Case' (page 7 of the Attachments to the Revised 2017/18 to 2026/27 LTFP Version 2) and Scenario 2 'Achieve Financial Sustainability and Asset Sustainability - Base Case plus Section 508 (A) SRV' (page 21 of the Attachments to the Revised 2017/18 to 2026/27 LTFP Version 2) financial models.

**Operating Performance Ratio (excluding capital items)**

If the proposed SRV (Scenario 2 of the Revised 2017/18 to 2026/27 LTFP Version 2) is approved, this ratio will increase as operating revenue will increase by the proposed additional rate income thereby improving the net operating result. Council's benchmark for this ratio is that it must be greater than or equal to breakeven by 2020/21. Under Scenario 2 of the Revised LTFP 2017/18 to 2026/27 Version 2 Council meets this requirement by 2020/21. However, in Scenario 1 (no SRV) of the Revised 2017/18 to 2026/27 LTFP Version 2 the benchmark is not met and the ratio is never greater than or equal to breakeven over the 10 years of the Revised 2017/18 to 2026/27 LTFP Version 2.

**Unrestricted Current Ratio**

OLG's benchmark for this ratio is that it must be greater 1.5 times. Under Scenario 1 and Scenario 2 of the Revised 2017/18 to 2026/27 LTFP Version 2 Council meets this requirement in each year except for 2026/27 when under both scenarios the ratio is slightly lower than the benchmark.

**Debt Service Ratio**

OLG's Fit for the Future Reassessment Round 3 benchmark for this ratio is that it must be greater than 0% and less than or equal to 20% and their requirement is that Council must meet the benchmark within 5 years i.e. by 2021/22. Under Scenario 1 and Scenario 2 of the Revised 2017/18 to 2026/27 LTFP Version 2 Council meets this requirement in each year with the ratio being slightly lower under Scenario 2.

#### **Assets (Building & Infrastructure) Renewals Ratio**

If the proposed SRV is approved, this ratio will increase as a portion of the proposed additional rate income will be allocated to building and infrastructure renewals. The OLG's Fit for the Future Reassessment Round 3 benchmark of greater than 100% which has the requirement that it must be met or show improvement towards achieving it within 5 years i.e. by 2021/22, is achieved under each scenario of the Revised 2017/18 to 2026/27 LTFP Version 2 reaching 100% in Scenario 2 in 2023/24.

**Other ratios in Revised 2017/18 to 2026/27 LTFP Version 2 not shown above include:**

#### **Own Source Revenue Ratio**

If the proposed SRV is approved, this ratio will increase as rates revenue will increase by the proposed additional rate income. The OLG's Fit for the Future Reassessment Round 3 benchmark of greater than 60% which has the requirement that it must be met within 5 years i.e. by 2021/22 will be achieved under Scenario 1 and Scenario 2 of the Revised 2017/18 to 2026/27 LTFP Version 2 with the ratio being slightly greater under Scenario 2.

#### **Debt Service Cover Ratio**

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments. The OLG benchmark is greater than 2 times. If the proposed SRV is approved, this ratio will increase as per Scenario 2 of the Revised 2017/18 to 2026/27 LTFP Version 2 as operating cash will increase due to the proposed additional rate income.

#### **Infrastructure Backlog Ratio**

Under both Scenarios this ratio decreases each year of the Revised 2017/18 to 2026/27 LTFP Version 2 and meets the OLG's Fit for the Future Reassessment Round 3 requirement of achieving or showing progress towards achieving the benchmark of 2% within 5 years i.e. by 2021/22. The indicator falls below 2% in 2023/24 being slightly lower in Scenario 2.

#### **Asset Maintenance Ratio**

If the proposed SRV is approved, this ratio will increase as a portion of the proposed additional rate income will be allocated to maintenance once the primary benchmark for the operating performance ratio is achieved in 2020/21 i.e. additional income under Scenario 2 of the Revised 2017/18 to 2026/27 LTFP Version 2 from the SRV is allocated to both asset renewals and assets maintenance from 2021/22 onwards. However, the OLG's Fit for the Future Reassessment Round 3 benchmark of 100% is not met under either scenario of the Revised 2017/18 to 2026/27 LTFP Version 2.

#### **Cash Expense Cover Ratio**



The Cash Expense Ratio remains above the OLG benchmark of greater than 3 months, each year under both scenarios of the Revised 2017/18 to 2026/27 LTFP Version 2.

### Real Operating Expenditure Per Capita

The Real Operating Expenditure per Capita ratio decreases each year under both scenarios of the Revised 2017/18 to 2026/27 LTFP Version 2 thereby achieving the OLG's Fit for the Future Reassessment Round 3 benchmark requirement of demonstrated savings over 5 years i.e. from 2017/18 to 2021/22. These saving occur due to the inclusion of the Improvement Strategies (Attachment F Item 13.035/17 of the 27/6/17 Ordinary Council Meeting).

### Other Key Financial Indicators (KFIs) Reported by Council

Council in February 2017 adopted fourteen KFIs and associated benchmarks as part of its financial strategy. These KFI's were updated to ensure they reflect legislative requirements, industry best practice, and related council policies.

These indicators are used as financial health checks to monitor the operational liquidity (short-term focus), fiscal responsibility (elected-term focus) and financial sustainability (long-term/intergenerational focus) of the Council. The financial indicators tabled below have been referenced from Note 13 of the Local Government Code of Accounting Practice & Financial Reporting Update 25, the IPWEA Australian Infrastructure Financial Management Guidelines and the OLG Fit For the Future Reassessment Round 2 Financial Criteria. These ratios (detailed in the following table) are monitored on a consolidated and individual fund basis.

KEY FINANCIAL INDICATORS	COUNCIL'S KFI GOAL	Fit For The Future KFI (General Fund Only)	KEY FINANCIAL INDICATOR TYPE	
			Financial Position Indicator	Financial Performance Indicator
<b>1. Operational Liquidity (short term focus)</b>				
1.1 Unrestricted Current Ratio – unrestricted current assets divided by unrestricted current liabilities. As per Note 13 Local Government Code of Accounting Practice & Financial Reporting Update 24 – benchmark >1.5:1.  <u>Purpose</u> – this is a measure of Council's ability to meet its short term liabilities with its short term assets.	>1.5:1	Not Applicable	Yes	No
1.2 Rates and Annual Charges Outstanding – rates & annual charges outstanding divided by rates & annual charges collectible. As per Note 13 Local Government Code of Accounting Practice & Financial Reporting Update 24 – benchmark <10%.  <u>Purpose</u> – this measure assesses the impact of uncollected rates & annual charges on Council's liquidity and the adequacy of Council's debt recovery efforts.	<=5%	Not Applicable	Yes	No

KEY FINANCIAL INDICATORS	COUNCIL'S KFI GOAL	Fit For The Future KFI (General Fund Only)	KEY FINANCIAL INDICATOR TYPE	
			Financial Position Indicator	Financial Performance Indicator
<p>1.3 Available Working Funds</p> <p><u>Purpose</u> - similar to the Unrestricted Current Ratio this is a measure of Council's ability to meet short term financial shocks whether they be reductions in anticipated revenues or unplanned additional expenditure (measured in \$).</p>	<p>General Fund &gt;\$4 million Water Fund &gt;\$2 million Sewer Fund &gt;\$2 million</p>	Not Applicable	Yes	No
<p>1.4 Cash Expense Cover Ratio – Current Year's Cash and Cash Equivalents and all Term Deposits divided by Payments from cash flow of operating and financing activities, multiplied by 12. As per Note 13 Local Government Code of Accounting Practice &amp; Financial Reporting Update 24 – benchmark &gt;3 months.</p> <p><u>Purpose</u> - This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.</p>	<p>Consolidated Funds: Minimum &gt;3 months</p>	Not Applicable	Yes	No

KEY FINANCIAL INDICATORS	COUNCIL'S KFI GOAL	Fit For The Future KFI (General Fund Only)	KEY FINANCIAL INDICATOR TYPE	
			Financial Position Indicator	Financial Performance Indicator
<b>2. Fiscal Responsibility (Council elected term focus)</b>				
<p>2.1 Operating Performance Ratio – total continuing operating revenue excluding capital grants and contributions less operating expenses, divided by total continuing operating revenue. Total continuing operating revenue excludes fair value adjustments and reversal of revaluation decrements, net gain/ (loss) on sale of assets and the net share of interests in joint ventures &amp; associates. As per Note 13 Local Government Code of Accounting Practice &amp; Financial Reporting Update 24 – benchmark &gt;0%.</p> <p><u>Purpose</u> - This ratio measures Council's achievement of containing operating expenditure within operating revenue. Councils should not be recording recurring operating deficits, or funding operating results from capital revenues.</p>	<p>All Funds: Minimum &gt;0%</p>	<p>&gt;=0% meet within 5 years i.e. by 2020/21</p>	No	Yes
<p>2.2 Own Source Revenue Ratio – total continuing operating revenue (excluding ALL grants &amp; contributions), divided by total continuing operating revenue inclusive of all grants and contributions. Total continuing operating revenue excludes fair value adjustments and reversal of revaluation decrements, net gain/ (loss) on sale of assets and the net share of interests in joint ventures &amp; associates. As per Note 13 Local Government Code of Accounting Practice &amp; Financial Reporting Update 24 – benchmark &gt;60%.</p> <p><u>Purpose</u> - This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants &amp; contributions. A council's financial flexibility improves as its own source revenue increases.</p>	<p>All Funds: Minimum &gt;60%</p>	<p>&gt;60% meet within 5 years i.e. by 2020/21</p>	No	Yes

KEY FINANCIAL INDICATORS	COUNCIL'S KFI GOAL	Fit For The Future KFI (General Fund Only)	KEY FINANCIAL INDICATOR TYPE	
			Financial Position Indicator	Financial Performance Indicator
<p>2.3 Debt Service Cover Ratio – Operating result before capital (excludes fair value adjustments and reversal of revaluation decrements, net gain/(loss) on sale of assets, interest expense, depreciation / impairment / amortization, and the net share of interests in joint ventures &amp; associates), divided by Principal Repayments (from the Statement of Cash Flows) plus borrowing costs (from the Income Statement). As per Note 13 Local Government Code of Accounting Practice &amp; Financial Reporting Update 24 – benchmark &gt;2x.</p> <p><u>Purpose</u> - This ratio measures the availability of operating cash to service debt including interest, principal and lease payments.</p>	All Funds: Minimum >2x	Not Applicable	No	Yes
<p>2.4 Debt Service Ratio - Cost of debt service (interest expense &amp; principal repayments) divided by total continuing operating revenue (excluding capital grants and contributions).</p> <p><u>Purpose</u> – A Council with a low or zero level of debt may incorrectly place the funding burden on current ratepayers when in fact it could be spread across generations, who also benefit from the assets. High Levels of debt generally indicate a weakness in financial sustainability and/or poor balance sheet management.</p>	General Fund <12%, Water & Sewer Fund <=50% (per Council's Loan Borrowing Policy)	>0%<=20% meet within 5 years i.e. by 2020/21	No	Yes
KEY FINANCIAL INDICATORS	COUNCIL'S KFI GOAL	Fit For The Future KFI (General Fund Only)	KEY FINANCIAL INDICATOR TYPE	
			Financial Position Indicator	Financial Performance Indicator
<p>2.5 Real Operating Expenditure Per Capita – Operating expenditure indexed by the Local Government Cost Index, divided by population of Council area. Per IPART's Fit for the Future (FFTF) requirement – there must be a demonstrated decrease in the ratio over time, i.e. operational savings (net of Integrated Planning &amp; Reporting (IP&amp;R) supported service improvements) over 5 years, by 2020/21.</p> <p><u>Purpose</u> - Changes in real operating expenditure per capita are considered to assess how effectively Councils:</p> <ul style="list-style-type: none"> <li>• can realise natural efficiencies as population increases (through lower average cost of service delivery and representation); and</li> <li>• can make necessary adjustments to maintain current efficiency if population is declining (e.g. appropriate reductions in staffing or other costs)</li> </ul> <p>Assuming that service levels remain constant, a decline in real expenditure per capita indicates efficiency improvements (i.e. the same level of output per capita is achieved with reduced expenditure).</p>	General Fund only - A decline in ratio over 5 years by 2020/21	Demonstrate savings over 5 years i.e. by 2020/21	No	Yes

KEY FINANCIAL INDICATORS	COUNCIL'S KFI GOAL	Fit For The Future KFI (General Fund Only)	KEY FINANCIAL INDICATOR TYPE	
			Financial Position Indicator	Financial Performance Indicator
<b>3. Financial Sustainability (Long term intergenerational focus)</b>				
<p>3.1 Building &amp; Asset Renewal Ratio – expenditure on building and infrastructure asset renewals divided by depreciation, amortisation &amp; impairment for building and infrastructure assets. As per Special Schedule 7, Local Government Code of Accounting Practice &amp; Financial Reporting Update 24 – benchmark &gt;100%.</p> <p><u>Purpose</u> – this measure assesses the rate at which building &amp; infrastructure assets are being renewed &amp; upgraded against the rate at which they are depreciating.</p>	All Funds Minimum > 100%	>100% meet or show improvement towards achieving it within 5 years i.e. by 2020/21	Yes	Yes
<p>3.2 Infrastructure Backlog Ratio - Estimated Cost to bring Assets to a Satisfactory Condition, divided by carrying value of infrastructure, building, other structures and depreciable land improvement assets. As per Special Schedule 7, Local Government Code of Accounting Practice &amp; Financial Reporting Update 24 – benchmark &lt;2%.</p> <p><u>Purpose</u> - This ratio shows what proportion the infrastructure backlog is against the total value of a council's infrastructure.</p>	All Funds Maximum <2%	<2% meet or show improvement towards achieving it within 5 years i.e. by 2020/21	Yes	No
<b>3. Financial Sustainability (Long term intergenerational focus)</b>				
<b>3.3 Cost to bring assets to agreed service level – Estimated cost to bring to an agreed level of service set by the council divided by gross replacement cost. As per Special Schedule 7, Local Government Code of Accounting Practice &amp; Financial Reporting Update 24.</b>				
<p>There is no industry benchmark available. As the indicator will apply for the first time for the 2016/17 Annual Financial Statements, Council needs to determine during 2016/17 intervention levels for assets based on the condition of the assets.</p> <p><u>Purpose</u> - To assess the proportion of outstanding renewal works compared to the total suite of assets that Council has under its care and stewardship.</p>	To be determined in 2016/17.	Not Applicable	Yes	No
<p>3.4 Asset Maintenance Ratio - Actual Asset Maintenance divided by Required Asset Maintenance. As per Special Schedule 7, Local Government Code of Accounting Practice &amp; Financial Reporting Update 24 – benchmark &gt;100%.</p> <p><u>Purpose</u> - Compares actual vs required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds that year to halt the Infrastructure Backlog from growing.</p>	All Funds: Minimum >100%	>100% achieve or show progress towards achieving it within 5 years i.e. by 2020/21	No	Yes

KEY FINANCIAL INDICATORS	COUNCIL'S KFI GOAL	Fit For The Future KFI (General Fund Only)	KEY FINANCIAL INDICATOR TYPE	
			Financial Position Indicator	Financial Performance Indicator
<p>3.5 Asset Sustainability Ratio – Planned capital expenditure on renewing and replacing existing assets (net of proceeds from sale of replaced assets), divided by the optimal level proposed in Council's Asset Management Plan. Local Government Association South Australia Financial Sustainability Information Paper No.9: <i>Financial Indicators</i> – Revised February 2012.</p> <p><u>Purpose</u> – Indicates the extent to which existing non-financial assets are being renewed and replaced compared with what is needed to cost-effectively maintain service levels. Achievement of the suggested target would mean that Council was reasonably optimising the timing of capital outlays on the renewal/replacement of assets.</p>	All Funds: Minimum >90% but <110%	Not Applicable	Yes	No

Some of these KFIs are in addition to the Financial Indicators projected by Council's Revised 2017/18 to 2026/27 LTFP Version 2 models. The General Fund Asset Sustainability ratio is forecast through the Revised 2017/18 to 2026/27 Asset Management Strategy Version 2 whereas the Rates/Annual Charges/Interest & Extra Charges Outstanding Percentage Ratio, and Available Working Funds are reported on a historical basis only.

### General Fund Asset Sustainability ratio

The General Fund Asset Sustainability ratio reveals whether projected capital renewal and replacement expenditure are able to be financed in the long-term financial plan. As per the Revised 2017/18 to 2026/27 Asset Management Strategy Version 2, per Scenario 1 of the Revised 2017/18 to 2026/27 LTFP Version 2, the General Fund Asset Sustainability ratio indicates Council will have 74% of the funds required for the optimal renewal and replacement of its assets, this is outside Council's target range of 90% to 110%. The ratio indicates assets are deteriorating at a greater rate than the budgeted capital expenditure on renewals and replacements. Per Scenario 2 of the Revised 2017/18 to 2026/27 LTFP Version 2 the General Fund Asset Sustainability ratio indicates Council will have 95% of the funds required for the optimal renewal and replacement of its assets, this is within Council's target range of 90% to 110%. The ratio indicates optimised budgeted capital expenditure assisting in minimising the life cycle costs of the assets.

### 3.4 Contribution plan costs above the cap

You should complete this section if the proposed special variation seeks funding for contributions plan costs above the development contributions cap. Otherwise, leave this section blank.

Please explain how the council has established the need for a special variation to meet the shortfall in development contributions.

For costs above the cap in contributions plans, a council must provide:<sup>1</sup>

- ▼ a copy of the council's section 94 contributions plan

<sup>1</sup> See Planning Circular 10-025 dated 24 November 2010 at [www.planning.nsw.gov.au](http://www.planning.nsw.gov.au) and for the most recent Direction issued under section 94E of the *Environmental Planning and Assessment Act 1979*. See also Planning Circular PS 10-022 dated 16 September 2010.

- 
- ▼ a copy of the Minister for Planning’s response to IPART’s review and details of how the council has subsequently amended the contributions plan
  - ▼ details of any other funding sources that the council is proposing to use, and
  - ▼ any reference to the proposed contributions (which were previously to be funded by developers) in the council’s planning documents (eg, Long Term Financial Plan and Asset Management Plan AMP).

## 4 Assessment criterion 2: Community awareness and engagement

Criterion 2 in the Guidelines is:

*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. The IPART fact sheet includes guidance to councils on the community awareness and engagement criterion for special variations. In particular, councils need to communicate the full cumulative increase of the proposed SV in percentage terms, and the total increase in dollar terms for the average ratepayer, by rating category*

Our fact sheet on the requirements for community awareness and engagement is available on the IPART website.<sup>2</sup>

In responding to this criterion, the council must provide evidence that:

- ▼ it has consulted and engaged the community about the proposed special variation using a variety of engagement methods and that the community is aware of the need for, and extent of, the requested rate increases
- ▼ it provided opportunities for input and gathered input/feedback from the community about the proposal, and
- ▼ the IP&R documents clearly set out the extent of the requested rate increases.

In assessing the evidence, we will consider how transparent the engagement with the community has been, especially in relation to explaining:

- ▼ the proposed cumulative special variation rate increases including the rate peg for each major rating category (in both percentage and dollar terms)
- ▼ the annual increase in rates that will result if the proposed special variation is approved in full (and not just the increase in daily or weekly terms)
- ▼ the size and impact of any expiring special variation (see Box 4.1 below for further detail), and
- ▼ the rate levels that would apply without the proposed special variation.

More information about how the council may engage the community is to be found in the Guidelines, the IP&R manual and our fact sheet.

---

<sup>2</sup> <https://www.ipart.nsw.gov.au/Home/Industries/Local-Government/For-Councils/Apply-for-a-special-variation-or-minimum-rate-increase>

#### **Box 4.1 Where a council is renewing or replacing an expiring special variation**

The council's application should show how you have explained to its community:

- ▼ There is a special variation due to expire at the end of the current financial year or during the period covered by the proposed special variation. This needs to include when the expiring special variation was originally approved, for what purpose and the percentage of (General Fund) general income originally approved.
- ▼ The corresponding percentage of general income that the expiring special variation represents for the relevant year.
- ▼ Whether the temporary expiring special variation is being replaced with another temporary or a permanent increase to the rate base.
- ▼ The percentage value of any additional variation amount, above the rate peg, for which the council is applying through a special variation.
- ▼ If the proposed special variation was not approved (ie, only the rate peg applies), the year-on-year change in rates would be lower, or that rates may fall.

The council also must attach, to its application to IPART, a copy of the Instrument of Approval that has been signed by the Minister or IPART Chairman.

#### **4.1 The consultation strategy**

The council is required to provide details of the consultation strategy undertaken, including the range of methods used to inform and engage with the community about the proposed special variation and to obtain community input and feedback. The engagement activities could include media releases, mail outs, focus groups, statistically valid random or opt-in surveys, online discussions, public meetings, newspaper advertisements and public exhibition of documents.

The council is to provide relevant extracts of the IP&R documents that explain the rate rises under the proposed special variation and attach relevant samples of the council's consultation material.

##### **Council's Response:**

As part of measures to meet the NSW Government's Fit for the Future Reassessment Financial Criteria Round 2 benchmarks, Councillors and senior staff met officers from the OLG for a full-day workshop in Grafton on 4 April 2017. These discussions centred on measures required to contain costs or increase revenues in order to deliver the primary OLG Fit For the Future Reassessment Round 2 benchmark of an Operating Performance Ratio greater than or equal to breakeven by 2020/21 (achieved through a balanced General Fund net operating result before grants and contributions for capital purposes by 2020/21). Councillors were presented with a variety of scenarios in order to reach the benchmark ranging from cutting programs/services, reviewing the potential to reduce the reliance on rates through increased revenues from other sources (e.g. fees and charges), implementing an SRV, or a combination of these scenarios.

Several workshops were undertaken with Councillors and the Executive Team to discuss a range of options to reduce the General Fund 2017/18 budget deficit of some \$15.343 million (inclusive of depreciation) over four years i.e. from 2017/18 to 2020/21. At the 18 April 2017



Ordinary Council meeting a report '2017/18 to 2020/21 Efficiency Savings and Improvement Opportunities' (Item 13.016/17) was presented to Council. This report presented a range of efficiency savings and improvement opportunities and proposed a SRV. Council resolved firstly that the range of efficiency savings and improvement opportunities identified in the report be incorporated into Council's Draft 2017/18 Budget and Draft 2017/18 to 2026/27 Long Term Financial Plan. Secondly, it was resolved that Council incorporate the proposal for an SRV of 8% per year for three years (including the assumed rate peg 2%) commencing 2018/19 (with the cumulative increase of 25.97% by 2020/21 to be retained permanently in Council's rate base) in Council's 2017/18 Integrated Planning and Reporting documents (see Attachment 10a 'Media Release - Making the Clarence Valley Council financially sustainable').

On 21 April 2017, Councillors started informal consultations (see Attachment 10b 'Media Releases - Councillors announce listening session locations, dates') about a possible SRV application when they manned a pop-up information stand at Grafton Shoppingworld. Similar pop-up stands were held in the main street of Yamba, South Grafton CBD, Iluka CBD, Maclean CBD, Grafton Shoppingworld (again) and Yamba Shopping Fair between 28 April 2017 and 2 June 2017.

The Draft 2017/18 Integrated Planning and Reporting documents including the proposed SRV were adopted for community consultation at the 16 May 2017 Ordinary Council meeting per Item 13.026/17 (see Attachment 10c 'Media Release - Tough decisions to be Fit for the Future'). As a result further face-to-face consultations involving Councillors and senior staff were held at drop-in centres as per the table below.

#### Drop-in centres

Location	Date	Time
Maclean (Council Chambers) and Iluka Library	Wednesday, 31 May	10am-2pm
Grafton (Community & Function Centre), South Grafton (New School of Arts)	Thursday, 1 June	10am-2pm
Yamba (Yamba Shopping Fair)	Friday, 2 June	10am-2pm

The dates and venues these discussions were made available on Councils website from 19 May 2017 and were announced through a media release (see Attachment 10d 'Media Release - Consultation dates for council's financial and planning documents announced'). All the documents that were part the draft 2017/18 IP&R suite were made available both on Council's website and available for viewing in hard copy at the Grafton and Maclean Council offices. The draft IP&R documents were publicly exhibited from Friday 16 May to Friday 19 June 2017.

The consultation on the draft IP&R documents included four public meetings (Roundtables) held, with in excess of 75 attendees (including councillors and staff) in total, being:

- Iluka Library - Thursday 1 June 2017
- Maclean Council meeting room - Friday 2 June 2017
- South Grafton New School of Arts - Saturday 3 June 2017

- Yamba Treelands Drive Community Centre – Sunday 4 June 2017

Council promoted public awareness of the exhibition process and the Roundtables through media advertising, including social media, email to subscribers, public ‘pop-ups’ and networking (see **Attachment 10e ‘Media Release - Rates roundtables kick off on Thursday’** and **Attachment 10f ‘Media Release - Still time to have your say on council plans’**). A report on the consultation process was provided as Attachment G to Item 13.035/17 (see **Attachment 8 ‘IPR Documents Exhibition Report’**).

During the public exhibition period Council received some 296 submissions. Attachment A to Item 13.035/17 summarised these submissions by themes and included comments by staff on each item raised. Attachment B to Item 13.035/17 collated all actual submissions in their full and original form. Submissions were categorised into four categories for readability and consistency of council responses:

1. Iluka Library
2. The Grafton Regional Gallery
3. Special Rate Variation (SRV) (see **Attachment 9 ‘2017-18 IPR SRV May to June submissions’**)
4. Other

Face-to-face consultations were also held as round table discussions at Iluka on 1 June 2017, Maclean 2 June 2017, South Grafton 3 June 2017, and Yamba 4 June 2017.

The drop-in centre and round table discussion sessions were promoted through media releases, promotions on Council’s Facebook page and in paid advertising in local newspapers. This community engagement was undertaken on an assumed rate peg limit of 2% per annum.

At the 27 June 2017 Ordinary Council meeting the suite of IP&R documents for 2017/18 was adopted (Item 13.035/17). Several of these documents and the Council resolution referred to an assumed rate peg of 2% in the forward years. However, in subsequent discussions with IPART in July 2017 Council staff were advised that in order to satisfy the requirements for the 2018/19 SRV application, the assumed rate peg should be 2.5% from 2018/19 onwards. Documents that referenced the assumed 2% rate peg were revised to show an assumed rate peg of 2.5% and adopted for exhibition at the 15 August 2017 Ordinary Council meeting (Item 13.052/17). The revised Delivery Program 2017-2021 & 2017/18 Operational Plan, revised 2017/18 to 2026/27 Long Term Financial Plan, and revised 2017/18 to 2026/27 Asset Management Strategy were exhibited from 29 September 2017 to 3 November 2017.

Also at the 15 August 2017 Ordinary Council meeting a SRV community engagement plan (see **Attachment 2**) was adopted that set out the methods to be used to inform and engage the community about Council’s financial position, including the need to meet the OLG’s Fit for the Future Financial Criteria Reassessment Round 2 General Fund Operating Performance Ratio benchmark (i.e. a balanced General Fund net operating result before grants and contribution for capital purposes by 2020/21) and a proposal to apply for a SRV of 8% a year for three years from 2018/19 (a cumulative total 25.97% by 2020/21 permanently built into Council’s general rate base).

The following methods were used to inform and engage the community:

Deployed and promoted an online rates estimator so ratepayers could estimate what impact the proposed SRV might have on their property [http://www.clarence.nsw.gov.au/cp\\_themes/metro/rates-estimator.asp](http://www.clarence.nsw.gov.au/cp_themes/metro/rates-estimator.asp) (See Attachment 10g - 'Media Release - New tool to help people estimate impact of proposed rate rise').

Produced and distributed a survey (Attachment 11 'SRV Survey Form'), a pamphlet (Attachment 12 'SRV Pamphlet'), a letter from the General Manager and Mayor (Attachment 13 'GM & Mayor Letter'), and reply paid envelope through an Australia Post premium unaddressed material service to the Clarence Valley community. Copies were also provided via a link on Council's website and in hard copy at Council's offices and libraries.

Utilised local newspapers through mediareleases (see Attachment 10h 'Media Release - Ratepayers asked to respond to survey on sustainability' and Attachment 10i 'Media Release - Time running out for special rates variation submissions') and paid advertising in the Clarence Valley Independent (see Attachment 14 'Rate Rise Ad Community Informations Sessions October 2017') and block advertisements in the Daily Examiner and Coastal Views (see Attachment 15 'Block Ads - 29-30.9.17, 6-7.10.17, and 20-21.10.17').

Radio advertising for the community information meetings on local radio stations FM104.7 and 2GF between 6am and 12 pm 3 times each day between 19 October 2017 and 23 October 2017 for 30 seconds each time (see Attachment 16 'Radio Script'), and talkback with the General Manager on local radio station FM103.1 on 4 July 2017 and 18 July 2017.

Council's Facebook page used to inform residents of community information meetings (see Attachment 17 'Facebook Post 24-10-17').

Key messages and frequently asked questions (FAQs) provided via a link on council's website. These were available in hard copy on request. <https://www.clarence.nsw.gov.au/page.asp?p=DOC-MVX-43-37-08> and [https://www.clarence.nsw.gov.au/cp\\_themes/metro/page.asp?p=DOC-XZQ-37-22-83](https://www.clarence.nsw.gov.au/cp_themes/metro/page.asp?p=DOC-XZQ-37-22-83)

Dedicated web page utilising EngagementHQ (Bang the Table) providing background material, a downloadable version of the pamphlet, survey, FAQs and link to the rates estimator (<http://www.clarenceconversations.com.au/financingourfuture>)

Four (4) community information meetings were conducted (see Attachment 18 'Community Information Meetings Presentation').

On 28 November 2017 IPART announced the 2018/19 Rate Peg for NSW Local Councils which is 2.3%. At the 12 December 2017 Council meeting (Item 15.241/17) the Revised 2017/18 IP&R documents were updated for the IPART 2018/19 announced rate peg of 2.3% and were placed on public exhibition from 15 December 2017 to 25 January 2018 which was advertised through block ads placed in the Coastal Views newspaper on Friday 15 December 2017 and Daily Examiner newspaper on Saturday 16 December 2017 (see Attachment 28 - Block Ads December 15-16 2017), and on the dedicated 'On Exhibition' webpage on the Clarence Valley Council's website. The updated documents continued to recommend to achieve General Fund financial sustainability and General Fund asset sustainability Council applying for a Section 508A SRV of 8% p.a. (inclusive of 2.3% 2018/19 rate peg and assumed 2.5% p.a. rate peg for 2019/20 and 2020/21) each year for three years

(from 2018/19 to 2020/21). The difference between the General Rate Income generated above rate peg of \$10.122M over the three years from 2018/19 to 2020/21 from the 21 November 2017 Revised 2017/18 IP&R documents (assumed 2.5% rate peg for 2018/19) and General Rate Income generated above rate peg of \$10.298M over the three years from 2018/19 to 2020/21 from the Revised 2017/18 IP&R Version 2 documents (updated for the 2018/19 actual rate peg of 2.3%) of \$0.176m to be allocated to Road Pavements and Surfacing capital expenditure. Council's Rates Estimator Page was also updated to reflect the IPART 2018/19 announced rate peg of 2.3%.

**Relevant extracts of the IP&R documents that explain the rate rises under the proposed special variation:**

***Revised Delivery Program 2017/18-2020/21 & Operational Plan 2017/18 Version 2:***

Pages 1 to 4:

On 23 November 2017 the Office of Local Government (OLG) sent a letter advising Council that the Minister for Local Government, the Hon Gabrielle Upton MP, has agreed to invite Council to nominate for reassessment of its financial sustainability, and attached to that letter were the OLG Financial Criteria Reassessment Round 3 Guidelines. In that letter the OLG asked Council to review its Fit for the Future Improvement Plan submitted to the OLG on 30 June 2017 in line with the Financial Criteria Reassessment Round 3 Guidelines. The OLG in its Financial Criteria Reassessment Round 3 Guidelines has advised that councils in Round 3 should extend Improvement Action Plans to 2021/22. This means that the achievement of a General Fund Operating Performance Ratio of greater than or equal to breakeven has now been extended from 2020/21 to 2021/22. At an Extraordinary Meeting on 7 December 2017 Council resolved that I advise the OLG that Council wishes to review and update its Fit for the Future Improvement Plan (as submitted to the OLG June 2017) so that the Plan reflects the updated Fit for the Future Financial Criteria Reassessment Round 3 Guidelines. By accepting this offer from the OLG it is not my intention to change Council's focus on meeting the General Fund Operating Performance Ratio result of greater than or equal to breakeven (i.e. have a balanced operating result) by 2020/21, and therefore we must live within our means.

REVISED 2017/18-2020/21 DELIVERY PROGRAM AND 2017/18 OPERATIONAL PLAN VERSION 2

Page 1 of 123 

To get there, Council will introduce a range of measures that include applying for a Special Rate Variation (SRV) of 8% each year for three years (from 2018/19 to 2020/21), including the 2018/19 rate peg of 2.3% and estimated rate pegged limit of 2.5% for 2019/20 and 2020/21. The cumulative impact would be a rise in the general rate of 25.97%, which would be retained permanently in Council's rate base, raising an additional \$10.3 million in rate income over the rate peg over the 3 years 2018/19 to 2020/21 to improve Council's financial and asset sustainability.

In the revised 2017/18 Integrated Planning & Reporting documents adopted in November 2017 we used a future rate peg estimate of 2.5% p.a. On 28 November 2017 the Independent Pricing and Regulatory Tribunal (IPART) announced a 2018/19 rate peg of 2.3%. Council has now updated our financial projections in the revised 2017/18 Integrated Planning & Reporting documents adopted by Council in November 2017 with the 2.3% 2018/19 rate peg.

Council will also implement a host of savings measures over four years which results in savings for the 2020/21 financial year of \$8.6 million. Those measures include reviewing some of the services we currently provide, moving to full cost recovery on others, consolidating our work sites and reducing staff numbers. These are not easy decisions but are essential for the long-term financial well being of the organisation and the services, facilities and infrastructure it provides for the community.

**Ashley Lindsay**  
General Manager  
Clarence Valley Council

## Application for a Special Rate Variation

In 2015 all councils in NSW were required to lodge a submission with IPART to determine whether or not they were 'Fit For The Future'. As with many other councils in NSW, Clarence Valley was assessed as 'not fit' due to not meeting all the financial criteria, particularly in relation to achieving a balanced General Fund net operating result before grants and contributions for capital purposes and our capacity to maintain and renew our infrastructure to an acceptable level.

To that end, in February 2016 Council lodged an application for a Section 508 (A) Special Rate Variation (SRV) with IPART. This involved applying for a special rate increase of 6.5% p.a. (including the rate peg limit) for 5 years commencing 1 July 2016, which is a cumulative increase in ordinary rates of 37% by year 5 (2020-21), with additional revenue specifically to be used to repair Council's roads and road-related infrastructure. This would have enabled us to bring our road network up to an acceptable condition, and provide on-going funding to keep it that way. It was estimated that as at 30 June 2015 Council had a road and road-related infrastructure (including bridges, culverts and drains) backlog of around \$50m and that the annual maintenance gap for these assets was \$4.3m. The Section 508 (A) SRV application was approved in part as a Section 508 (2) SRV, with a 6.5% increase (inclusive of rate peg) in general rates income approved for one year only, with the additional revenue generated due to cease on 30 June 2017. What this means is that Council's rate income for 2017/18 will be reduced by around \$1.3m.

With the election of the new Council in September 2016, it was agreed that an SRV was not the sole solution to the problem, but rather Council should undertake an extensive review of its operations with a view to reducing costs. In April 2017 a workshop was held with staff from the OLG at which it was clearly indicated that Council must implement strategies to contain costs or increase revenues in order to deliver a balanced General Fund net operating result before grants and contributions for capital purposes by 2020/21. Several workshops were undertaken with Councillors and the Executive Team to discuss a range of options to reduce the General Fund 2017/18 budget deficit of some \$15.3m (inclusive of depreciation) over four years i.e. from 2017/18 to 2020/21. At the 18 April 2017 Ordinary Council Meeting a report "2017/18 to 2020/21 Efficiency

REVISED 2017/18-2020/21 DELIVERY PROGRAM AND 2017/18 OPERATIONAL PLAN VERSION 2

Page 2 of 123



Savings and Improvement Opportunities" (Item 13.016/17) was presented to Council. This report presented a range of efficiency savings and proposed an SRV. Council resolved firstly that the range of efficiency savings and improvement opportunities identified in the report be incorporated into Council's Draft 2017-18 Budget and Long Term Financial Plan. Secondly, it was resolved that Council incorporate the proposal for an SRV of 8% per year for three years (including the assumed rate peg of 2%) commencing 2018/19 (with the cumulative increase of 25.97% to be retained permanently in Council's rate base) in Council's Integrated Planning & Reporting documents which were adopted for community consultation at the May 2017 Council meeting (Item 13.026/17).

At the June 2017 Council meeting (Part 3 Item 13.035/17) Council resolved:

*Apply to IPART for a Special Rate Variation (SRV) of 8% per year for three years (including an estimated rate peg of 2%) commencing 2018/19 to 2020/21, with the cumulative increase of 25.97% to be retained permanently in Council's rate base, and the General Manager ensure that the community is made aware of the need for and extent of the rate rise in accordance with IPART requirements.*

On 7 July 2017 in a teleconference with representatives from IPART regarding the 2018/19 SRV application process, Council was advised to incorporate an assumed 2.5% p.a. rate peg from 2018/19 onwards. Along those lines the Integrated Planning & Reporting documents of the 2017/18 to 2026/27 Long Term Financial Plan, Delivery Program 2017-2021 and 2017/18 Operational Plan (including Revenue Policy, Budget and Service Plans) and Asset Management Strategy 2017/18 to 2026/27 were revised for the

assumed 2.5% p.a. rate peg from 2018/19 onwards. At the 15 August 2017 Ordinary Council Meeting (part 2 of Item 13.052/17 'Special Rate Variation Consultation Plan and Amendments to Associated Integrated Planning and Reporting Documents') Council resolved to rescind part 3 of the Council Resolution to Item 13.035/17 of the 27 June 2017 Ordinary Council meeting as advised by IPART, as it states that Council will apply to IPART for an SRV in advance of full community consultation occurring. Council replaced part 3 of the Council Resolution to Item 13.035/17 with part 3 of the Council Resolution to Item 13.052/17 which stated that 'The General Manager ensures that the community is made aware of the need for and extent of the rate rise in accordance with IPART requirements and Council will consider the application to IPART for a Special Rate Variation (SRV) at a December 2017 Council meeting.' A plan to address IPART's requirement of full community consultation was included as Attachment G to Item 13.052/17. Also at the 15 August Ordinary Council meeting Council resolved to place the revised documents for the 2.5% assumed rate peg amendment on public exhibition for 28 days. The revised documents were placed on public exhibition from 29 September 2017 to 3 November 2017.

At the 21 November 2017 Ordinary Council Meeting the revised Delivery Program 2017-2021 and 2017/18 Operational Plan, revised 2017/18 to 2026/27 Long Term Financial Plan, and revised 2017/18 to 2026/27 Asset Management Strategy were adopted by Council (Item 13.070/17 'Revised 2017/18 Integrated Planning and Reporting Documents and Proposal for a Special Rate Variation') and Council also resolved to:

*Apply to Independent Pricing and Regulatory Tribunal (IPART) for a Special Rate Variation (SRV) of 8% (including the assumed rate peg of 2.5%) per year for three (3) years from 2018/19 to 2020/21 in accordance with Section 508(A) of the Local Government Act, which will remain permanently in Council's rate base, being a total cumulative increase of 25.97% (inclusive of the assumed rate peg) over the 3 year term. The increased general (ordinary) rate revenue above the rate peg amount for each year (\$10.122 million based on the assumed rate peg of 2.5% p.a. over the 3 years 2018/19 to 2020/21) to be specifically used to improve Council's General Fund financial sustainability and Council's General Fund asset sustainability (asset renewals only for 2018/19 to 2020/21 and asset renewals and asset maintenance from 2021/22).*

On 23 November 2017 Council sent to IPART a 'Notification of Council's intention to apply for a Special Variation commencing 2018/19 Financial Year'. In the notification the Special Variation is for 8% (including the assumed rate peg of 2.5%) per year for three (3) years from 2018/19 in accordance with Section 508A of the Local Government Act, which will remain permanently in Council's rate revenue base. On 28 November 2017 the Independent Pricing and Regulatory Tribunal (IPART) announced a 2018/19 rate peg of 2.3%.

REVISED 2017/18-2020/21 DELIVERY PROGRAM AND 2017/18 OPERATIONAL PLAN VERSION 2

Page 3 of 123



Council has now updated the revised Delivery Program 2017-2021 and 2017/18 Operational Plan, revised 2017/18 to 2026/27 Long Term Financial Plan, and revised 2017/18 to 2026/27 Asset Management Strategy for the IPART announced 2018/19 rate peg of 2.3%. These documents are now known as Revised Delivery Program 2017-2021 and 2017/18 Operational Plan Version 2, Revised 2017/18 to 2026/27 Long Term Financial Plan Version 2, and Revised 2017/18 to 2026/27 Asset Management Strategy Version 2.

This SRV would provide around an additional \$7.4m per Appendix C in 2020/21 (inclusive assumed 2.5% rate peg for 2020/21), with a further \$8.6m efficiency savings (see Attachment F 'Improvement Strategies 2017/18 to 2020/21' to the 27 June 2017 Council meeting report 'Delivery Program 2017-2021, 2017/18 Operational Plan (including Revenue Policy, Budget and Service Plans), and Long Term Financial Plan' – Item 13.035/17) delivering the \$15.3m required to "balance the books" (improve Council's General Fund financial sustainability) and improve Council's General Fund asset sustainability (asset renewals only for 2018/19 to 2020/21, and asset renewals and asset maintenance

from 2021/22).

This will provide Council with an additional \$14.488 million general rate income (\$2.290 million 2018/19, \$4.763 million 2019/20, and \$7.435 million 2020/21) inclusive of actual rate peg for 2018/19 of 2.3% and assumed rate peg of 2.5% p.a. for 2019/20 and 2020/21 over the three (3) years 2018/19 to 2020/21 or **\$10.298 million general rate income (\$1.632 million 2018/19, \$3.373 million 2019/20, and \$5.293 million 2020/21) above the 2.3% actual rate peg for 2018/19 and the assumed rate peg of 2.5% p.a. for 2019/20 and 2020/21 over the three (3) years 2018/19 to 2020/21**. The additional revenue of \$10.298 million general rate income above the assumed rate peg over the three (3) years 2018/19 to 2020/21 from the Section 508 (A) SRV under Scenario 2 of the Revised 2017/18 to 2026/27 Long Term Financial Plan Version 2 enables Council to meet the General Fund operating performance ratio by achieving a General Fund operating surplus before grants and contributions for capital purposes of \$183,217 in 2020/21, and this allows Council to bridge the General Fund asset renewal ratio gap and General Fund asset maintenance ratio gaps over the 10 year period of the Revised 2017/18 to 2026/27 Long Term Financial Plan Version 2.

Scenario 2 of the Revised 2017/18 to 2026/27 Long Term Financial Plan Version 2 being updated for a 2.3% IPART announced rate peg in 2018/19 has resulted in an additional \$0.176M general rate income above the rate peg for the years 2018/19 to 2020/21:

Long Term Financial Plan Version	General Rate Income Generated Above Rate Peg over the 3 years 2018/19 to 2020/21
Scenario 2 (SRV option) - Revised 2017/18 Long Term Financial Plan adopted 21.11.17 (assumed 2.5% 2018/19 rate peg)	\$10.122M
Scenario 2 (SRV option) - Revised 2017/18 Long Term Financial Plan Version 2 (updated for 2.3% IPART announced 2018/19 rate peg)	\$10.298M
<b>Additional General Rate Income Generated Above Rate Peg</b>	<b>\$0.176M</b>

The additional \$0.176m general rate income above the rate peg for the years 2018/19 to 2020/21, is to be spent on Road Pavements and Surfacing capital expenditure to address Council's General Fund Asset Renewal Gap.

## Pages 6 to 7:

To achieve a General Fund operating performance ratio equal to or greater than zero by 2020/21 and to bridge the General Fund Asset Renewal Gap, Council still requires the cumulative increase of 25.97% in general rates (inclusive of 2.3% actual rate peg for 2018/19 and 2.5% p.a. assumed rate peg for 2019/20 and 2020/21) from a Section 508(A) SRV commencing 2018/19 to 2020/21 to be retained permanently in Council's rate base.

The impact of the proposed Special Rate Variation on ratepayers is presented in Appendix B.

Should an SRV be approved, Council has taken into consideration what impact an SRV may have on the Clarence Valley Council community. Along those lines Council has a '[Rates Hardship Policy](#)' which is further explained at Section E9 of the Revised Delivery Program (2017/18 to 2020/21) and Operational Plan (2017/18) Version 2. This policy provides assistance for all ratepayers suffering from financial hardship, including writing off interest accrued on unpaid rates and legal costs. The potential beneficiaries of Council's Hardship Policy are any rateable people within the Clarence Valley Council Local Government Area that meets the criteria as stated in the policy.

Council's '[Rates Hardship Application Forms](#)' can be accessed via Council's website. For the 2016/17 year, which is the only financial year to which the previously approved Section 508(2) SRV applied, Council received no Rates Hardship Application Forms.

The impact on ratepayers of the proposed SRV will be substantial (a cumulative impact of 25.97% between 2018/19 and 2020/21 inclusive of an actual 2018/19 rate peg of 2.3% and an assumed 2.5% p.a. rate peg for 2019/20 and 2020/21), but reasonable given that the Council's 2015/16 average residential rates (\$878) were below the OLG Group 4 average (based on the [2015/16 Time Series data](#) from the OLG) of \$1,012 by 13.2%. The average business rates in the same period (\$2,310) were below the OLG Group 4 average (\$3,438) by 32.8%, and the average farmland rates in the same period (\$1,279) were below the OLG Group 4 average (\$2,100) by 39.1%.

Recent ABS census data also indicates an increased capacity to pay an SRV for Clarence Valley ratepayers with Clarence Valley Council Local Government Area Median Weekly Household Income increasing by 18.5% from [\\$768 in 2011](#) to [\\$910 in 2016](#).

Furthering the community's capacity to pay is the downward trend in Council's General Fund Rates and Annual Charges Outstanding Percentage between 2011/12 and 2016/17 (which at 6.74% in 2016/17 is below the OLG's 10% benchmark for Regional and Rural Councils).

In 2017/18 additional payment channels and debt management procedures will also be implemented which are expected to prevent any increase in the General Fund Rates and Annual Charges Outstanding Percentage from adopting the SRV.

The impact on ratepayers of Council adopting the proposed Section 508(A) SRV has also been minimised by the 24 November 2015 Extraordinary Council Meeting (Item 12.060/15) resolution to keep Water and Sewer Charges increases capped to a maximum of 1.5% p.a. for five years from 2016/17 to 2020/21. The rate structure for the 8% p.a. SRV (inclusive of actual rate peg of 2.3% for 2018/19 and assumed 2.5% p.a. rate peg for 2019/20 and 2020/21) as depicted in Appendix D and E is as follows:

- Yamba, Maclean and Townsend Residential Categories Base Amount increases from \$380 for 2017/18 to \$420 for 2018/19, \$450 2019/20 and \$480 for 2020/21.
- All Business Rating Categories (except Grafton and South Grafton) Base Amount increases from \$370 for 2017/18 to \$420 for 2018/19, \$450 for 2019/20 and \$480 for 2020/21.
- Residential "Outside Town Areas" and Residential A – "Coastal Villages" minimum increases in 2017/18 from \$514 to \$555 for 2018/19 which is 8% increase and then 8% increases for each year from 2019/20 through to 2020/21.
- For Grafton and South Grafton Residential and Businesses the Base Amount increases from \$390 in 2017/18 to \$420 in 2018/19, \$450 for 2019/20 and \$480 for 2020/21.
- There are no changes proposed for the Farmland Rate Category which has a Base Amount of \$330 for each year from 2017/18 to 2020/21.
- As Base Amounts from 2018/19 to 2020/21 are not increasing by the SRV percentage, individual properties within those rating sub categories with Base Amounts may have percentage increases in rates that differ to the 8% p.a. (inclusive of actual rate peg for 2018/19 of 2.3% and assumed 2.5% rate peg for 2019/20 and 2020/21) SRV.

## Page 21:

## SECTION C - OUR RESOURCING STRATEGY

### 1. Introduction

The Clarence 2027 provides a vehicle for expressing long-term community aspirations. However, these will not be achieved without sufficient resources – time, money, assets and people – to actually carry them out.

The Resourcing Strategy consists of three components:

1. Long Term Financial Planning
2. Workforce Management Planning
3. Asset Management Planning

The Resourcing Strategy is the point where Council assists the community by sorting out who is responsible for what, in terms of the issues identified in The Clarence 2027. Some issues will clearly be the responsibility of Council, some will be the responsibility of other levels of government and some will rely on input from community groups or individuals. The Resourcing Strategy focuses in detail on matters that are the responsibility of Council, and looks generally at matters that are the responsibility of others.

### 2. Long Term Financial Plan

Our Long Term Financial Plan is used to inform decision-making during the development of our Delivery Program. The Plan covers a ten year period and includes:

- Planning assumptions used to develop the Plan.
- Projected income and expenditure, balance sheet and cash flow documents.
- Sensitivity analysis (factors/assumptions most likely to affect the Plan).
- Financial modelling for different scenarios.
- Methods of monitoring financial performance.

The Base Case scenario (Scenario 1) included in the Plan makes no allowances for extraordinary rate rises above the actual rate peg of 2.3% for 2018/19 and the assumed rate pegging limit of 2.5% p.a. from 2019/20 onwards (i.e. a Special Rate Variation) in the 10 year period, and includes all Improvement Strategies.

Scenario 2 is Base Case PLUS a Section 508(A) Special Rate Variation of 8% each year for 3 years (including the actual rate peg of 2.3% for 2018/19 and the assumed rate pegging limit of 2.5% p.a. for 2019/20 and 2020/21) commencing 2018/19 to 2020/21. The cumulative SRV increase over the 3 years of 25.97% (inclusive of the actual rate peg of 2.3% for 2018/19 and the assumed rate pegging limit of 2.5% p.a. for 2019/20 and 2020/21) is to be retained permanently in Council's rate base. This option will provide Council with an additional \$10.298 million over the the actual rate peg of 2.3% for 2018/19 and the assumed rate pegging limit of 2.5% p.a. for 2019/20 and 2020/21, over the 3 years 2018/19 to 2020/21 to improve Council's General Fund financial sustainability and General Fund asset sustainability (renewals).

We will review our Ten Year Financial Plan annually as part of the development of our annual Operational Plan. The review will include:

- An assessment of the previous year's performance in terms of the accuracy of the projections made in the Plan.
- Were estimates accurate?
- Were the assumptions underpinning the estimates accurate?
- An explanation where major differences emerge between budget estimates and actual expenditure.

### 3. Workforce Management Strategy

The Workforce Management Strategy (WMS) addresses the size and shape of the workforce required to meet the Delivery Program objectives. The Workforce Management Strategy, adopted in June 2014, aligns with Council's current strategic direction and covers the period 2015-2018. The Strategy seeks to address major challenges faced by Council in its endeavours to remain responsive to its community and financially sustainable. The challenges identified include an ageing workforce, workplace health and safety, workforce diversity and training and development needs.

## 4.2 Asset Management Strategy

Each financial year Council develops a new Asset Management Strategy; this identifies assets critical to Council's operations as well as outlining the risk management strategies for those assets. It also includes specific actions required to improve our asset management capabilities, project resource requirements and time frames.

The Asset Management Strategy and Asset Management Plans have been developed in line with Council's revised 2017/18 to 2026/27 Long Term Financial Plan Version 2. Two Scenarios are outlined from the Revised 2017/18 to 2026/27 Long Term Financial Plan Version 2 and how they impact the revised Asset Management Strategy 2017-2027 Version 2 are as follows:

### Scenario 1 – Base Case, No SRV

This represents Council's base case position (rate peg only). The future sustainability of Council is dependent upon generating sufficient funds to meet the costs of maintaining and renewing assets to deliver services. The medium term projected expenditure for Scenario 1 is \$47.7m per the General Fund Asset Management Plans per year (average operations and maintenance expenditure plus projected renewals required over 10 years).

The medium term LTFP budgeted expenditure over the 10 year planning period is \$40.0m per year (average operations and maintenance plus capital renewal budgeted expenditure in the LTFP over 10 years).

The financing shortfall is \$7.8m per year, a medium term (10 year) financing indicator of 84%. This scenario is not financially sustainable in the long term. Infrastructure renewals are not performed when required under this scenario, generating a backlog of renewal works.



With the ageing infrastructure, asset conditions will deteriorate which significantly increases levels of risk and potential of failure. Levels of service will have to decrease to sustain available funding.

The Asset Sustainability Ratio indicates Council will have 74% of the funds required for the optimal renewal and replacement of its assets, this is outside Council's target Financial Planning Policy range of 90% to 110%. The ratio indicates assets are deteriorating at a greater rate than the budgeted capital expenditure on renewals and replacements.

**Scenario 2 – Base Case PLUS Section 508(A) SRV**

**8% p.a. (inclusive of the actual rate peg of 2.3% for 2018/19 and the assumed rate pegging limit of 2.5% p.a. for 2019/20 and 2020/21), which is a cumulative increase of 25.97% in general (ordinary) rates by 2020/21 (inclusive of the actual rate peg of 2.3% for 2018/19 and the assumed rate pegging limit of 2.5% p.a. for 2019/20 and 2020/21) to be retained permanently in Council's rate base.**

This represents Council's 'Achieve Financial Sustainability and Asset Sustainability' scenario. This option will provide Council from 2018/19 to 2020/21 with an additional \$10.298 million above the rate peg (actual rate peg of 2.3% for 2018/19 and an assumed rate peg of 2.5% p.a. for 2019/20 and 2020/21) in the general rate to be retained permanently in Council's rate base. These funds are to be used to improve Council's General Fund financial sustainability and General Fund asset sustainability (asset renewals only from 2018/19 to 2020/21, and asset renewals and asset maintenance from 2021/22 onwards). The medium term projected expenditure for Scenario 2 is \$47.7m per the General Fund Asset Management Plans per year (average operations and maintenance expenditure plus projected renewals required over 10 years).

The medium term LTFP budgeted expenditure over the 10 year planning period is \$44.7m per year (average operations and maintenance plus capital renewal budgeted expenditure in the LTFP over 10 years). The financing shortfall is \$3.0m per year, a medium term (10 year) financing indicator of 94%. This scenario is financially sustainable in the long term. Council will be able to maintain the condition of infrastructure assets in a sustainable fashion. Performing renewals as they are required will stop the deterioration and failure of assets reducing the levels of risk. Levels of service can be maintained at current levels.

Page 75:

**Proposed Key Assumptions for 2017/18 Budget and Revised 2017/18 to 2026/27 Long Term Financial Plan Version 2 Scenario 2 [BASE CASE PLUS Section 508(A) SRV of 8% each year for three (3) years (including an actual rate peg of 2.3% for 2018/19 and an estimated rate peg of 2.5% p.a. for 2019/20 and 2020/21)] commencing 2018/19 to 2020/21.**

1. General rate revenue for 2017/18 will be increased by the rate peg as advised by IPART in November 2016 of 1.5% with a Section 508(A) Special Rate Variation (SRV) for the purposes of General Fund financial sustainability and General Fund asset sustainability [8% each year for three (3) years (including an actual rate peg of 2.3% for 2018/19 and an assumed rate peg of 2.5% p.a. for 2019/20 to 2020/21)] commencing 2018/19 to 2020/21. The cumulative increase over the 3 years of 25.97% (inclusive of actual rate peg of 2.3% for 2018/19 and an assumed rate peg of 2.5% p.a. for 2019/20 and 2020/21) in the general rate to be retained permanently in Council's rate base. This option will provide Council from 2018/19 to 2020/21 with an additional \$10.298 million above the rate peg (actual rate peg of 2.3% for 2018/19 and assumed rate peg of 2.5% p.a. for 2019/20 and 2020/21). These funds are to be used to improve Council's General Fund financial sustainability and General Fund asset sustainability (additional income from 2018/19 to 2020/21 spent on General Fund asset renewals and from 2021/22 onwards General Fund asset renewals and General Fund asset maintenance).

Appendix B Pages 95:

APPENDIX B

Ratepayer Impact of Scenario 1 & Scenario 2 of the Revised LTFP Version 2

Ratepayer Impact of Scenario 1 (Base Case - No SRV, 2.3% actual rate peg for 2018/19 and assumed 2.5% p.a. rate peg for 2019/20 and 2020/21 only) and Scenario 2 (Achieve Financial Sustainability & Asset Sustainability - SRV Option 8% p.a. inclusive of 2.3% actual rate peg for 2018/19 and assumed 2.5% p.a. rate peg for 2019/20 and 2020/21) of the revised 2017/18 to 2026/27 Long Term Financial Plan (LTFP) Version 2.

Note that per the table below the cumulative impact for most rating sub categories for Average Ordinary (General) Rates under a Section 508 (A) SRV option (Scenario 2 of the revised LTFP Version 2) of 8% p.a. between 2018/19 and 2020/21 (inclusive of 2.3% actual rate peg for 2018/19 and assumed 2.5% p.a. rate peg for 2019/20 and 2020/21) is 25.97% by 2020/21 (year 3), which is retained permanently in Council's rate base.

The cumulative impact for most rating sub categories for Average Ordinary (General) Rates under a rate peg only option (Scenario 1 of the revised LTFP Version 2) of an 2.3% actual rate peg for 2018/19 and assumed 2.5% p.a. rate peg for 2019/20 and 2020/21 is 7.48% by 2020/21 (year 3).

*Revised 2017/18 to 2026/27 Long Term Financial Plan Version 2:*

Pages 1 to 2:

**SCENARIO 2 –ACHIEVE FINANCIAL SUSTAINABILITY & ASSET SUSTAINABILITY – BASE CASE PLUS Section 508(A) SRV** of 8% each year for three (3) years (including an actual rate peg of 2.3% for 2018/19 and an assumed rate peg of 2.5% p.a. for 2019/20 and 2020/21) commencing 2018/19 to 2020/21. The cumulative SRV increase over the 3 years of 25.97% in the general rate (inclusive of rate peg) is to be retained permanently in Council's rate base. This option will provide Council from 2018/19 to 2020/21 with an additional \$10.298 million above the rate peg. These funds are to be used to improve Council's General Fund financial sustainability and General Fund asset sustainability (General

Fund asset renewals from 2018/19 to 2020/21, General Fund asset renewals and General Fund asset maintenance from 2021/22 onwards).

Pages 17 to 18:

Scenario 2 (Base case PLUS SRV) of the Revised 2017/18 to 2026/27 LTFP Version 2 includes a Section 508 (A) SRV of 8% p.a. (including an actual rate peg of 2.3% for 2018/19 and an assumed rate peg of 2.5% p.a. for 2019 and 2020/21) from 2018/19 to 2020/21, which is a cumulative increase in the general rate over the 3 years of 25.97% (inclusive of rate peg) to be retained permanently in Council's rate base. Sewer Charges and Water Charges under Scenario 2 will be the same as they were in the 27 June 2017 adopted LTFP i.e. Scenario 1 and Scenario 2 will be indexed by 1.5% pa for 4 years from 2017/18 to 2020/21 and then by 2.5% p.a. from 2021/22 to 2026/27.

The proposed Section 508 (A) SRV of 8% per year (including a rate peg of 2.3% for 2018/19 and an assumed rate peg of 2.5% p.a. for 2019/20 and 2020/21) from 2018/19 to 2020/21 will provide Council with an additional \$14.488 million (\$2.290 million 2018/19, \$4.763 million 2019/20, and \$7.435 million 2020/21) including a rate peg of 2.3% for 2018/19 and an assumed rate peg of 2.5% p.a. for 2019 and 2020/21 OR \$10.298 million (\$1.632 million 2018/19, \$3.373 million 2019/20, and \$5.293 million 2020/21) above the rate peg over the three (3) years 2018/19 to 2020/21 to improve Council's General Fund financial sustainability and General Fund asset sustainability (General Fund asset renewals from 2018/19 to 2020/21, General Fund asset renewals and General Fund asset maintenance from 2021/22 onwards).

The additional revenue of \$10.298 million above the actual rate peg of 2.3% for 2018/19 and an assumed rate peg of 2.5% p.a. for 2019/20 and 2020/21 from the Section 508 (A) SRV under Scenario 2 of the Revised 2017/18 to 2026/27 LTFP Version 2 enables Council to achieve the Operating Performance ratio benchmark in 2020/21 by achieving a General Fund operating surplus before grants and contributions for capital purposes of \$183,217 in 2020/21. The additional income from the SRV above the actual rate peg of 2.3% for 2018/19 and an assumed rate peg of 2.5% p.a. from 2019/20 onwards in the Revised 2017/18 to 2026/27 LTFP Scenario 2 Version 2 is to be spent in the General Fund per the table below:

Page 34:

## Scenario 2 Assumptions

1. General rate revenue for 2017/18 will be increased by the rate peg as advised by IPART in November 2016 of 1.5% with a Section 508(A) Special Rate Variation (SRV) for the purposes of General Fund Financial Sustainability & General Fund Asset Sustainability (8% each year for three (3) years (including an actual rate peg of 2.3% for 2018/19 and an assumed rate peg of 2.5% p.a. for 2019/20 and 2020/21)) commencing 2018/19 to 2020/21. The cumulative increase over the 3 years of 25.97% (inclusive of actual rate peg of 2.3% for 2018/19 and an assumed rate peg of 2.5% p.a. for 2019/20 and 2020/21) in the general rate to be retained permanently in Council's rate base. This option will provide Council from 2018/19 to 2020/21 with an additional \$10.298 million above the rate peg (actual rate peg of 2.3% for 2018/19 and assumed rate peg of 2.5% p.a. for 2019/20 and 2020/21). These funds are to be used to improve Council's General Fund financial sustainability and General Fund asset sustainability (additional income from 2018/19 to 2020/21 spent on General Fund asset renewals and from 2021/22 onwards General Fund asset renewals and General Fund asset maintenance).

Page 36:

### OVERALL IMPACT ON RATEPAYERS IN TERMS OF AVERAGE ORDINARY (GENERAL) RATES

Scenario 1 Revised LTFP Version 2 average ordinary rate increases are based on an actual rate peg of 2.3% for 2018/19 and 2.5% p.a. assumed rate peg for 2019/20 and 2020/21.

Scenario 2 Revised LTFP Version 2 average ordinary rate increases are based on 8% p.a. Section 508 (A) SRV from 2018/19 to 2020/21 (including an actual rate peg of 2.3% for 2018/19 and an assumed rate peg of 2.5% p.a. for 2019/20 and 2020/21).

Note that per the table below the cumulative impact for most rating sub categories for Average Ordinary Rates under a Section 508 (A) SRV option (Scenario 2 of the Revised LTFP Version 2) of 8% p.a. between 2018/19 and 2020/21 including an actual rate peg of 2.3% for 2018/19 and an assumed rate peg of 2.5% p.a. for 2019/20 and 2020/21 is 25.97% by 2020/21 (Year 3) which is retained permanently in Council's rate base. The cumulative impact for most rating sub categories for Average Ordinary Rates under a rate peg only option (Scenario 1 of the Revised LTFP Version 2) of an actual rate peg of 2.3% for 2018/19 and an assumed rate peg of 2.5% p.a. for 2019/20 to 2020/21 is 7.48% by 2020/21 (Year 3).

Page 39:

Should an SRV be approved, Council has taken into consideration what impact an SRV may have on the Clarence Valley Council community. Along those lines Council has a 'Rates Hardship Policy' which is further explained at Section E9 of the Revised Delivery Program (2017/18 to 2020/21) and Operational Plan (2017/18) Version 2. This policy provides assistance for all ratepayers suffering from financial hardship, including writing off interest accrued on unpaid rates and legal costs. The potential beneficiaries of Council's Hardship Policy are any rateable people within the Clarence Valley Council Local Government Area that meets the criteria as stated in the policy.

Council's 'Rates Hardship Policy' can be accessed via Council's website under the following link:  
<http://www.clarence.nsw.gov.au/res.asp?id=6837>

Council's 'Rates Hardship Application Forms' can be accessed via Council's website under the following link:  
<https://www.clarence.nsw.gov.au/page.asp?f=RES-DNK-40-34-05>

For the 2016/17 year, which is the only financial year to which the previously approved Section 508(2) SRV applied, Council received no Rates Hardship Application Forms.

The impact on ratepayers of the proposed SRV will be substantial (a cumulative impact of 25.97% between 2018/19 and 2020/21 including an actual rate peg of 2.3% for 2018/19 and an assumed rate peg of 2.5% p.a. for 2019/20 and 2020/21), but reasonable given that the Council's 2015/16 average residential rates (\$878) were below the OLG Group 4 average (based on the 2015/16 Time Series data from the OLG located at:

[https://www.olg.nsw.gov.au/sites/default/files/OLG%20-%20TIME%20SERIES%20DATA%202015\\_16.xlsm](https://www.olg.nsw.gov.au/sites/default/files/OLG%20-%20TIME%20SERIES%20DATA%202015_16.xlsm) ), (\$1,012) by 13.2%, the average business rates in the same period (\$2,310) were below the OLG Group 4 average (\$3,438) by 32.8%, and the average farmland rates in the same period (\$1,279) were below the OLG Group 4 average (\$2,100) by 39.1%.

Recent ABS census data also indicates an increased capacity to pay an SRV for Clarence Valley Council ratepayers with Clarence Valley Council Local Government Area Median Weekly Household Income increasing by 18.5% from \$768 in 2011 (see [http://www.censusdata.abs.gov.au/census\\_services/getproduct/census/2011/quickstat/LGA11730?opendocument&navpos=220](http://www.censusdata.abs.gov.au/census_services/getproduct/census/2011/quickstat/LGA11730?opendocument&navpos=220) ) to \$910 in 2016 (see [http://www.censusdata.abs.gov.au/census\\_services/getproduct/census/2016/quickstat/LGA11730?opendocument](http://www.censusdata.abs.gov.au/census_services/getproduct/census/2016/quickstat/LGA11730?opendocument) ).

Furthering the community's capacity pay is the downward trend in Council's General Fund Rates and Annual Charges Outstanding Percentage between 2011/12 and 2016/17 (which at 6.74% in 2016/17 is below the OLG's 10% benchmark for Regional and Rural Council's). In 2017/18 additional payment channels and debt management procedures will also be implemented which are expected to prevent any increase in the General Fund Rates and Annual Charges Outstanding Percentage from adopting the SRV.

The impact on ratepayers of Council adopting the proposed Section 508(A) SRV has also been minimised by the 24 November 2015 Extraordinary Council meeting (Item 12.060/15) resolution to keep Water and Sewer Charges increases capped to a maximum of 1.5% p.a. for five years from 2016/17 to 2020/21.

*Revised 2017/18 to 2026/27 Asset Management Strategy Version 2:*

Page 14:

## Asset Management Plans and Strategy Methodology

The Asset Management Strategy and Asset Management Plans have been developed in line with Council's Revised 2017/18 to 2026/27 Long Term Financial Plan Version 2. Two Scenarios are outlined from the Revised 2017/18 to 2026/27 Long Term Financial Plan Version 2:

**Scenario 1** – This represents council's base case position (rate peg only). The future sustainability of council is dependent upon generating sufficient funds to meet the costs of maintaining and renewing assets to deliver services. Under Scenario 1, Council is not generating sufficient funds to continue providing current service levels or renew its assets when required for the General Fund.

**Scenario 2** – This represents Council's Achieve Financial Sustainability and Asset Sustainability scenario. This scenario is our Base case Scenario (Scenario 1) PLUS a Section 508(A) Special Rate Variation (SRV) of 8% each year for three (3) years (including an actual rate peg of 2.3% for 2018/19 and an assumed rate peg of 2.5% p.a. for 2019/20 and 2020/21) commencing 2018/19 to 2020/21. The cumulative SRV increase over the 3 years of 25.97% in the general rate (including an actual rate peg of 2.3% for 2018/19 and an assumed rate peg of 2.5% p.a. for 2019/20 and 2020/21) is to be retained permanently in Council's rate base. This option will provide Council over the 3 years from 2018/19 to 2020/21 with an additional \$10.298 million above the rate peg (actual rate peg of 2.3% for 2018/19 and an assumed rate peg of 2.5% p.a. for 2019/20 and 2020/21). These funds are to be used to improve Council's General Fund financial sustainability and asset sustainability (asset renewals only from 2018/19 to 2020/21, and asset renewals and asset maintenance from 2021/22 onwards) as per the table below:

Page 18:

**Scenario 2 – Base Case PLUS Section 508(A) SRV 8% p.a. (inclusive of an actual rate peg of 2.3% for 2018/19 and an assumed rate peg of 2.5% p.a. for 2019/20 and 2020/21), from 2018/19 to 2020/21, which is a cumulative increase of 25.97% inclusive of rate peg to be retained permanently in Council's rate base**

The medium term projected expenditure for Scenario 1 is \$47.7M per year per the General Fund Asset Management Plans (average operations and maintenance expenditure plus projected renewals required over 10 years).

The medium term LTFP budgeted expenditure over the 10 year planning period is \$44.7M per year (average operations and maintenance plus capital renewal budgeted expenditure in the LTFP over 10 years).

The financing shortfall is \$3.0M per year, a medium term (10 year) financing indicator of 94%. This scenario is financially sustainable in the long term. Council will be able to maintain the condition of infrastructure assets in a sustainable fashion. Performing renewals as they are required will stop the deterioration and failure of assets reducing the levels of risk. Levels of service can be maintained at current levels.

The Asset Sustainability Ratio indicates Council will have 95% of the funds required for the optimal renewal and replacement of its assets, this is within Council's target range of 90% to 110%. The ratio indicates optimised budgeted capital expenditure assisting in minimising the life cycle costs of the assets.

The following Asset Management Plan summaries have been prepared on Scenario 2 from the Revised 2017/18 to 2026/27 Long Term Financial Plan Version 2:

## 4.2 Feedback from the community consultations

Summarise the outcomes and feedback from the council's community engagement activities. Outcomes could include the number of attendees at events and participants in online forums, as well as evidence of media reports and other indicators of public awareness of the council's special variation intentions. Where applicable, provide evidence of responses to surveys, particularly the level of support for specific programs or projects, levels and types of services, investment in assets, as well as the options proposed for funding them by rate increases.

Where the council has received submissions from the community relevant to the proposed special variation, the application should set out the views expressed in those submissions. Please refer to Section 1.2 concerning how the council should handle confidential content in feedback received from the community. The council should also identify and document any action that it has taken, or will take, to address issues of common concern within the community.

### Council's Response:

The number of attendees at the round table discussions held during June 2017 for the Draft 2017/18 IP&R documents which included the proposed SRV were as follows:

#### Roundtables

Location	Date	Time	Attendees
Iluka (Library)	Thursday, 1 June	5.30-7.30pm	7 members of the public 5 Councillors 4 staff
Maclean (Council Chambers)	Friday, 2 June	5.30-7.30pm	9 members of the public 4 Councillors 5 staff
South Grafton (New School of Arts)	Saturday, 3 June	4.00-6.00pm	12 members of the public 4 Councillors 4 staff
Yamba	Sunday, 4 June	11.00am-1.00pm	15 members of the public 4 Councillors 2 staff

The number of attendees at the four community information meetings relating to the Revised Delivery Program 2017-2021 & 2017/18 Operational Plan, Revised 2017/18 to 2026/27 Long Term Financial Plan, and Revised 2017/18 to 2026/27 Asset Management Strategy which were on public exhibition from 29 September 2017 to 3 November 2017 were as per the below table:

Location	Date	Time	Attendees
Grafton Council Chambers	Monday, 23 October	5.30-7.30pm	20 members of the public 3 Councillors 6 staff
Maclean Council Chambers	Tuesday, 24 October	5.30-7.30pm	13 members of the public 2 Councillors 6 staff
Yamba (Treelands Drive Community Centre)	Wednesday, 25 October	5.30-7.30pm	20 members of the public 4 Councillors 5 staff
Iluka Library	Thursday, 26 October	5.30-7.30pm	18 members of the public 4 Councillors 4 staff

In response to the survey, Council received 3,305 completed printed survey forms and 22 completed electronic survey forms. All answers were tallied but not all questions were answered in every survey. Survey results are attached (see **Attachment 19 'Survey results' and Attachment 20 'Electronic survey results (via Clarence conversations)'**).

Question 1 of the survey asked 'Before receiving this information were you aware Council was considering applying for a Special Rates Variation?' - **72% of the printed survey form respondents answered yes to this question.** Question 2 of the survey asked 'How would you rate your level of understanding of Council's proposal for a Special Rates Variation?' - **36% of the printed survey form respondents answered high, 42% medium, 20% low and 2% provided no response to this question.** Question 3 of the survey asked 'How important is it for Council to be financially sustainable and viable?' - **35% of the printed survey form respondents answered very important, 52% important, 10% not important and 3% provided no response to this question.** Question 4 of the survey asked 'How satisfied are you with the quality of infrastructure, services and facilities provided by Council in the local area?' - 9% of the printed survey form respondents answered very satisfied, 43% satisfied, 45% not satisfied, and 3% provided no response to this question. Question 5 of the survey asked 'Do you support the Special Rates Variation as proposed?' - 15% of the printed survey form respondents answered yes, 84% no, and 1% provided no response to this question.

In relation to the above survey results Council understands that the community doesn't want rates to go up and that it has concerns about how the organisation is operated but Council needs to be responsible and future focussed and make tough decisions based on the evidence and financial figures. Council has taken many steps to address the community's concerns and these are outlined in this application and Council has also sought to mitigate some of the impacts through the rates hardship process.

Council also received 138 written submissions. A summary of those submissions is attached (see **Attachment 21 'SRV Submission Summary'**) and full submissions (see **Attachment 22 'Collated Submissions'**). Written submissions overwhelmingly opposed the proposed rate increases, but a few offered practical suggestions on how Council could reach the balanced General Fund operating performance ratio required to meet the Fit for the Future benchmark. A common response in formal submissions was from people who said they were pensioners saying that with other cost of living increases they would have difficulty meeting the payments. Thirty six submissions said simply "I do not support SRV" or similar wording. Many said financial issues were a result of incompetence, mismanagement or

overspending on projects and ratepayers “shouldn’t have to bail council out”. Others said Council should operate more like a business or there should be more use of contractors, particularly for seasonal jobs like lawn mowing. Some, notably those on pensions, suggested pensioner rebates should be increased to compensate for any increase in rates. Several said a number of Councillors were elected on no rate increase platforms and should stick with that.

Some survey respondents suggested Council should seek additional funding from the NSW Government, reduce staff wages, improve management, get areas of high property values to pay more while others believed the areas of high property values would be forced to pay substantially more than those areas with lower property values. Construction of the new works depot in South Grafton and McLachlan Park in Maclean were cited as areas where money was wasted.

In response to the abovementioned issues raised by the 138 written submissions:

\* The option of outsourcing of some components of Council functions have been incorporated into various strategies that comprise the Final Improvement Strategies adopted at the 27 June 2017 Ordinary Council Meeting (Refer Attachment F Item 13.035/17).

\* As part of the Final Improvement Strategies adopted at the 27 June 2017 Ordinary Council Meeting (Refer Attachment F Item 13.035/17) Council has resolved to reduce staff by 27.0 FTE’s (one executive, three managers and 23 other positions) which will result in a reduction in employee costs of \$2.2 million in 2017/18.

\* To address the issue of areas of high property values being forced to pay substantially more than those areas with lower property values with the proposed SRV, Council in rating sub categories with minimum rates has resolved to apply the SRV increase to those on minimum rates.

\* The construction of a new works depot in South Grafton (19 July 2016 Council meeting refer Item 16.017/16 - to be funded from Internal Financial Reserves, property sales, Water and Sewer Reserves) which when complete (estimated February 2018) will enable Council to consolidate its civil works operations in Grafton/South Grafton from five (5) depots into one (1) with estimated minimum annual ongoing savings of \$916,927 from 2020/21 onwards (Attachment F to Item 13.035/17).

\* The McLachlan Park project works were completed within scope and budget and according to the conditions stipulated by the grant funding body.

During the period of exhibition of the revised 2017/18 IP&R documents the number of total visits to the Rates Estimator Page was 1,270 of which 571 were Unique Page views i.e. the distinct number of IP addresses visiting a page (each customer is only counted once regardless of how many times they accessed the estimator).

During the period of exhibition for the 2017/18 Revised IP&R documents updated for the 2.3% 18/19 IPART announced rate peg (Revised 2017/18 – 2020/21 Delivery Program and 2017/18 Operational Plan Version 2, Revised 2017/18 to 2026/27 Long Term Financial Plan Version 2, and the Revised 2017/18 to 2026/27 Asset Management Strategy (AMS)), 11 submissions were received. Those submissions are attached in full (**see Attachment 23 ‘Combined Submissions to Revised 2017-18 IP&R Version 2 documents’**). The common theme of these submissions is that Council does not proceed with the proposed SRV. During



the period of exhibition of the Revised 2017/18 IP&R Version 2 documents the number of total visits to the Rates Estimator Page was 209 of which 122 were Unique Page views.

***Media Reports:***

**Clarence Community's Big Decision – Rates Hike or Service Cuts**

<http://www.nbnnews.com.au/2017/04/19/clarence-communitys-big-decision-rates-hike-or-service-cuts/>

**Plans for Rates Hike Hit a Snag with Business Chamber**

<http://www.nbnnews.com.au/2017/04/27/plans-for-rates-hike-hit-a-snag-with-business-chamber/>

**Chamber Rejects Council's SRV Proposal**

<http://www.dailyexaminer.com.au/news/chamber-rejects-councils-srv-proposal/3168272/>

**Councillors Struggle with SRV Reality**

<http://www.dailyexaminer.com.au/news/councillors-struggle-with-srv-reality/3168157/>

**Council Says Services Will Be Cut Without SRV**

<http://www.dailyexaminer.com.au/news/council-says-services-will-be-cut-without-srv/3171023/>

**DEX explains SRV**

<http://www.dailyexaminer.com.au/videos/dex-explains-srv/55682/>

**Explained SRV and how it will affect you.**

<http://www.dailyexaminer.com.au/news/explained-srv-and-how-it-will-affect-you/3275889/>

**SRV Last option before job and service cuts**

<http://www.dailyexaminer.com.au/news/srv-last-option-before-job-and-service-cuts/3272205/>

**Tourism spend not producing results**

<http://www.dailyexaminer.com.au/news/letter-tourism-spend-not-producing-results/3271518/>

**Council to apply for SRV**

<http://www.dailyexaminer.com.au/news/council-to-apply-for-srv/3271208/>

### **Council to consider SRV in face of strong opposition**

<http://www.dailyexaminer.com.au/news/council-to-consider-srv-in-face-of-strong-oppositi/3270521/>

### **6 news items coming up at Council**

<http://www.dailyexaminer.com.au/news/6-items-coming-up-at-council/3269892/>

### **Have your say on 8 % rate rise**

<http://www.dailyexaminer.com.au/news/have-say-on-8-percent-rate-rise/3229949/>

### **Council forced to raise rate peg**

<http://www.dailyexaminer.com.au/news/council-forced-to-raise-rate-peg/3214105/>

### **Last ditch no SRV plea**

<http://www.dailyexaminer.com.au/news/last-ditch-no-srv-plea/3194674/>

### **Last ditch effort made in Council meeting**

<http://www.dailyexaminer.com.au/news/last-ditch-effort-made-in-council-meeting/3194387/>

### **Rate variation decision made**

<http://www.dailyexaminer.com.au/news/rate-variation-decision-made/3194680/>

### **5 Things coming up at Council**

<http://www.dailyexaminer.com.au/news/5-things-coming-up-at-council/3193758/>

### **100s sign petition opposed to proposed rate hike**

<http://www.dailyexaminer.com.au/news/100s-sign-petition-opposed-to-proposed-rate-hike/3190652/>

### **Deadline closing for say on Council plans and rate**

<http://www.dailyexaminer.com.au/news/deadline-closing-for-say-on-council-plans-and-rate/3186297/>

### **Rates talks begin in Iluka**

<http://www.dailyexaminer.com.au/news/rates-talks-begin-in-iluka/3184320/>

### **Mayor speaks out on special rate variation**

<http://www.dailyexaminer.com.au/news/mayor-speaks-out-on-special-rate-variation/3171971/>

**Our Council rises to challenge in rates debate**

<http://www.dailyexaminer.com.au/news/our-say-council-rises-to-challenge-in-rates-debate/3171674/>

**SRV we had no other choice**

<http://www.dailyexaminer.com.au/news/srv-we-had-no-other-choice/3168406/>

**Councillors struggle with SRV reality**

<http://www.dailyexaminer.com.au/news/councillors-struggle-with-srv-reality/3168157/>

**Council says services will be cut without SRV**

<http://www.dailyexaminer.com.au/news/council-says-services-will-be-cut-without-srv/3171023/>

**Getting Council's General Fund right**

<http://www.dailyexaminer.com.au/news/letter-getting-councils-general-fund-right/3172057/>

## 5 Assessment criterion 3: Impact on ratepayers

Criterion 3 in the Guidelines is:

*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 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.*

The impact of the council's proposed special variation on ratepayers must be reasonable. To do this, we take into account current rate levels, the existing ratepayer base and the purpose of the proposed special variation. We also review how the council has assessed whether that the proposed rate rises are affordable having regard to the community's capacity and willingness to pay.

### 5.1 Impact on rates

Much of the quantitative information we need on the impact of the proposed special variation on rate levels will already be contained in Worksheet 5a and 5b of Part A of the application.

To assist us further, the application should set out the rating structure under the proposed special variation, and how this may differ from the current rating structure, or that which would apply if the special variation is not approved.

We recognise that a council may choose to apply an increase differentially among categories of ratepayers. If so, you should explain the rationale for applying the increase differentially among different categories and/or subcategories of ratepayers, and how this was communicated to the community. This will be relevant to our assessment of the reasonableness of the impact on ratepayers.

Councils should also indicate the impact of any other anticipated changes in the rating structure.

#### **Council's Response:**

Extensive community consultation on the impact of the SRV on Clarence Valley ratepayers has been undertaken and was the subject of a report to Council's 21 November 2017 meeting (Item 13.070/17).

Council has listened to the concerns raised by ratepayers from the community consultations regarding affordability and have thereby resolved to maintain increases for Water and Sewer Charges to a maximum of 1.5% per year for five years to 2020/21, to minimise the impact of the SRV on the Total Rate Bill.

The large reduction in the increases in Water and Sewer charges (in 2015-16 Sewer charges were increased by 8.9% and Water charges by 6.5%) is possible because all major capital works for the Water and Sewer Services have been finalised. A review of Council's 30-year financial modelling undertaken by consultants has been completed and confirms Council can maintain increases for Water and Sewer charges 1.5% per year for five (5) years to 2020/21.

### **Rating Structure**

Ordinary rates are applied to properties based on independent valuations supplied to the Council on all rateable properties within the LGA boundaries by the Valuer General. The valuations used in the 2017/18 rating period have a base date of 1 July 2016.

In 2017/18 Council adopted a general rate increase of the 1.5% rate peg. The total estimated income yield in 2017/18 from ordinary rates was \$28,625,402 as detailed in the following table:

Name of Category	Name of sub-category	Ad Valorem Rate (cents)	Base Amount \$	Minimum Amount \$	Notional General Income
Residential	Outside Town Areas	0.56624		514.00	\$6,270,528
Residential	A - Angourie, Brooms Head, Diggers Camp, Iluka, Sandon River, Minnie Water, Wooli, Wooleweyah	0.36879		514.00	\$2,125,894
Residential	B - Maclean, Townsend	0.46984	380.00		\$1,394,840
Residential	C - Yamba	0.34255	380.00		\$3,996,496
Residential	E - Grafton, Junction Hill	0.71706	390.00		\$8,114,386
Business	Outside Town Areas	0.58088	370.00		\$309,056
Business	Maclean & Townsend CBD	0.6542	370.00		\$196,287
Business	Maclean & Townsend Other	0.6542	370.00		\$143,062
Business	Iluka Industrial	0.55725	370.00		\$40,510
Business	Iluka Other Business	0.55725	370.00		\$97,232
Business	Yamba CBD	0.53848	370.00		\$313,784
Business	Yamba Other Business	0.53848	370.00		\$335,611
Business	Grafton & South Grafton CBD	1.7462	390.00		\$1,740,196
Business	Grafton & South Grafton Other Business	1.1989	390.00		\$626,148
Business	Jetties	0.55			\$1,327
Farmland	Farmland	0.25001	330.00		\$2,920,045
<b>TOTAL</b>					<b>\$28,625,402</b>

The revised 2017-21 Delivery Program Version 2 on page 7, discloses the rate structure used for the 8% p.a. SRV consultation as follows:

- Yamba, Maclean & Townsend Residential Categories Base Amount increases from \$380 for 2017/18 to \$420 for 2018/19, \$450 2019/20 and \$480 for 2020/21.

- All Business Rating Categories (except Grafton and South Grafton) Base Amount increases from \$370 for 2017/18 to \$420 for 2018/19, \$450 for 2019/20 and \$480 for 2020/21.

- Residential "Outside Town Areas" and Residential A - "Coastal Villages" minimum increases from \$514 to \$555 for 2018/19 which is 8% increase and then 8% increases for each year from 2019/20 through to 2020/21.

- For Grafton and South Grafton Residential and Businesses the Base Amount to be \$390 in 2017/18 to \$420 in 2018/19, \$450 for 2019/20 and \$480 for 2020/21.

- There are no changes proposed for the Farmland Rate Category which has a Base Amount of \$330 for each year from 2017/18 to 2020/21.

As base amounts from 2018/19 to 2020/21 are not increasing by the SRV percentage individual properties within those rating sub categories with base amounts may have percentage increases in rates that differ to the 8% p.a. (inclusive of actual rate peg for 2018/19 of 2.3% and assumed 2.5% rate peg for 2019/20 and 2020/21) SRV.

The rate structure for 2018/19 under the proposed 8% (inclusive of 2.3% rate peg) Section 508 (A) SRV is as follows:

Name of Category	Name of sub-category	Ad Valorem Rate	Base Amount \$	Minimum Amount \$	Notional General Income
Residential	Outside Town Areas	0.61156		555.00	\$6,772,168
Residential	A - Angourie, Brooms Head, Diggers Camp, Iluka, Sandon River, Minnie Water, Wooli, Wooleweyah	0.3983		555.00	\$2,295,964
Residential	B - Maclean, Townsend	0.49878	420.00		\$1,506,443
Residential	C - Yamba	0.36601	420.00		\$4,316,216
Residential	E - Grafton, Junction Hill	0.77572	420.00		\$8,763,616
Business	Outside Town Areas	0.6156	420.00		\$333,774
Business	Maclean & Townsend CBD	0.69862	420.00		\$211,879
Business	Maclean & Townsend Other	0.69862	420.00		\$154,616
Business	Iluka Industrial	0.59605	420.00		\$43,912
Business	Iluka Other Business	0.59605	420.00		\$104,850
Business	Yamba CBD	0.57613	420.00		\$338,040
Business	Yamba Other Business	0.57613	420.00		\$363,310
Business	Grafton & South Grafton CBD	1.8863	420.00		\$1,879,329
Business	Grafton & South Grafton Other Business	1.29566	420.00		\$676,242
Business	Jetties	0.59			\$1,423
Farmland	Farmland	0.27658	330.00		\$3,153,710
<b>TOTAL</b>					<b>\$30,915,493</b>

### What Is The Impact On Rates?

The impact on ratepayers of Scenario 1 (Base Case – No SRV i.e. Rate Peg Only) of the Revised 2017/18 to 2026/27 LTFP and the impact on ratepayers of Scenario 2 of the Revised 2017/18 to 2026/27 LTFP (SRV option) **based on assumed 2.5% p.a. rate peg from 2018/19 onwards** were contained in a pamphlet sent to the Clarence Valley community (See

**Attachment 12 - 'SRV Pamphlet'** on the Rates Estimator web page, on the Clarence Conversations website

<http://www.clarenceconversations.com.au/financingourfuture/faqs#25074> , in Appendix B to the Revised 2017/18-2020/21 Delivery Program and 2017/18 Operational Plan, and in the Revised 2017/18 to 2026/27 Long Term Financial Plan. In these documents the impact on the average rate per rating sub category was shown on an annual dollar increase, annual percentage increase, cumulative dollar increase and cumulative percentage increase. This information was updated for the 2018/19 announced rate peg of 2.3% and included in Appendix B of the Revised 2017/18-2020/21 Delivery Program and 2017/18 Operational Plan Version 2, in the Revised 2017/18 to 2026/27 Long Term Financial Plan Version 2, and updated on the Rates Estimator web page.

Ratepayers have also been able to determine the impacts of both scenarios on their rates (adjusted for the 2.3% announced 2018/19 rate peg) by visiting Council's rates estimator web page.

The tables below shows the impacts of the 2 scenarios on average rate per rating sub category on an annual dollar increase and a weekly dollar increase basis.



**With the proposed Special Rate Variation - Scenario 2 Revised LTFP Version 2**

	2018/19	2019/20	2020/21
Rate Increase	8%	8%	8%
<b>Average Farmland Rate</b>			
Annual Rate	\$ 1,442.69	\$ 1,558.11	\$ 1,682.74
Annual Increase	\$ 106.89	\$ 115.42	\$ 124.63
Weekly Increase	\$ 2.06	\$ 2.22	\$ 2.40
<b>Average Residential Rate - Outside Town Areas</b>			
Annual Rate	\$ 870.57	\$ 940.21	\$ 1,015.43
Annual Increase	\$ 64.49	\$ 69.64	\$ 75.22
Weekly Increase	\$ 1.24	\$ 1.34	\$ 1.45
<b>Average Residential Rate - A - Angourie, Brooms Head, Diggers Camp, Iluka, Sandon River, Minnie Water, Wooli, Wooleweyah</b>			
Annual Rate	\$ 1,025.44	\$ 1,107.51	\$ 1,196.08
Annual Increase	\$ 75.96	\$ 82.07	\$ 88.57
Weekly Increase	\$ 1.46	\$ 1.58	\$ 1.70
<b>Average Residential Rate - B - Maclean, Townsend</b>			
Annual Rate	\$ 973.15	\$ 1,051.01	\$ 1,135.08
Annual Increase	\$ 72.09	\$ 77.86	\$ 84.07
Weekly Increase	\$ 1.39	\$ 1.50	\$ 1.62
<b>Average Residential Rate - C - Yamba</b>			
Annual Rate	\$ 1,310.90	\$ 1,415.77	\$ 1,529.04
Annual Increase	\$ 97.10	\$ 104.87	\$ 113.27
Weekly Increase	\$ 1.87	\$ 2.02	\$ 2.18
<b>Average Residential Rate - E - Grafton, Junction Hill</b>			
Annual Rate	\$ 1,144.88	\$ 1,236.47	\$ 1,335.39
Annual Increase	\$ 84.82	\$ 91.59	\$ 98.92
Weekly Increase	\$ 1.63	\$ 1.76	\$ 1.90
<b>Average Business Rate - Outside Town Areas</b>			
Annual Rate	\$ 1,490.06	\$ 1,609.31	\$ 1,738.06
Annual Increase	\$ 110.35	\$ 119.25	\$ 128.75
Weekly Increase	\$ 2.12	\$ 2.29	\$ 2.48

**With the proposed Special Rate Variation - Scenario 2 Revised LTFP Version 2**

	2018/19	2019/20	2020/21
Rate Increase	8%	8%	8%
<b>Average Business Rate - Maclean &amp; Townsend CBD</b>			
Annual Rate	\$ 2,328.34	\$ 2,514.80	\$ 2,716.35
Annual Increase	\$ 171.34	\$ 186.46	\$ 201.55
Weekly Increase	\$ 3.30	\$ 3.59	\$ 3.88
<b>Average Business Rate - Maclean &amp; Townsend Other</b>			
Annual Rate	\$ 2,089.41	\$ 2,256.29	\$ 2,436.35
Annual Increase	\$ 156.15	\$ 166.88	\$ 180.06
Weekly Increase	\$ 3.00	\$ 3.21	\$ 3.46
<b>Average Business Rate - Iluka Industrial</b>			
Annual Rate	\$ 1,829.66	\$ 1,974.95	\$ 2,130.77
Annual Increase	\$ 141.76	\$ 145.29	\$ 155.82
Weekly Increase	\$ 2.73	\$ 2.79	\$ 3.00
<b>Average Business Rate - Iluka Other Business</b>			
Annual Rate	\$ 2,995.72	\$ 3,236.38	\$ 3,496.28
Annual Increase	\$ 217.67	\$ 240.66	\$ 259.90
Weekly Increase	\$ 4.19	\$ 4.63	\$ 5.00
<b>Average Business Rate - Yamba CBD</b>			
Annual Rate	\$ 3,521.25	\$ 3,804.52	\$ 4,111.41
Annual Increase	\$ 252.67	\$ 283.27	\$ 306.89
Weekly Increase	\$ 4.86	\$ 5.45	\$ 5.90
<b>Average Business Rate - Yamba Other Business</b>			
Annual Rate	\$ 2,070.85	\$ 2,235.67	\$ 2,413.06
Annual Increase	\$ 157.88	\$ 164.82	\$ 177.39
Weekly Increase	\$ 3.04	\$ 3.17	\$ 3.41
<b>Average Business Rate - Grafton &amp; South Grafton CBD</b>			
Annual Rate	\$ 4,988.79	\$ 5,388.14	\$ 5,819.26
Annual Increase	\$ 369.34	\$ 399.35	\$ 431.12
Weekly Increase	\$ 7.10	\$ 7.68	\$ 8.29
<b>Average Business Rate - Grafton &amp; South Grafton Other Business</b>			
Annual Rate	\$ 2,264.03	\$ 2,445.09	\$ 2,640.75
Annual Increase	\$ 167.71	\$ 181.06	\$ 195.66
Weekly Increase	\$ 3.23	\$ 3.48	\$ 3.76
<b>Average Business Rate - Jetties</b>			
Annual Rate	\$ 17.15	\$ 17.73	\$ 19.48
Annual Increase	\$ 0.97	\$ 0.58	\$ 1.75
Weekly Increase	\$ 0.02	\$ 0.01	\$ 0.03

### No Special Rate Variation - Rate Peg Only - Scenario 1 Revised LTFP Version 2

	2018/19	2019/20	2020/21
Rate Increase	2.30%	2.50%	2.50%
<b>Average Farmland Rate</b>			
Annual Rate	\$ 1,366.52	\$ 1,400.68	\$ 1,435.70
Annual Increase	\$ 30.73	\$ 34.16	\$ 35.02
Weekly Increase	\$ 0.59	\$ 0.66	\$ 0.67
<b>Average Residential Rate - Outside Town Areas</b>			
Annual Rate	\$ 824.62	\$ 845.24	\$ 866.37
Annual Increase	\$ 18.54	\$ 20.62	\$ 21.13
Weekly Increase	\$ 0.36	\$ 0.40	\$ 0.41
<b>Average Residential Rate - A - Angourie, Brooms Head, Diggers Camp, Iluka, Sandon River, Minnie Water, Wooli, Wooleweyah</b>			
Annual Rate	\$ 971.32	\$ 995.60	\$ 1,020.49
Annual Increase	\$ 21.84	\$ 24.28	\$ 24.89
Weekly Increase	\$ 0.42	\$ 0.47	\$ 0.48
<b>Average Residential Rate - B - Maclean, Townsend</b>			
Annual Rate	\$ 921.78	\$ 944.83	\$ 968.45
Annual Increase	\$ 20.72	\$ 23.05	\$ 23.62
Weekly Increase	\$ 0.40	\$ 0.44	\$ 0.45
<b>Average Residential Rate - C - Yamba</b>			
Annual Rate	\$ 1,241.71	\$ 1,272.76	\$ 1,304.58
Annual Increase	\$ 27.91	\$ 31.05	\$ 31.82
Weekly Increase	\$ 0.54	\$ 0.60	\$ 0.61
<b>Average Residential Rate - E - Grafton, Junction Hill</b>			
Annual Rate	\$ 1,084.45	\$ 1,111.56	\$ 1,139.35
Annual Increase	\$ 24.38	\$ 27.11	\$ 27.79
Weekly Increase	\$ 0.47	\$ 0.52	\$ 0.53
<b>Average Business Rate - Outside Town Areas</b>			
Annual Rate	\$ 1,411.45	\$ 1,446.73	\$ 1,482.90
Annual Increase	\$ 31.74	\$ 35.28	\$ 36.17
Weekly Increase	\$ 0.61	\$ 0.68	\$ 0.70
<b>Average Business Rate - Maclean &amp; Townsend CBD</b>			
Annual Rate	\$ 2,204.32	\$ 2,258.31	\$ 2,312.89
Annual Increase	\$ 47.32	\$ 53.99	\$ 54.58
Weekly Increase	\$ 0.91	\$ 1.04	\$ 1.05
<b>Average Business Rate - Maclean &amp; Townsend Other</b>			
Annual Rate	\$ 1,980.92	\$ 2,031.90	\$ 2,083.41
Annual Increase	\$ 47.66	\$ 50.98	\$ 51.51
Weekly Increase	\$ 0.92	\$ 0.98	\$ 0.99
<b>Average Business Rate - Iluka Industrial</b>			
Annual Rate	\$ 1,738.04	\$ 1,788.83	\$ 1,842.24
Annual Increase	\$ 50.14	\$ 50.79	\$ 53.41
Weekly Increase	\$ 0.96	\$ 0.98	\$ 1.03

**No Special Rate Variation - Rate Peg Only - Scenario 1 Revised LTFP Version 2**

	2018/19	2019/20	2020/21
Rate Increase	2.30%	2.50%	2.50%
<b>Average Business Rate - Iluka Other Business</b>			
Annual Rate	\$ 2,828.31	\$ 2,896.30	\$ 2,969.08
Annual Increase	\$ 50.26	\$ 67.99	\$ 72.78
Weekly Increase	\$ 0.97	\$ 1.31	\$ 1.40
<b>Average Business Rate - Yamba CBD</b>			
Annual Rate	\$ 3,326.82	\$ 3,402.04	\$ 3,478.28
Annual Increase	\$ 58.23	\$ 75.22	\$ 76.24
Weekly Increase	\$ 1.12	\$ 1.45	\$ 1.47
<b>Average Business Rate - Yamba Other Business</b>			
Annual Rate	\$ 1,967.35	\$ 2,021.42	\$ 2,076.03
Annual Increase	\$ 54.38	\$ 54.07	\$ 54.61
Weekly Increase	\$ 1.05	\$ 1.04	\$ 1.05
<b>Average Business Rate - Grafton &amp; South Grafton CBD</b>			
Annual Rate	\$ 4,725.71	\$ 4,843.85	\$ 4,964.95
Annual Increase	\$ 106.25	\$ 118.14	\$ 121.10
Weekly Increase	\$ 2.04	\$ 2.27	\$ 2.33
<b>Average Business Rate - Grafton &amp; South Grafton Other Business</b>			
Annual Rate	\$ 2,144.53	\$ 2,198.14	\$ 2,253.10
Annual Increase	\$ 48.21	\$ 53.61	\$ 54.96
Weekly Increase	\$ 0.93	\$ 1.03	\$ 1.06
<b>Average Business Rate - Jetties</b>			
Annual Rate	\$ 15.99	\$ 15.99	\$ 16.57
Annual Increase	-\$ 0.19	\$ -	\$ 0.58
Weekly Increase	-\$ 0.00	\$ -	\$ 0.01

**5.1.1 Minimum Rates**

The proposed special variation may affect ordinary rates, special rates and/or minimum rates.

As previously discussed, if the proposed special variation includes increasing minimum rates above the statutory limit, or is to apply a higher rate of increase to an existing minimum rate than to its other rates, it is not necessary for the council to also complete the separate Minimum Rates application form. However, this must be clearly identified and addressed in the special variation application.

Does the council have minimum Ordinary rates? Yes  No

If Yes, does the council propose to increase minimum Ordinary rates by:

The rate peg percentage

The special variation percentage

Another amount  Indicate this amount \_\_\_\_\_

What will minimum Ordinary rates be after the proposed increase?  
\$555 in 2018/19 finishing at \$647 in 2020/2021.

The council must explain how the proposed special variation will apply to the minimum rate of any ordinary and special rate, and any change to the proportion of ratepayers on the minimum rate for all relevant rating categories that will occur as a result.

You should also explain the types of ratepayers or properties currently paying minimum rates, and the rationale for the application of the special variation to minimum rate levels.

**Council Response:**

On page 7 of Council’s Revised 2017/18-2020/21 Delivery Program and 2017/18 Operational Plan Version 2, Council has advised the community that it will increase the rate for properties on the minimum rate by the 8% SRV, the purpose of which is to keep the current rate structure in place. Those minimums will increase from \$514 to \$555 for 2018-19 and applies to Residential “Outside Town Areas” and Residential A – “Coastal Villages”. Residential “Outside Town Areas” covers the area’s of Ashby, Chatsworth, Copmanhurst, Brushgrove, Gulmarrad, Harwood, Ilarwill, Lawrence, Palmers Island, Coutts Crossing, Woombah, Cowper, Glenreagh, Swan Creek, Tucabia, Ulmarra, plus rural residential areas. Residential A – “Coastal Villages” sub category covers the areas of Angourie, Brooms Head, Diggers Camp, Iluka, Sandon River, Minnie Water, Wooloweyah, and Wooli.

There is no impact on the number of ratepayers paying the minimum rate when the minimum rate is adjusted by the 8% SRV from \$514 to \$555 in 2018/19. In 2018/19 of the 7,779 properties within the Residential “Outside Town Areas” sub category 1,674 (21.5%) are paying the minimum rate under both the base case and proposed SRV options. Of the 2,239 properties within the Residential A – “Coastal Villages” sub category 314 (14%) are paying the minimum rate under both the base case and proposed SRV options.

To maintain consistency with the rating structure, taking into account the number of ratepayers on the minimum rate, Council will need to increase the minimum rate to the same extent of the SRV subject of this application. This is to ensure a contribution to the proposed rate increase from those ratepayers and to reduce otherwise the increase that would apply to ratepayers with land values greater then the land value that exceeds the minimum rate. If Council did not do this, the proposed increase would be skewed towards ratepayers with higher land values.

**5.2 Consideration of affordability and the community’s capacity and willingness to pay**

The council is required to provide evidence through its IP&R processes, and in its application, of how it assessed the community’s capacity and willingness to pay the proposed rate increases. This is to include an explanation of how the council established that the proposed rate rises are affordable for the community.

Evidence about capacity to pay could include a discussion of such indicators as SEIFA rankings, land values, average rates, disposable incomes, the outstanding rates ratio and rates as a proportion of household/business/farmland income and expenditure, and how these measures relate to those in comparable or neighbouring council areas.

As many of these measures are highly aggregated, it may also be useful to discuss other factors that could better explain the impact on ratepayers affected by the proposed rate increases, particularly if the impact varies across different categories of ratepayers.

We may also consider how the council's hardship policy (see Section 5.3 below) might reduce the impact on socio-economically disadvantaged ratepayers.

### **Council's Response:**

In summary, Council has used comparative data from other LGAs and, after assessment of this data and other comparative information, the following evidence suggests Clarence Valley Council's ratepayers have the capacity to pay the rate levels proposed by the SRV:

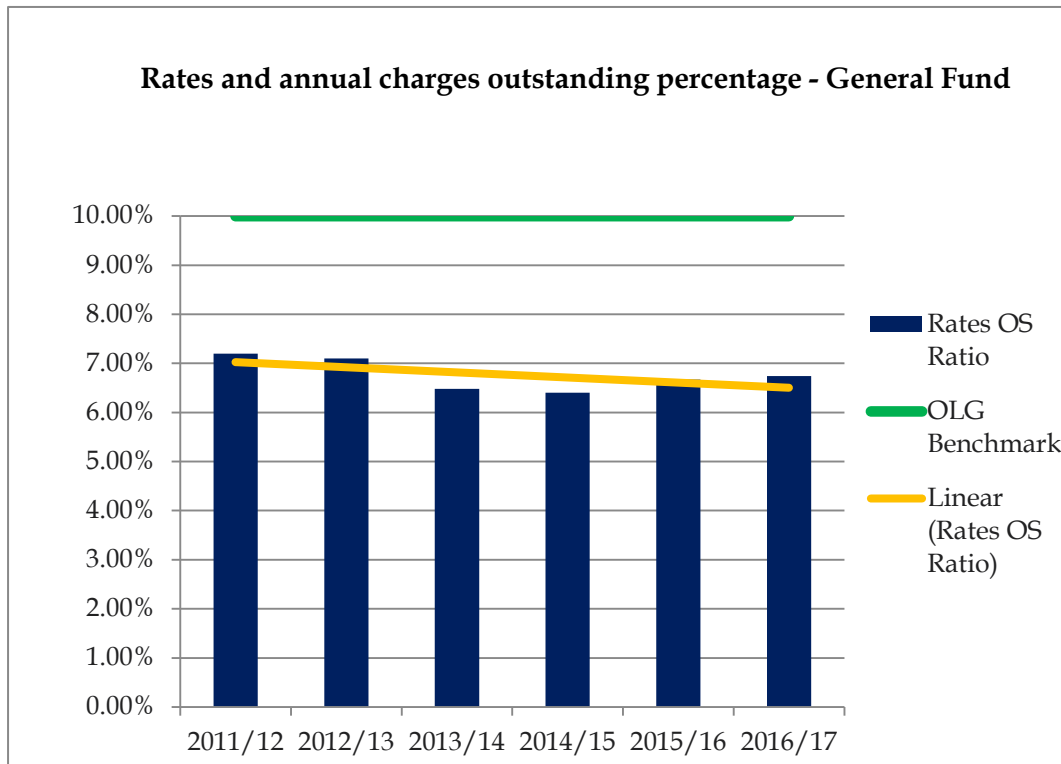
- Average rates comparison confirms Clarence Valley Council's residential average rates, farmland average rates, and business average rates are lower than the average of Group 4 Councils, as presented to the community on page 6 of the Revised Delivery Program 2017/18-2020/21 & Operational Plan 2017/18 Version 2 and page 39 of the Revised 2017/18 to 2026/27 Long Term Financial Plan Version 2:

'The impact on ratepayers of the proposed SRV will be substantial (a cumulative impact of 25.97% between 2018/19 and 2020/21 inclusive of an actual 2018/19 rate peg of 2.3% and an assumed 2.5% p.a. rate peg for 2019/20 and 2020/21), but reasonable given that the Council's 2015/16 average residential rates (\$878) were below the OLG Group 4 average (based on the 2015/16 Time Series data from the OLG) of \$1,012 by 13.2%. The average business rates in the same period (\$2,310) were below the OLG Group 4 average (\$3,438) by 32.8%, and the average farmland rates in the same period (\$1,279) were below the OLG Group 4 average (\$2,100) by 39.1%.'

- A comparison of 2017/18 average general (ordinary) rates across neighbouring councils as displayed in Appendix F to the Revised Delivery Program 2017/18-2020/21 & Operational Plan 2017/18 Version 2 demonstrates that Clarence Valley Council has the lowest Farmland Rate (36% below the neighbouring Council average of \$2,090), is close to the average residential rate for neighbouring Council's (2% above the average rate of \$954), and is slightly above the average business rate for neighbouring Council's (13% above the average rate of \$2,420).

	Population per 2016 ABS Census	Council Area km2	Average Residential Rate	Average Business Rate	Average Farmland Rate
Armidale Regional Council	29,449	8,621	\$1,052	\$4,093	\$3,243
Bellingen Shire Council	12,668	1,600	\$1,111	\$1,254	\$2,520
Clarence Valley Council	50,671	10,429	\$973	\$2,726	\$1,336
Coffs Harbour City Council	72,944	1,174	\$1,190	(non CBD) \$4,094	\$2,124
Glen Innes Severn Council	8,836	5,480	\$814	\$2,190	\$2,876
Kyogle Shire Council	8,940	3,584	\$968	\$1,209	\$1,627
Richmond Valley Council	22,807	3,047	\$924	\$2,632	\$1,480
Tenterfield Shire Council	4,066	7,322	\$602	\$1,164	\$1,513

- Council's outstanding rates and annual charges ratio displays shows a downward trend in Council's General Fund Rates and Annual Charges Outstanding Percentage between 2011/12 and 2016/17 (which at 6.74% in 2016/17 is below the OLG's 10% benchmark for Regional and Rural Council's):



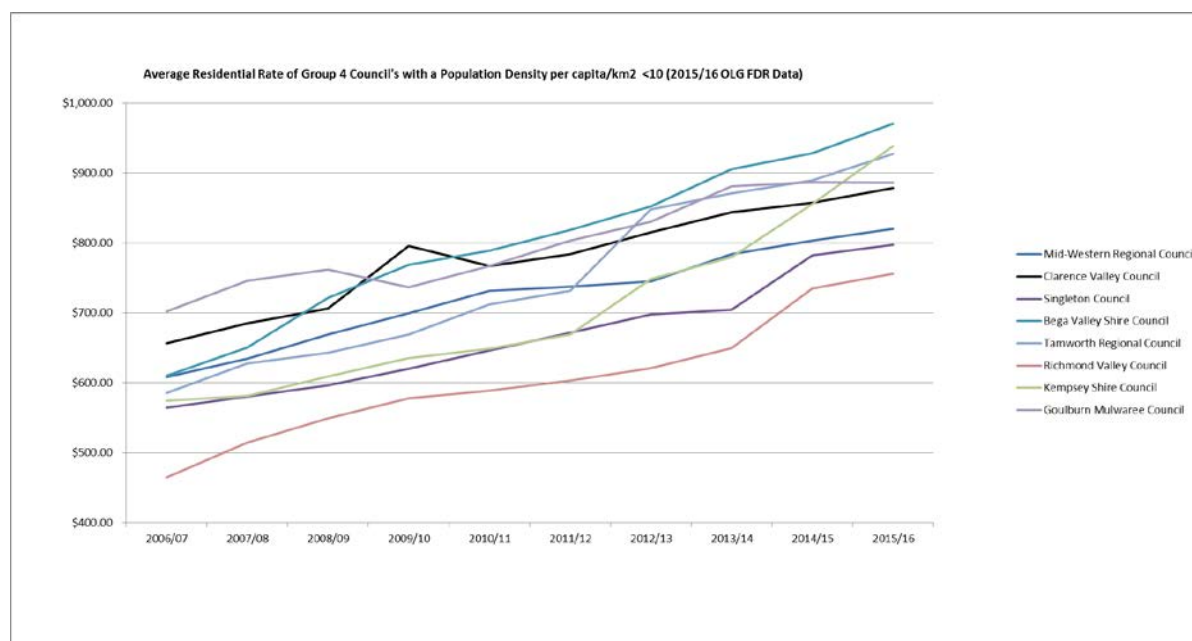
- Median weekly mortgage repayments for the rent for the Clarence Valley Council LGA (per ABS 2016 Census) are \$300 which is lower than NSW median (\$458) per [http://www.censusdata.abs.gov.au/census\\_services/getproduct/census/2016/quickstat/LGA11730?opendocument](http://www.censusdata.abs.gov.au/census_services/getproduct/census/2016/quickstat/LGA11730?opendocument) .

- The median weekly rent for the Clarence Valley Council LGA (per ABS 2016 Census) is \$255, which is lower than the NSW median (\$380) per [http://www.censusdata.abs.gov.au/census\\_services/getproduct/census/2016/quickstat/LGA11730?opendocument](http://www.censusdata.abs.gov.au/census_services/getproduct/census/2016/quickstat/LGA11730?opendocument)

### Average Rates - Residential

An average residential rates comparison with other similar councils (**Group 4 Council's with a Population Density per capita/km<sup>2</sup> of less than 10 (from 2015/16 OLG Financial Data Return (FDR) Data)**) has been considered in two ways. Firstly, Figure 5.2.1 compares the growth in the average residential rates since 2006-07. The graph illustrates that Clarence Valley Council's growth in its average rate to 2015-16 has been relatively low and is average in comparison to other Council's in the group.

**Figure 5.2.1:**



Secondly, in terms of the comparison of average residential rates for the 2015-16 year Clarence Valley Council is average in relation to comparable Group 4 Councils, see Table 5.2.1.

**Table 5.2.1:**

Group 4 Council with a Population Density per capita/km2 <10 (2015/16 OLG FDR Data)	2015/16 Average Residential Rates
Mid-Western Regional Council	\$ 820.10
<b>Clarence Valley Council</b>	<b>\$ 878.43</b>
Singleton Council	\$ 797.22
Bega Valley Shire Council	\$ 970.61
Tamworth Regional Council	\$ 927.39
Richmond Valley Council	\$ 755.97
Kempsey Shire Council	\$ 938.16
Goulburn Mulwaree Council	\$ 886.53
<b>Group Average</b>	<b>\$ 871.80</b>

**Average Rates – Business**

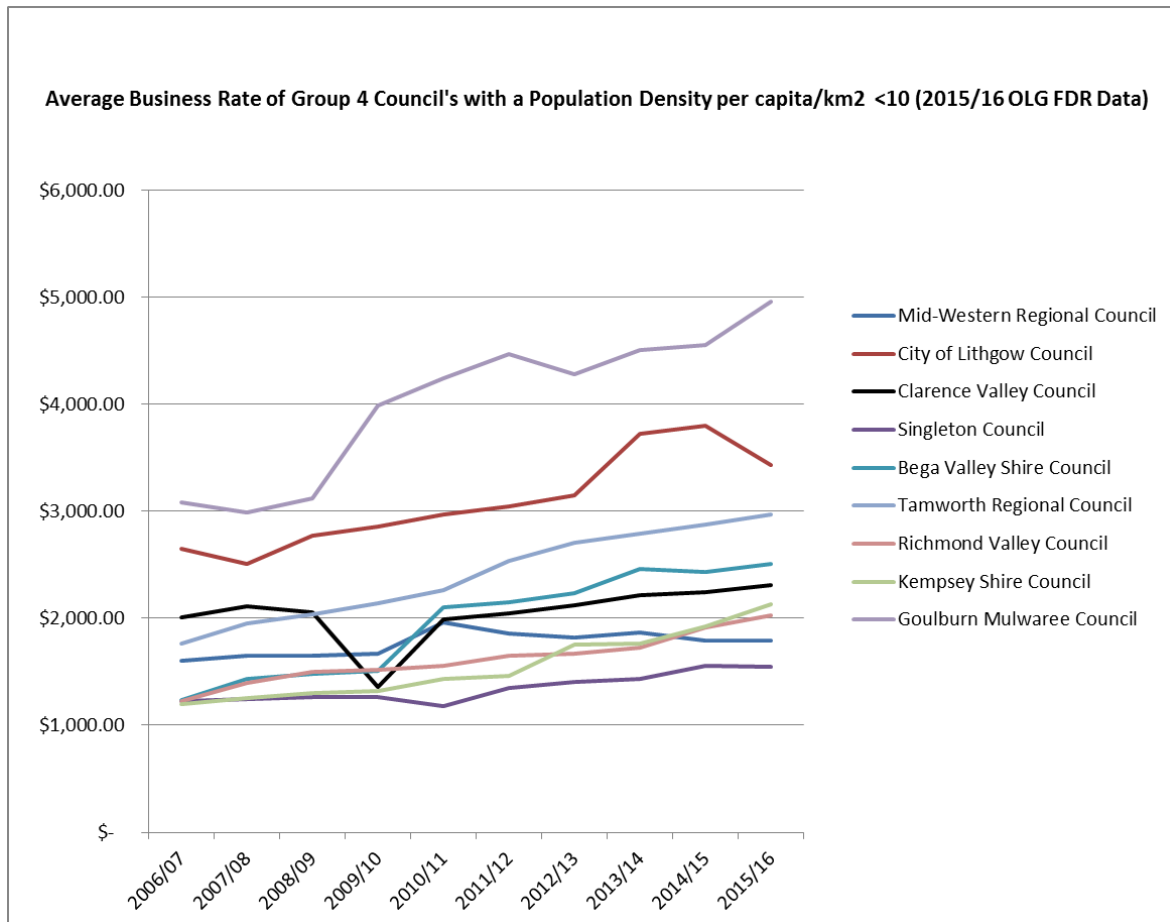
Clarence Valley’s Business sector contains approximately 3,854 businesses (as per the 2016 Business Register) operating within 1,477 rateable assessments. With 15.1% of employment in the Clarence Valley originating from the Health Care and Social Assistance sector (National Economics (NIEIR) - Modelled series 2015-16 (<http://economy.id.com.au/clarence-valley/employment-by-industry>)), which supplies essential services for the wellbeing of residents within the LGA covering a 10,429 square



kilometre area, the importance of reliable infrastructure network that is adequate, interconnected and maintained is crucial.

Figure 5.2.2 compares the growth in the average business rates since 2006-07 for comparable Group 4 Councils (**Group 4 Councils' with a Population Density per capita/km<sup>2</sup> of less than 10 (from 2015-16 OLG FDR Data)**). The graph illustrates that Clarence Valley Council's growth in its average rate to 2015-16 has been relatively low and is below average in comparison to other Council's in the group.

**Figure 5.2.2:**



In terms of the comparison of average business rates for the 2015-16 year Clarence Valley Council is well below that of the average for comparable Group 4 Councils. Table 5.2.2 indicates Clarence Valley Council is some \$320 below the group average of \$2,630.

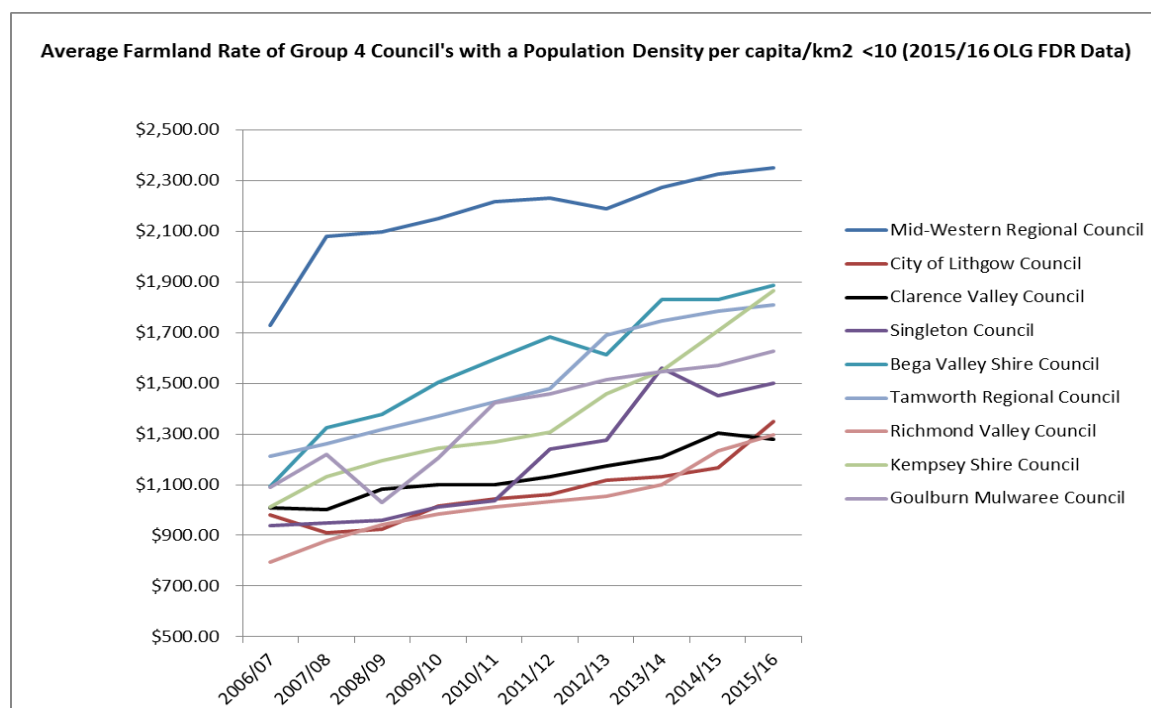
Table 5.2.2

<b>Group 4 Council with a Population Density per capita/km2 &lt;10 (2015/16 OLG FDR Data)</b>	<b>2015/16 Average Business Rates</b>
Mid-Western Regional Council	\$ 1,793.40
City of Lithgow Council	\$ 3,427.10
<b><i>Clarence Valley Council</i></b>	<b><i>\$ 2,310.25</i></b>
Singleton Council	\$ 1,546.16
Bega Valley Shire Council	\$ 2,509.30
Tamworth Regional Council	\$ 2,971.21
Richmond Valley Council	\$ 2,027.03
Kempsey Shire Council	\$ 2,131.94
Goulburn Mulwaree Council	\$ 4,955.66
<b><i>Group Average</i></b>	<b><i>\$ 2,630.23</i></b>

#### Average Rates – Farmland

The average farmland rates for comparable Group 4 Councils (**Group 4 Councils’ with a Population Density per capita/km2 of less than 10 (from 2015-16 OLG FDR Data)**) per Figure 5.2.3 shows that Clarence Valley Council’s growth in its average Farmland rate to 2015-16 has been relatively very low in comparison to other Council’s in the group.

**Figure 5.2.3:**



In terms of the comparison of average farmland rates for the 2015-16 year Clarence Valley Council is well below that of the average for comparable Group 4 Councils. Table 5.2.3 indicates Clarence Valley Council is some \$384 below the group average of \$1,663.

**Table 5.2.3**

<b>Group 4 Council with a Population Density per capita/km2 &lt;10 (2015/16 OLG FDR Data)</b>	<b>2015/16 Average Farmland Rates</b>
Mid-Western Regional Council	\$ 2,350.77
City of Lithgow Council	\$ 1,350.81
<b><i>Clarence Valley Council</i></b>	<b><i>\$ 1,278.81</i></b>
Singleton Council	\$ 1,500.52
Bega Valley Shire Council	\$ 1,888.45
Tamworth Regional Council	\$ 1,808.64
Richmond Valley Council	\$ 1,296.15
Kempsey Shire Council	\$ 1,865.22
Goulburn Mulwaree Council	\$ 1,625.43
<b><i>Group Average</i></b>	<b><i>\$ 1,662.76</i></b>

Based on the information and analysis provided above of the average Residential, Business, and Farmland rates over the period 2006-07 to 2015-16 the rate increases are considered to be reasonable and there is sufficient evidence to conclude these increases are affordable across the community.

Whilst 2013 average taxable income (taxable and non-taxable individuals) for the Clarence Valley Council Local Government Area is \$45,028 which is 14% below the OLG Group 4 average of \$52,232 (based on the 2015/16 Time Series data from the OLG), recent ABS census data indicates an increased capacity to pay an SRV for Clarence Valley Council ratepayers with Clarence Valley Council Local Government Area Median Weekly Household Income increasing by 18.5% from \$768 in 2011 to \$910 in 2016.

Based on Council's financial planning and a deep understanding of our asset situation and future needs and on the feedback that we had had with our communities the level of average rate under the proposed SRV is considered as appropriate for our council. Both Fit for the Future and IP&R requirements are all about planning for the future of our community and the cumulative SRV increase over the 3 years (2018/19 to 2020/21) of 25.97% in the general rate (including an actual rate peg of 2.3% for 2018/19 and an assumed rate peg of 2.5% p.a. for 2019/20 and 2020/21) which is to be retained permanently in Council's rate base providing Council with an additional \$10.298 million above the rate peg which is what is required to meet the Fit for the Future benchmarks and to provide the service demanded and agreed with the community.

#### **Socio-economic indexes for areas (SEIFA)**

At the 10 December 2013 Council meeting (Item 14.179/13), Council adopted a rating structure based on the principles of simplicity, fairness, uniformity and legislative compliance, taking into account the Socio-Economic Indexes for Areas (commonly known by its acronym, SEIFA).

For the Clarence Valley the relative indexes are as follows:

Index of relative socio-economic disadvantage 2011 index

<b>Area</b>	<b>2011 index</b>
South Grafton	830.0
Iluka	868.0
Glenreagh - Lanitza and District	879.0
Rural North West	883.0
Wooli - Tucabia and District	887.0
Maclean	888.0
Rural South West	912.0
Grafton	917.0
Clarence Valley Council area	919.0
Lawrence - Woombah and District	945.0
Yamba	952.0

Ulmarra - Clarenza and District	956.0
Waterview Heights	962.0
Regional NSW	969.0
Gulmarrad - Townsend	979.0
Palmers Island - Angourie & District	995.0
Junction Hill - Southgate & District	996.0
<b>New South Wales</b>	<b>996.0</b>
<b>Australia</b>	<b>1,002.0</b>

What this data indicates is most of the areas within the Clarence Valley LGA are below the state average in terms of socio-economic wellness. Junction Hill is on par with the State Average, and 166 basis points (20%) ahead of South Grafton, which is on the lower end of the scale. Clarence Valley Council's relative position to comparable Group 4 Councils is illustrated in Table 5.2.4 below:

**Table 5.2.4**

<b>Group 4 Council with a Population Density per capita/km2 &lt;10 (2015/16 OLG FDR Data)</b>	<b>2011 SEIFA Score</b>
Mid-Western Regional Council	951
City of Lithgow Council	916
<b><i>Clarence Valley Council</i></b>	<b><i>907</i></b>
Singleton Council	1007
Bega Valley Shire Council	951
Tamworth Regional Council	949
Richmond Valley Council	888
Kempsey Shire Council	876
Goulburn Mulwaree Council	944
<b><i>Group Average</i></b>	<b><i>932</i></b>
<b>Source: ABS Data Series 2033.0.55.001 - Socio-economic Indexes for Areas (SEIFA), Data Cube only, 2011</b>	

This information has been considered in terms of addressing the affordability aspect when developing the 2018/19 rating structure. Along those lines, to minimise the impact on the Total Rates Bill for ratepayers Water and Sewer charges increases are capped to a maximum of 1.5% per year for five (5) years from 2016/17 to 2020/21, and CPI from 2021/22 onwards. This option demonstrates Council is listening and responding to the community regarding affordability concerns while staying focused on the objective of General Fund Financial Sustainability and General Fund Asset Sustainability.

### 5.3 Addressing hardship

In addition to the statutory requirement for pensioner rebates, most councils have a policy, formal or otherwise to address issues of hardship.

Does the council have a Hardship Policy?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
If Yes, is an interest charge applied to late rate payments?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Does the council propose to introduce any measures to reduce the impact of the proposed special variation on specific groups in the community?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

You should attach a copy of the Hardship Policy and explain below who the potential beneficiaries are and how they are assisted.

Please provide details of any other measures addressing hardship to be adopted, or alternatively, explain why no measures are proposed.

The council is also to indicate whether the hardship policy or other measures are referenced in the council's IP&R documents (with relevant page reference or extract provided).

#### **Council's Response:**

##### **Rates Hardship Policy**

Council has a 'Rates Hardship Policy' that was initially adopted in July 2010 and reviewed and again adopted in March 2013 and May 2015. This policy provides assistance for all ratepayers suffering from financial hardship, including writing off interest accrued on unpaid rates and legal costs.

The potential beneficiaries of Council's Hardship Policy are any rateable people within the Clarence Valley Council LGA that meets the criteria as stated in the policy (**see Attachment 25 'Rates Hardship Policy' and Attachment 26 for 'Hardship Rate Relief Application Form'**). Council has referenced its hardship policy on pages 6 and 71 of the Revised Delivery Program 2017/18-2020/21 & Operational Plan 2017/18 Version 2 and page 39 of the Revised 2017/18-2026/27 Long Term Financial Plan Version 2. As this policy has been proven sufficient to address financial hardship, no further measures are deemed to be required at this time.

Council's 'Rates Hardship Policy' can be accessed via Council's website under the following link:

<http://www.clarence.nsw.gov.au/res.asp?id=6837>

For the 2016/17 year, which is the only financial year to which the previously approved Section 508(2) SRV applied, Council received no Rates Hardship Application Forms.

## 6 Assessment criterion 4: Public exhibition of relevant IP&R documents

Criterion 4 in the Guidelines is:

*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 revenue.*

Briefly outline the significant IP&R processes the council has undertaken to reach the decision to apply for a special variation. Include the details of and dates for key document revisions, public exhibition period(s) and the date(s) that the council adopted the relevant IP&R documents.<sup>3</sup>

You should also include extracts from council minutes as evidence that the documents were adopted.

The council is reminded that the Community Strategic Plan and Delivery Program (if amended), require public exhibition for at least 28 days prior to adoption. Amendments to the Long Term Financial Plan and Asset Management Plan do not require public exhibition.<sup>4</sup> However, it would be expected that the Long Term Financial Plan would be posted, in a prominent location, on the council's website.

### **Council's Response:**

#### **The Community Strategic Plan - The Clarence 2027**

'The Clarence 2027' replaces the 'Our Community Plan 2015-2024' community strategic plan (CSP) which was adopted in June 2014, and is a result of extensive community consultation conducted between January and April 2017. The exhibition period for 'The Clarence 2027' was from 19 May 2017 to 16 June 2017.

The development of the 'The Clarence 2027' (CSP) in 2016/17 included a range of engagement options providing the community and other stakeholders the opportunity to contribute and provide feedback on the proposed plan.

'The Clarence 2027' was adopted by Council at the 27 June 2017 Ordinary Council meeting (Item 13.034/17) - taking into consideration the community submissions made during the exhibition period.

<sup>3</sup> The relevant IP&R documents are the Community Strategic Plan, Delivery Program, Long Term Financial Plan and where applicable, the Asset Management Plan.

<sup>4</sup> Office of Local Government (then Division of Local Government), *Integrated Planning and Reporting Manual for local government in NSW*, March 2013, pp 5-6.

## COUNCIL RESOLUTION – 13.034/17

Simmons/Toms

**That Council adopt the “Clarence 2027” Community Strategic Plan, Workforce Management Strategy 2017-2021, Asset Management Strategy 2017-2027 and the Disability Inclusion Action Plan as exhibited subject to any amendment as detailed in item 13.035/17 of this business paper.**

**Voting recorded as follows:**

**For: Simmons, Kingsley, Baker, Clancy, Ellem, Williamson, Toms, Novak**

**Against: Nil**

A full copy of the Clarence Valley Council ‘The Clarence 2027’ CSP can be found using the following link:

<https://www.clarence.nsw.gov.au/page.asp?f=RES-LBP-33-26-88>

The proposed SRV is a key element of Council’s funding strategy to ensure General Fund Financial Sustainability and General Fund Asset Sustainability and works towards achieving a number of the objectives identified within the ‘The Clarence 2027’ CSP. The SRV is directly connected to the ‘The Clarence 2027’ CSP themes ‘Infrastructure’ (Objective 2.1.4 “To have communities that are well serviced with appropriate infrastructure. In order to do this we will: Manage and enhance our parks, open spaces and facilities” and Objective 2.1.5 “To have communities that are well serviced with appropriate infrastructure. In order to do this we will: Provide safe and effective vehicular and pedestrian networks that balance asset conditions with available resources.”), “Environment” (Objective 4.1.1 “To preserve and enhance our natural environment by: Managing our coastal zone, waterways, catchments and **floodplains** in an ecologically sustainable manner”), “Society” (Objective 1.1.1 “To have proud and inviting communities that: Encourage vibrant and welcoming towns and villages”), and “Leadership” (Objective 5.1.6 “To have a strong, accountable and representative government that: Ensures decisions reflect the long-term interests of the community and support financial and infrastructural sustainability”, Objective 5.2.1 “To have an effective and efficient organisation that: Operates in a financially responsible and sustainable manner”). Extracts from ‘The Clarence 2027’ evidencing the above CSP Objectives is provided as **Attachment 27** to this application.

### **Revised 2017/18 – 2020/21 Delivery Program and 2017/18 Operational Plan Version 2, Revised 2017/18 to 2026/27 Long Term Financial Plan Version 2, and Revised 2017/18 to 2026/27 Asset Management Strategy Version 2.**

The Revised 2017/18 – 2020/21 Delivery Program and 2017/18 Operational Plan Version 2, is a blueprint that shows how Council’s 45 Services – its ‘principal activities’ - respond to the Community Strategic Plan. It follows the thematic structure of ‘Clarence 2027’. All of the organisation’s plans, projects, actions and funding allocations are directly linked to the Revised 2017/18 – 2020/21 Delivery Program and 2017/18 Operational Plan Version 2. The Revised 2017/18 to 2026/27 Long Term Financial Plan Version 2 explains the financial strategies used to inform decision making during the development of the Revised 2017/18 – 2020/21 Delivery Program and 2017/18 Operational Plan Version 2, and the Revised 2017/18 to 2026/27 Asset Management Strategy (AMS) Version 2 provides a plan to manage Council’s physical assets, including establishment of a framework to guide planning,



construction, maintenance and operation of infrastructure essential for Clarence Valley Council to provide services to the community.

The Draft 2017/18 – 2020/21 Delivery Program and 2017/18 Operational Plan including 2017/18 Revenue Policy and Budget (Item 13.026/17) and the Draft Long Term Financial Plan 2017/18-2026/27 (Item 13.027/17) and the Draft Asset Management Strategy 2017-2027 (Item 13.025/17) were adopted for exhibition period from 19 May 2017 to 16 June 2017 at the 16 May 2017 Ordinary Council Meeting.

**COUNCIL RESOLUTION – 13.025/17**

**Toms/Kingsley**

**That Council adopt the Asset Management Strategy for release for public exhibition on 19 May 2017 for a period of 28 days.**

**Voting recorded as follows:**

**For: Simmons, Kingsley, Baker, Clancy, Ellem, Novak, Williamson, Toms, Lysaught**

**Against: Nil**

**COUNCIL RESOLUTION – 13.026/17**

**Williamson/Baker**

**That:**

**1. The draft July 2017 - June 2021 Delivery Program, 2017/18 Operational Plan, Budget and Service Plans be adopted for exhibition purposes noting the following; that the Improvement Strategies and Savings Measures (as per Attachment N):**

**(i) Does not include the closure of the Iluka Library. The \$60,000 identified as savings in 2017/18 (at Item 21) are to be found from cost reductions in the CVC Library Service.**

**(ii) A further review of the Environment Planning and Community Directorate (at Item 19) has resulted in the reduction of 1 FTE (vacant Safe Communities position) and this has been replaced by adding back 1 FTE within Corporate, Organisational Performance &**

**Governance (at Item 33).**

**(iii) A reduction in staff numbers of 23.9 FTE which results in savings of \$2.19 million in 2017/18.**

**(iv) Total savings over the 4 years to 2020/21 are \$8.544 million.**

**(v) Includes a proposal for Council to apply for a Special Rate Variation (SRV) of 8% per year for three (3) years (includes an estimated rate peg of 2%) commencing 2018/19 to 2020/21 with the cumulative increase of 25.9% to be retained permanently in Council's rate base. The SRV will raise \$7.114 million in rate income over the 3 years 2018/19 to 2020/21.**

**(vi) Combined savings and increased revenue totalling \$15.658 million over the four (4) years 2017/18 to 2020/21 which results in Council achieving a General Fund Operating Surplus before Capital Grants & Contributions in 2020/21.**

**2. The draft 2017/18 Revenue Policy (including Fees and Charges) be adopted for exhibition purposes.**

**3. The exhibition period commence 19 May 2017 and conclude 16 June 2017 with community consultation to be conducted during this period.**

**4. All public submissions received be reported back to Council and considered prior to the final adoption at the 27 June 2017 Council Meeting.**

**Voting recorded as follows:**

**For: Simmons, Kingsley, Baker, Clancy, Ellem, Novak, Williamson, Toms, Lysaught**

**Against: Nil**

**COUNCIL RESOLUTION – 13.027/17**

**Toms/Lysaught**

**That:**

- 1. The draft Long Term Financial Plan be adopted for exhibition purposes.**
- 2. The exhibition period commence 19 May 2017 and conclude 16 June 2017.**
- 3. All public submissions received in relation to the Long Term Financial Plan be reported back to Council and considered prior to the final adoption at the 27 June 2017 Council Meeting.**

**Voting recorded as follows:**

**For: Simmons, Kingsley, Baker, Clancy, Ellem, Novak, Williamson, Toms, Lysaught**

**Against: Nil**

In adopting the original 2017/18 – 2020/21 Delivery Program and 2017/18 Operational Plan and the original Long Term Financial Plan 2017/18-2026/27 at the 27 June 2017 Ordinary Council Meeting (Item 13.035/17) Council instructed the General Manager to ensure that the community is made aware of the need for and extent of the rate rise in accordance with IPART requirements on a proposal to increase Council's general rate revenue via a SRV of 8% p.a. (inclusive of rate peg) for 3 years commencing 2018/19 to 2020/21.

**COUNCIL RESOLUTION – 13.035/17**

**Simmons/Williamson**

**That Council:**

- 1. Note the submissions received in response to the draft Integrated Planning and Reporting documents**
- 2. Adopt the 2017-2021 Delivery Program including the 2017/18 Operational Plan as exhibited subject to amendments as detailed in Attachment C and any changes to the LTFP adopted in this report; including adoption of the Improvement Strategies (Attachment F) for inclusion in Council's Fit For The Future reassessment proposal; and including adoption of Scenario 2 of the LTFP which includes Council's intention to make an application to IPART for a Section 508(A) Special Rate Variation (SRV) of 8% per year (including an estimated rate peg of 2% p.a.) for 3 years commencing 2018/19 to 2020/21 for the purposes of Financial & Asset Sustainability with the cumulative increase of 25.97% to be retained permanently in Council's rate base. The additional funds from the Section 508(A) SRV from 2018/19 to 2020/21 of \$11.008M (proposed SRV income above the rate peg) to be applied for the purposes of Financial & Asset Sustainability.**
- 3. Apply to IPART for a Special Rate Variation (SRV) of 8% per year for three years (including an estimated rate peg of 2%) commencing 2018/19 to 2020/21, with the cumulative increase of 25.97% to be retained permanently in Council's rate base, and the General Manager ensure that the community is made aware of the need for and extent of the rate rise in accordance with IPART requirements.**
- 4. Adopt the 2017/18 Budget and Revenue Policy as exhibited and amended as detailed in this report which projects a General Fund budget surplus of \$141,565.**
- 5. Adopt the Rating Structure, Water, Sewer, DWM and OSM Charges as recommended (Attachment E) in this report for inclusion in Council's Revenue Policy which forms part of the Operational Plan for 2017/18.**

6. Pursuant to Sections 502 and 608-610 of the Local Government Act, and subject to the right of the Council during such year to amend or vary such fees or resolve to charge and recover any additional fee following public notification for 28 days of such proposal, the Schedule of Fees and Charges for 2017/18 as exhibited and including the amendments resolved at this meeting be adopted subject to amendments as detailed in Attachment C subject to the following:
  - a. The seniors discount for Holiday Park Fees & Charges be reinstated for 2017/18 in line with the increases applied to the remainder of the Holiday Park Fees & Charges.
  - b. A report be provided to the CCRT which details the incremental phase out of the seniors discount over financial years 2018/19 and 2019/20.
7. Adopt the 10 Year Long Term Financial Plan as exhibited and amended by this report (subject to incorporating any amendments resolved by Council), the budgeted 2017/18 Income Statement, the budgeted Cash Flow Statement and Balance Sheet and the budgeted 2017/18 Note 2a (Budget by Theme) as detailed in the 2017/18 Operational Plan and this report.
8. In accordance with Pricing and Costing for Council Businesses - A Guide to Competitive Neutrality, declares that the following services be adopted as business activities for 2017/18:
 

Category 1 (where gross operating turnover is over \$2 million)

  - a. Clarence Valley Council Water Supply
  - b. Clarence Valley Council Sewerage Services

- c. Clarence Coast Reserve Trust – Camping and Caravan Park Accommodation
- d. Clarence Valley Council Community Support Services

9. Re-establish a Tourism Advisory Committee to oversee local tourism services in partnership with local industry operators and the constitution be reviewed by the Acting General Manager and a report be brought back to Council.

Voting recorded as follows:

For: Simmons, Williamson, Clancy, Ellem, Baker, Toms, Kingsley

Against: Novak

Also at the 27 June 2017 Ordinary Council Meeting Council adopted the original Asset Management Strategy 2017-2027 (Item 13.034/17).

On 7 July 2017 in a teleconference with representatives from IPART regarding the 2018/19 SRV application process Council was advised to incorporate an assumed 2.5% p.a. rate peg from 2018/19 onwards into its Integrated Planning and Reporting (IP&R) documents. Along those lines the following 2017/18 IP&R documents were revised for the assumed 2.5% p.a. rate peg from 2018/19 onwards; 2017/18 - 2020/21 Delivery Program and 2017/18 Operational Plan, Long Term Financial Plan 2017/18-2026/27, and the Asset Management Strategy 2017-2027. The Revised 2017/18 - 2020/21 Delivery Program and 2017/18 Operational Plan, Revised Long Term Financial Plan 2017/18-2026/27 and the Revised Asset Management Strategy 2017-2027 were adopted at the 15 August 2017 Ordinary Council meeting (Item 13.052/17 -see below) for exhibition. The period of exhibition of these

revised documents was from 29 September 2017 to 3 November 2017.

**COUNCIL RESOLUTION – 13.052/17**

**Williamson/Kingsley**

**That:**

- 1. All references to a 2% assumed rate peg from 2018/19 be changed to a 2.5% assumed rate peg in the IP&R documents adopted in June 2017.**
- 2. Council rescind part 3 of Council resolution 13.035/17 based on advice received from IPART.**
- 3. The General Manager ensures that the community is made aware of the need for and extent of the rate rise in accordance with IPART requirements and Council will consider the application to IPART for a Special Rate Variation (SRV) at a December 2017 Council meeting.**
- 4. The changes identified in Attachment A be incorporated into the adopted Delivery Program 2017-2021 and 2017/18 Operational Plan.**
- 5. The revised 2017/18 to 2026/27 Long Term Financial Plan be adopted for exhibition purposes.**
- 6. The revised Asset Management Strategy 2017-2027 be adopted for exhibition purposes.**
- 7. The revised documents be placed on public exhibition for 28 days.**
- 8. At the meeting on 17 October 2017 Council consider public submissions received and the revised IP&R documents be presented to Council for adoption.**
- 9. The SRV Community Engagement Plan as attached to this report be adopted.**

**Voting recorded as follows:**

**For: Simmons, Kingsley, Baker, Ellem, Williamson, Toms, Clancy**

**Against: Nil**

At the 21 November 2017 Ordinary Council meeting (Item 13.070/17 – see below), Council resolved to apply for a Section 508(A) SRV of 8%p.a. for 3 years commencing 1 July 2018.

**COUNCIL RESOLUTION – 13.070/17**

**Simmons/Williamson**

**That Council:**

- 1. Adopt the revised Delivery Program 2017-2021 & 2017/18 Operational Plan, revised 2017/18 to 2026/27 Long Term Financial Plan, and revised 2017/18 to 2026/27 Asset Management Strategy.**

- 2. Apply to Independent Pricing and Regulatory Tribunal (IPART) for a Special Rate Variation (SRV) of 8% (including the assumed rate peg of 2.5%) per year for three (3) years from 2018/19 to 2020/21 in accordance with Section 508(A) of the Local Government Act, which will remain permanently in Council's rate base, being a total cumulative increase of 25.97% (inclusive of the assumed rate peg) over the 3 year term. The increased general (ordinary) rate revenue above the rate peg amount for each year (\$10.122 million based on the assumed rate peg of 2.5% p.a. over the 3 years 2018/19 to 2020/21) to be specifically used to improve Council's General Fund financial sustainability and Council's General Fund asset sustainability (asset renewals only for 2018/19 to 2020/21, and asset renewals and asset maintenance from 2021/22).**
- 3. Apply to IPART to increase the minimum ordinary rates above the statutory minimum amount by the 8% special variation.**
- 4. Publish in the annual report a list of projects and the cost for each project that have been achieved by the extra funds made available by any special rate variation.**

**Voting recorded as follows:**

**For: Simmons, Kingsley, Baker, Clancy, Ellem, Williamson, Lysaught**

**Against: Novak**

On 28 November 2017 IPART announced a 2018/19 rate peg of 2.3%. Discussions with IPART established that as the actual rate peg for 2018/19 (2.3%) was less than the assumed rate peg for 2018/19 (2.5%), for Council to retain the cumulative increase over the 3 years from 2018/19 to 2020/21 of 25.97% (inclusive of rate peg) in the general rate (retained permanently in Council's rate base) Council was required to update its Revised 2017/18 – 2020/21 Delivery Program and 2017/18 Operational Plan, Revised Long Term Financial Plan 2017/18-2026/27 and the Revised Asset Management Strategy 2017-2027. These updated documents are known as the Revised Delivery Program 2017-2021 & 2017/18 Operational Plan Version 2, Revised 2017/18 to 2026/27 Long Term Financial Plan Version 2, Revised 2017/18 to 2026/27 Asset Management Strategy Version 2. At the 12 December 2017 Ordinary Council meeting (Item 15.241/17 – see below) it was resolved that these Version 2 documents were to be placed on public exhibition between 15 December 2017 and 25 January 2018.

**COUNCIL RESOLUTION – 15.241/17**

**Williamson/Ellem**

**That Council:**

- 1. Adopt for exhibition purposes the revised 2017/18 Integrated Planning & Reporting (IPR) documents (Version 2) which have been updated for the IPART announced 2018/19 rate peg of 2.3%, and which continue to recommend to achieve General Fund financial sustainability and General Fund asset sustainability applying for a Section 508A SRV of 8% p.a. (inclusive of 2.3% 2018/19 rate peg and assumed 2.5% p.a. rate peg for 2019/20 and 2020/21) each year for three years (from 2018/19 to 2020/21). The revised IPR documents which have been updated for the 2018/19 rate peg of 2.3% are:
  - a. Revised Delivery Program 2017-2021 & 2017/18 Operational Plan Version 2**
  - b. Revised 2017/18 to 2026/27 Long Term Financial Plan Version 2**
  - c. Revised 2017/18 to 2026/27 Asset Management Strategy Version 2****
- 2. Allocate the difference between the General Rate Income generated above rate peg of \$10.122M from the 21 November 2017 Revised 2017/18 IPR documents and \$10.298M from the Revised 2017/18 IPR documents Version 2 (updated for the 2018/19 actual rate peg of 2.3%) of \$0.176m on Road Pavements and Surfacing capital expenditure.**
- 3. Place the revised 2017/18 IPR documents (Version 2) on public exhibition between 15 December 2017 and 25 January 2018.**
- 4. Hold an Extraordinary Council meeting on 6 February 2018 to consider public submissions received and to present the revised 2017/18 IPR documents (Version 2) for adoption.**

**Voting recorded as follows:**

**For: Simmons, Kingsley, Baker, Clancy, Ellem, Williamson, Lysaught, Toms, Novak**

**Against: Nil**

At the 6 February 2018 Extraordinary Council meeting (Item 15.001/18 – see below) the Revised Delivery Program 2017-2021 & 2017/18 Operational Plan Version 2, Revised 2017/18 to 2026/27 Long Term Financial Plan Version 2, Revised 2017/18 to 2026/27 Asset Management Strategy Version 2 were adopted.

**COUNCIL RESOLUTION – 15.001/18**

**Simmons/Williamson**

**That Council:**

- 1. Note that eleven (11) submissions were received in response to the exhibition of the revised Delivery Program 2017-2021 and 2017/18 Operational Plan Version 2.**
- 2. Adopt the revised Delivery Program 2017-2021 and 2017/18 Operational Plan Version 2 as exhibited subject to amendments as detailed in this report.**
- 3. Adopt the revised 2017/18 to 2026/27 Long Term Financial Plan Version 2 as exhibited and amended.**
- 4. Adopt Scenario 2 of the revised 2017/18 to 2026/27 Long Term Financial Plan Version 2 to support Council's 2018/19 Section 508 (A) Special Rate Variation Application, which applies the strategy of a Special Rate Variation (SRV) of 8% p.a. (inclusive of 2.3% actual rate peg for 2018/19 and 2.5% assumed rate peg for 2019/20 and 2020/21), for three years commencing in 2018/19 (which is a total cumulative increase in the general rate of 25.97% (inclusive of rate peg) by 2020/21, which is permanently built into the general rate base from that point forward), which generates \$10.298 million general rate income above the rate peg over the three (3) years 2018/19 to 2020/21 to achieve General Fund Financial Sustainability and General Fund Asset Sustainability.**
- 5. Adopt the revised 2017/18 to 2026/27 Asset Management Strategy Version 2 as exhibited.**
- 6. Support the submission of the Section 508(A) Special Variation to General Income Application Forms for 2018/19 to IPART by the due date of 12 February 2018.**

**Voting recorded as follows:**

**For: Simmons, Ellem, Williamson, Baker, Lysaught, Kingsley, Clancy, Toms**

**Against: Novak**

Council's Revised Delivery Program 2017-2021 & 2017/18 Operational Plan Version 2, Revised 2017/18 to 2026/27 Long Term Financial Plan Version 2, Revised 2017/18 to 2026/27 Asset Management Strategy Version 2 can be found in the 'Download Documents' section of the 'Integrated Planning and Reporting' page on Council's website, located at: [https://www.clarence.nsw.gov.au/cp\\_themes/metro/page.asp?p=DOC-CFK-74-67-61](https://www.clarence.nsw.gov.au/cp_themes/metro/page.asp?p=DOC-CFK-74-67-61) and the General Fund only Income Statement, Balance Sheet, and Cash Flow Statement for each Scenario of the Long Term Financial Plan in Excel format has been included in this application as **Attachment 7**.

## 7 Assessment criterion 5: Productivity improvements and cost containment strategies

Criterion 5 in the Guidelines is:

*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.*

In this section, you must provide details of any productivity improvements and cost containment strategies that you have implemented during the last two years (or longer) and any plans for productivity improvements and cost containment over the duration of the proposed special variation.

These strategies, which may be capital or operational in nature, must be aimed at reducing costs and/or improving efficiency. Indicate if any initiatives are to increase revenue eg, user charges. Please include below whether the proposed initiatives (ie, cost savings) have been factored into the council's Long Term Financial Plan.

Where possible, the council is to quantify in dollar terms the past and future productivity improvements and cost savings.

The council may also provide indicators of efficiency, either over time or in comparison to other relevant councils. We will make similar comparisons using various indicators and OLG data provided to us.

### **Council's Response:**

**Status update on Productivity Improvements and Cost Containment Strategies included in Council's 2016/17 Special Variation Application (i.e. productivity improvements and cost containment strategies that you have implemented during the last two years (or longer)):**

Council has been proactive in addressing its financial sustainability challenges, introducing a range of cost saving and cost containment strategies over the past four years that have delivered a notable improvement in 2016/17 and is continuing to do so in 2017/18. These include:

### ***Organisational Restructures:***

In August 2015 Council implemented an organisational restructure that resulted in staff reductions in some areas and a vital capability growth in the targeted area of asset management. The restructure also broadened Council's lower levels of management, the purpose of which is to remove bottlenecks in workflow processes (i.e. approvals) in order to increase productivity and reduce time in lieu and overtime for senior management. Part of the organisational restructure included staff growth in asset management (Infrastructure



Planning & Assets Team), an area considered business critical and identified as lacking in the organisational review preceding the restructure. The Infrastructure Planning & Assets Team, was formed to plan and manage assets at a corporate level. To date the organisation has not been serviced by proper asset management practices and, as such, it's planning toward asset renewals, upgrades and maintenance has been of a low level. This team aids the works and civil department from an infrastructure perspective and has close links with Council's Finance section to ensure sustainable asset management and infrastructure planning practices are undertaken by Council.

In May 2016 Council's Community Services area was restructured where 3 Community Development Officers were abolished and Community Project Officer (CPO) positions introduced. The new roles did not require degree qualifications and therefore realised savings to Council. The focus of the new roles was on community capacity building.

In June 2016 the Finance & Supply section (Revenue Team) was restructured by combining the Revenue Officer (Debt Recovery) and Revenue Officer (Rates Debtors) positions into a Revenue Officer (Debtors) position and roles within the Revenue team reviewed so that all have equivalent responsibility and complexity which assisted in spreading some routine debt management tasks amongst the entire Revenue Team and encouraged cross skilling within the team.

In November 2016 the Environment, Development & Regulated Services section was restructured and two new positions (onsite wastewater and Regulatory Services) were created reducing the need for higher costing casual and contract support to those teams.

In May 2017 the Information & Communication Services section was restructured and included the formation of a new team focussed on Business Solutions (responsible for developing and implementing a Corporate Systems Strategy as part of the Information Services Strategic Plan and maximising Council's utilisation of Corporate Systems) and a review of the existing Customer Services and Records Teams. The net impact of this restructure was a 4.2 FTE reduction.

### *Asset disposal*

As a result of a review of Light Fleet and Heavy Plant Council has reviewed started on a surplus asset disposal program. Since 2015 heavy plant disposals (for assets not replaced) saved Council \$1.572 million and light fleet disposals (for assets not replaced) saved Council \$216,000.

From January 2016 onwards a property rationalisation process has been undertaken which has included the sale of the following properties:

\* 142 Ryan Street, South Grafton (net proceeds \$32,364),

\* 149 Ryan Street, South Grafton (net proceeds \$40,227),

\* Bruce Street Depot - 28 Bruce Street, Grafton (net proceeds \$ 813,778 and annual operations and maintenance savings of \$112,000. Note - does not account for annual lease payments until new depot is built and new depot operating costs),

\* Victoria Street Office – 42 Victoria Street, Grafton (net proceeds \$1,785,069, and annual operations and maintenance savings of \$137,000 - Note - does not account for annual lease payments until new depot is built and future operating and maintenance costs for new works administration as part of new depot),

\* Chatsworth Island Cottage, 237 Chatsworth Road, Chatsworth (net proceeds \$265,000),

\* 48 Dobie Street, Grafton (net proceeds \$55,716),

\* Pound Street Office, 70 Pound Street, Grafton (net proceeds \$367,828, and annual operations and maintenance savings of \$49,000),

\* Regional Library, 110 Spring Street South Grafton (net proceeds of sale \$54,157, and annual operations and maintenance savings of \$18,320),

\* 32 Mulgi Drive, South Grafton (net proceeds of sale \$66,523, annual operations and maintenance savings of \$3,350),

\* Floodplain Depot, 33 Brickworks Lane, South Grafton (net proceeds \$270,508, and annual operations and maintenance savings of \$17,000),

\* McDonalds Site - Spring Street, South Grafton, (net proceeds \$1,745,000),

\* 65 Spring Street, South Grafton (net proceeds \$5,655),

\* 6 Crowther Drive, Junction Hill (net proceeds \$81,305),

\* 8 Crowther Drive, Junction Hill (net proceeds \$81,305),

\* 10 Crowther Drive, Junction Hill (net proceeds \$81,305),

The depot at South Grafton Depot - 11 Schwinghammer Street, South Grafton is a sale pending settlement due 3/4/18 (annual operations and maintenance savings of \$80,000. Note - does not account for annual lease payments until new depot is built and new depot operating costs).

### *Reduction in services*

In the past 4 years Council has assessed all of its services and changed the way in which many services are delivered. Significant savings have been realised already, with some notable areas being:

- Assignment of the Crown lease for the South Grafton Aerodrome to a community group.
- Devolving the operation and maintenance of the Coutts Crossing Croquet Court to the Coutts Crossing Croquet Club saving around \$19,000 a year.
- Closure of Ulmarra Pool following 2016/17 pool season (operating cost savings \$80,000 p.a.) – Refer 13 December 2016 Ordinary Council Meeting Item 15.150/16.
- Devolving the operation and maintenance of Jabour Park South Grafton to a community group saving around \$5,000 a year.

- Revocation of Council's Floodplain Voluntary House Raising Policy saving.
- A light fleet & heavy plant review was adopted by Council at the 19 April 2016 Ordinary Council meeting (Item 15.019/16), which has started to realise projects estimated savings of \$400,000 to \$600,000 p.a. (realised within a five-year timeframe) plus will significantly reduced risk if all recommendations are implemented. Some of the recommendations include extending changeover of Light Fleet from two years or 80,000km to five years or 150,000km, extending change-over of graders to 12 years or 10,000 hours subject to a risk assessment beyond eight years or 8,000 hours, and disposal and increased utilisation of skid steer loaders.

***Productivity Improvements:***

- Improved field-based access and usage of asset data systems. From 2015-16 to 2017-18 continued implementation of electronic data collection of field-based asset data has lead to reduced "double handling" of asset data and allow more intelligent use of data to enable robust decision making in the management of Council's assets.
- For the 2017/18 financial year Council will receive a \$105,730 Workers Compensation financial incentive payment for meeting Statecover KPIs. This is \$39,105 more than budgeted for and reflective of WHS being well managed. In 2016/17 a \$100,000 incentive was achieved.
- Work location arrangements have been progressively reviewed across the organisation with particular consideration to improved asset utilisation and productivity improvements, which has resulted in transfer of staff from admin office McNaughton Place, Maclean, to 50 River Street, Maclean in 2016/17.
- Movement to online human resources systems:
  1. The Learning Management System went live on 18 November 2016 enabling various training to be rolled out at a vastly reduced cost when compared to classroom style delivery, e.g.:
    - \* Microsoft classroom style training previously cost \$300/head. Delivered via e-learning the training is \$50/head. Based on 50 participants is a saving of \$12,500 over the reporting period January 2016 - December 2017.
    - \* Competency assessments in Word and Excel previously cost \$50/head. This cost is now absorbed in the Microsoft e-learning training cost. For the Period January 2016 - December 2017 this has realised an approximately saving of \$5,000 based on 100 assessments.
    - \* Training such Cultural Awareness, EEO, WHS, Bullying/Harassment are now delivered via e-learning. For comparison, Bullying & Harassment training in 2014 cost \$32,000 to deliver to all staff in a face to face environment, to deliver this training via e-learning will realise a 50% saving.
  2. Induction via e-learning - Face to face inductions ceased in May 2017 and are now delivered via e-learning. This will result in a saving of approximately \$4,000 p.a. in staff time to deliver the induction programs.

3. Recruitment - e-recruitment commenced on 31 May 2016. Very few paper based advertisements are now placed as most advertising is web based. The change in recruitment advertising 15/16 to 16/17 financial years realised a saving of approximately \$24,000.

- Complete upgrade of heating, ventilation and air conditioning systems (HVAC) in main administration centres at 2 Prince and 42 Victoria Street, Grafton, expected realising annual savings of \$40,000. Removal of inefficient, aging and ozone depleting HVAC system in these offices.
- Review of all tender and contract documentation to standardise systems and processes across the organisation.
- Implemented gas flaring project at the Grafton Regional Landfill to reduce greenhouse gas emissions and future liability.
- Trainee staff have been engaged in scanning numerous Council paper-based records. This has reduced costs for storage of records (i.e. air conditioning, rental of storage sheds) and records management staff costs to retrieve data.
- Review work location arrangements progressively across the organisation with particular consideration to improved asset utilisation and productivity improvements. In November to December 2015 staff were transferred from Pound St Grafton office to 42 Victoria St and Prince Street, Grafton, offices to enable 70 Pound Street office to be sold.
- July 2015 - new purchasing & tendering procedures implemented in accordance with Council's Sustainable Procurement Policy. This has led to reduced operating costs as procurement has moved from being planned reactively.
- Introduction of "SmartyGrants" management tool to streamline community grant application and monitoring.
- Reduced contracting for routine maintenance of buildings and facilities such as swimming pools and parks structures by direct employment of staff has resulted in reduced costs, rapid response and improved service levels.
- Currently undertaking the consolidation and rationalisation of in excess of 90 Crown Reserve Trusts with NSW Trade and Investment to improve administration and reporting.
- Review Section 355 Committees across all operation recently completed which resulted in some committees being removed.
- Continued expansion of the use of mobile in-field technology to capture asset condition and risk management data

#### *Cost Containment initiatives*

- Prior to preparing the Draft 2015-16 Budget a review of Council services was undertaken. This review identified Council provides 45 services comprising 109 sub-services. The services and sub-services were identified as either being a non essential service (i.e. Discretionary) or an essential service that Council must provide (i.e. Non-Discretionary). For the 2015-16 financial year Council introduced zero based budgeting methodologies whereby

each budget amount was built from the ground up for each of these services. Where possible, all amounts included have been justified by relevant staff based on 2014/15 Budget service levels.

- Our Loan Borrowing Policy and debt level has been independently assessed by Ernst & Young in 2015 (refer item 14.064/15 April 2015 Council meeting) and in 2016 (refer item 15.112/16 October 2016 Council meeting). The Ernst & Young 2015 report also examined the options available to refinance the existing debt, given the current record low interest rates. However, after market testing it was determined savings from refinancing were limited due to the significant break costs – only \$42 million of Council’s total portfolio was considered feasible for refinancing. The refinanced loan will achieve interest savings for Council of some \$621,000 over 13 years and cash flow savings of \$3.4 million during the first five (5) years of the refinanced loan.

At the 19 July 2016 Ordinary Council Meeting (Item 13.034/16) Council resolved to receive and note the findings from TCorp’s 2016 Financial Assessment and Sustainability Report. One of the findings of TCorp’s report was that within the period of the 2016/17 to 2025/26 Long Term Financial Plan (LTFP) adopted on 28 June 2016 there is capacity for Council to service additional borrowings of up to \$10M for General Fund. However, based on current and forecast performance TCorp did not ‘recommend further borrowings in the General Fund until operating improvements are achieved.’ TCorp’s assessment was based on forecast financials as per Scenario 2 of the LTFP, adopted by Council at the 28 June 2016 Ordinary Council meeting (Item 13.031/16). The Ernst & Young 2016 report indicated Council’s sustainable debt level (all funds) can be increased from \$110M to \$131M as at 30 June 2017. Council’s forecast loan portfolio balance of \$123.093M as at 30 June 2017 indicates capacity for Council to borrow a further \$5M in the General Fund based on the proposed sustainable debt level of \$131M for all funds. The proposed \$21M increase in Council’s assessed sustainable debt level by EY is explained by Council’s improved financial performance over the period since EY’s debt review in 2015, including increased revenues and Council efficiency improvements (e.g. operating cost reductions and reduced interest costs). For Council to meet the Operating Performance Ratio benchmark of greater than or equal to breakeven by 2020/21 Council will not be entering new borrowings for General Fund (General Fund includes the following funds; Clarence Regional Library, Domestic Waste Management, Clarence Care & Support, Clarence Coast Reserve Trust (CCRT)) over the 10 years of the 2017/18 General Fund Long Term Financial Plan Version 2.

- Pool contracts reviewed at Grafton, South Grafton, and Yamba pools which have resulted in efficiencies in administration.

- A review of Council's Telstra contract has realised savings on phone calls & data plans of \$100,000 between 1/7/13 and 30/6/15, with ongoing annual savings of \$50,000 p.a.

- Increased skills base of Council IT staff has enabled many services previously outsourced to be provided in house. Such services include; server virtualisation (reducing licencing and hardware costs), SQL Server upgrade (savings \$20,000 p.a. in consultancy costs), cabling of offices (saving \$90,000 over the past 4 years), in-house website development in collaboration with NOROC members (compared with hosted content management system this approach is saving Council \$100,000 p.a.).

- ADSL rationalisation i.e. using ADSL/NBN connections instead of leased lines is saving council \$72,000 p.a.
- A review of the pool management contract for Maclean pool with a new contract in place has resulted in savings and efficiencies as the contractor is meeting all chemical and power costs for the operation of the pool.
- Changes to weekly statutory and other advertising introduced in June 2015 resulted in annual savings of about \$70,000.

#### *Revenue enhancement initiatives*

- Sports tourism collaborative marketing - \$16,000 additional income p.a. generated over the past two years through an arrangement we have with Sports Marketing Australia. Local businesses (e.g. clubs, hotels, etc.) sign up through Sports Marketing Australia to sponsor our sports tourism program.
- A Credit Card Surcharge was introduced in the 2014/15 financial year. Over the 2014/15, 2015/16, and 2016/17 financial years the surcharge has generated income of \$57,000 offsetting direct banking costs to Council.

As a result of the above cost containment and productivity improvement strategies Council's General Fund Real Operating Expenditure per Capita ratio has been decreasing over the last 4 years.

#### **2017/18 to 2020/21 Improvement Strategies included in the Revised 2017/18 to 2026/27 Long Term Financial Plan Version 2 (see Attachment 1 'Final Improvement Strategies'):**

The prospect of the necessity for a special rate variation has been raised over a number of years. Council's approach has been to close the General Fund financial sustainability and General Fund asset sustainability gap as much as possible prior to applying for an SRV. The Revised 2017/18 to 2026/27 Long Term Financial Plan Version 2 covers previous initiatives (and outcomes), those still progressing and planned initiatives in the immediate future (and built into LTFFP projections), to achieve increased annual efficiency savings over the three-year SRV period. Council is committed to meeting our projected savings targets.

At Council's 21 March 2017 meeting (refer Item 13.011/17) Council adopted a schedule of "Efficiency Savings and Improvement Opportunities" to be incorporated into Council's Draft 2017/18 Budget and Draft 2017 to 2027 Long Term Financial Plan to enable further assessment by Council prior to being formally adopted for community consultation at the May 2017 Council meeting.

At workshops with councillors on 24 March and 31 March Council staff presented the Draft 2017/18 Budget which indicated a budget deficit for the General Fund of \$15.343 million. In order for Council to achieve the General Fund Operating Performance Ratio by 2020/21 Council staff were directed by Council to examine all options to reduce expenditure and increase revenue to achieve a balanced General Fund operating result by 30 June 2021. Along those lines at the 18 April 2017 ordinary Council meeting Council resolved that the efficiency savings and improvement opportunities (refer Item 13.016/17 Attachment A) be incorporated into Council's Draft 2017-18 Budget and Draft 2017/18 to 2026/27 Long Term Financial Plan for community consultation at the May 2017 Council meeting. A key action

included in Council's Draft 2017/18 Operational Plan was for Council to undertake consultation with the community to determine which discretionary services (as listed in Attachment B to Item 13.016/17) were to be put forward to either reduce the amount of the SRV required or to eliminate the need for the SRV in total. At the 16 May 2017 ordinary Council meeting the Efficiency Savings and Improvement Opportunities adopted by Council at the April 2017 meeting were further updated (refer Attachment N Item 13.026/17). At this meeting Council was advised that any reduction to the current proposed 8% SRV will require further service reductions and/or elimination of some of Council's discretionary services. A summary of these discretionary services were detailed in Attachment O to Item 13.026/17. However, there was general agreement by the community that those measures would potentially cause substantial damage to the social fabric of our community and result in the closure of many valued Council assets.

At the 27 June 2017 Ordinary Council meeting (Item 13.035/17) Council resolved to adopt the 2017-2021 Delivery Program including the 2017/18 Operational Plan as exhibited subject to amendments as detailed in Attachment C to Item 13.035/17 and any changes to the LTFP adopted in the Council report; including the adoption of the final 2017/18 to 2020/21 Improvement Strategies (Attachment F to Item 13.035/17) for inclusion in Council's Fit For The Future reassessment proposal. The final improvement strategies (**See Attachment 1**) were incorporated into (Scenario 1 - Base Case) and Scenario 2 (Achieve Financial Sustainability & Asset Sustainability) which is the SRV Scenario, of Council's 2017/18 to 2026/27 Long Term Financial Plan (and has been carried through to the Revised 2017/18 to 2026/27 Long Term Financial Plan Version 2). The savings from the Improvement Strategies increased over the 4 years 2017/18 to 2020/21 resulting in savings of **\$8.598 million for 2020/21**. Performance against these forecast savings is being identified and reported to each Council meeting as part of the Monthly Financial Report.

The strategies include service reviews, changes in service delivery, service reductions, cost reduction strategies, and additional revenue strategies. The Improvement Strategies include a reduction in staff numbers of 27.0 Full Time Equivalent (FTE) from a review of Council's organisation structure which will result in a reduction in employee costs of \$2.2 million in 2017/18.

Along those lines, in August 2017 (Item 13.045/17 of the 15.8.17 Ordinary Council meeting) a review of the Senior Staff Organisation Structure was undertaken. To meet the Fit for the Future benchmarks the position of Executive Manager Organisation Performance & Governance was not funded in Council's Budget for 2017/18 (part of Improvement Strategy Item 33). Under the previous structure this position and section reported direct to the General Manager. To accommodate this position no longer being funded the functions of the Organisation Performance & Governance section were moved under the Corporate Directorate with the Director's title changed to Director (Corporate & Governance). The recommended structure also included a new Office of the General Manager section which included Executive Support, Communications and the former Human Resources team reporting direct to the General Manager. The Human Resources team were moved from the Corporate Directorate to refocus on organisation and staff development with a particular focus on People, Culture & Safety. In addition to the Executive Manager Organisation Performance & Governance position not being funded in the 2017/18 budget, middle management positions have been reduced to seven (7) from the previous ten (10) manager positions (the 3 positions reduction being removal of the Manager of Human Resources (part of Improvement Strategy Item 33), the removal of the Manager of Social & Cultural

(part of Improvement Strategy Item 19), and the merger of the Manager Strategic & Economic Planning position with the Manager Planning & Development Services position to form the Manager Environment, Development and Strategic Planning position (part of Improvement Strategy Item 19)). Reducing the middle management level positions has resulted in the work of the previous managers being absorbed by remaining staff.

*Service reviews (holistic review of the service which should deliver efficiencies in various places – will not necessarily change the delivery methodology nor reduce the service).*

Ongoing service reviews (a combination of service delivery change and a service reduction) to ensure all services deemed discretionary are valued by the community and therefore should be maintained including;

\* Projected efficiency savings from AECgroup Depot Options Review Final Report (see Item 12.008/16 16 February 2016 Ordinary Council Meeting) of total FTE reduction of 10. Savings have been updated per CM 13.001/17 (Fit for the Future Resolution Update) plus further improvement savings through the depot rationalisation above those in the AECgroup report based on project experience savings generally in the order of 10-15% of staff costs located at the depot. Say 12% - estimated additional saving based on 155 staff.

\* Review of Environment Planning and Community Directorate structure.

\* Regional of Gallery Operations - Increased revenue and cost reductions.

\* Review Executive Support Services.

\* Review Corporate and Organisation Performance & Governance Services.

\* Review Asset Management Sub-Service.

\* Review of Civil & Works Administration Service.

\* Review Parks & Open Spaces Service.

The amount of savings realised from service reviews is \$2.74 million in 2020/21.

*Changes in service delivery (change in the way that the service is delivered that will provide efficiencies – e.g. moving from paper to electronic communication).*

An ongoing review of council service provision to ensure a culture of continuous improvement is maintained and "value for money" is achieved, including;

\* Infrastructure Services Review - Review of services and levels for Roads, Bridges, Internal Roads Services, Civil and Works Admin, Bus Shelters, Footpaths, Public Amenities. For Parks & Open Spaces an efficiency gain of approximately 10% will be achieved through the outsourcing of some maintenance components of this function. The introduction of these changes is not anticipated however until 2018/19 following the construction of the new depot which will allow for consolidation of the various work groups that are currently split over several work locations.



\* Tourist Information Services Review – progressive cost savings - operate new business model (ultimately no building and reduction of 1 vacant position in 17/18 and additional staff in 18/19), plus marketing contributions. This is a transition of Tourism Services away from traditional Visitor Information Centres to digital information hubs, interactive websites & “pop up” stations.

\* Community Centres Service Review - revised service delivery model for Community Centres including building leasing strategy.

The amount of savings realised from service reviews is \$1.684 million in 2020/21.

***Service Reductions include:***

\* Review of Natural Resource Management Services.

\* Review of South Grafton Pool Operations with a view to sell or long term lease.

\* Review of Glenreagh Pool Operations with a view to sell or long term lease.

\* Review of Street Sweeping Operations.

The amount of savings realised from service reductions is \$0.882 million in 2020/21.

***Cost Reductions include:***

\* Payment Options Review - Council currently contracts Australia Post at the annual rate of approximately \$70,000 pa to act as an agent for the receipt of payments. This contract is due to expire around the end of September 2017. With improvements to online payment options being anticipated it is considered that this contract should not be renewed. Assuming this occurs, the efficiency gain is expected to be \$52,500 in 2017/18 and then \$70,000 pa for each year thereafter.

\* Buildings, Properties & Leases - It is proposed to dispose of some halls and surplus buildings; the costs reductions are for annual operational and maintenance costs. This process is scheduled to occur by 2018/19.

\* Regulatory Services - cleaning contractors saving as work being done by Council staff.

\* Improved Procurement Strategies - Identification of opportunities to purchase in bulk & rationalise suppliers.

\* Phone line audit and true up - The organisation has undergone many changes since amalgamation. The opportunity exists to audit all fixed lines we are currently billed for to see if any lines are no longer required, no longer in use or may be consolidated.

\* Review Library Operations – includes in 2019/20 - extending Treelands Drive Community Centre to accommodate Yamba Library and in 2020/21 - relocate Maclean Library to 50A River Street Maclean community precinct and 2020/21 - dispose/lease Maclean Library building Stanley Street Maclean.

\* Community Initiatives Program - reduction in base donation value back to \$100,000.

\* Events & Festivals Contributions - Reduce by \$22,750 return value back to \$90,000

\* Outright Purchase of new Mapping Solution in 2016/17.

\* Review General Manager Sub Service.

The amount of savings realised from cost reductions is \$0.552 million in 2020/21.

*Additional Revenue Strategies include:*

\* Cemeteries - Fees and charges have been increasing in 2017/118 for cemetery operations to achieve full costs recovery. Immediate action is to continue to raise fees and charges to increase revenue and consider a commercial activity and undertake a review of cemetery operations with a view to outsource (financial implications not known with staff impacts and redundancies likely). Strategic Plans have been completed for Maclean and Grafton Lawn cemeteries to guide future development. The estimated savings will need to be assessed through a cost/benefit process.

\* Full Cost Recovery of Airport - Explore options to make the airport cost neutral, such as leasing out to a private provider, increasing user fees, selling or closing. Investigation needs to be undertaken with regard to Council's operating costs and the way we manage the airport. Additionally, discussions need to be held with the air service provider regarding landing fees. These have been stagnant for some time and could be increased.

\* Increase User Charges (Sporting Fields) - Increase user charges for sporting field ground usage fees.

\* Saleyards Cost Recovery – Saleyards are a commercial operation and should be making a surplus - user fees to be increased to enable this to occur. Consider an agent access fee or increase per head fee re Council resolution from 9 August 2016 Ordinary Council meeting (Item 15.85/16) to discuss fee structure with agents.

\* Development & Environmental Services (DMU Charges) - Increase fees per meeting from \$179 to \$300 (increase of 62%). This fee increase benchmarks better against other Councils and better reflects true cost. Cost per Meeting to Council to provide very conservatively valued at \$520. Other North Coast Council's comparative fee varies between \$315 to \$534. Would need to be matched by a service guarantee (10 days suggested).

\* Full Time Parking, Footpath dining and Dog Registrations Officer - Council is currently missing out on significant income from unpaid footpath dining payments. We recently put on as a trial a parking officer and animal registrations officer. While this position is working reasonably well it is only casual and as such misses out on required training etc. to complete the range of activities needed.

\* Review of Development Applications (DA) and Construction Certificates (CC) Lodgement Procedures - Focus on application receipt procedures in particular accurate estimate of development cost, currently expected to be consistently under valued. A 5% increased yield in DA and 2.5% in CCs expected. Suggested that Planning Administration take on the role of accepting DA's. This is recommended because they have the training and experience with DA's and don't suffer the staff turnover that front counter customer service staff have.

\* Water Fund Dividend Payment - Payment of dividend based on the lesser of 50% of surplus operating result or \$27 per assessment.

\* Sewer Fund Dividend Payment - Payment of dividend based on the lesser of 50% of surplus operating result or \$27 per assessment.

\* Graphic Design Position to be fully cost recovered - reduce cost by 1 FTE - 50% in year 1, 75% in year 2 and then 100% funded by year 3. Instead of engaging external contractors for graphic design works utilise existing Council staff that already have those skills.

\* Contribution from Domestic Waste to Roads re damage to road infrastructure from garbage trucks.

The amount of savings realised from additional revenue strategies is \$2.74 million in 2020/21.

**Other future initiatives not included in the adopted Improvement Strategies and therefore Revised 2017/18 to 2026/27 Long Term Financial Plan Version 2:**

*Asset Disposal*

Strategic asset disposal has been planned across Council operations and includes the following proposed property sales during the period of the SRV:

- Lilypool Road, South Grafton, which will be auctioned in late 2017/18 (estimated annual operations and maintenance savings of \$14,000)
- 121 Ryan Street, South Grafton
- Spring Street, South Grafton (Property Number 108683)
- 27 Cowan Street, South Grafton
- 33 Cowan Street, South Grafton
- Weeds Depot, Lilypool Road, South Grafton
- 146-148 Ryan Street, South Grafton
- 184-190 Ryan Street, South Grafton
- South Grafton Visitor Information Centre
- Review provision of the 12 public tennis court complexes that council maintains through the Open Spaces Strategic Plan especially the provision of courts in Yamba. Initial work has been undertaken with inspections of courts and moving some onto leases (e.g. Coutts Crossing) Review to be completed in 2018/19.
- Demolition and removal of four public toilets at Kent Street Grafton and Beresford Park, Durrington Park and JJ Lawrence Fields South Grafton realising an annual operation and maintenance saving of approximately \$18,000. In addition the public toilet in Spring Street

South Grafton has been handed over to the South Grafton School of the Arts group to manage realising an annual operation and maintenance saving of approximately \$5,000.

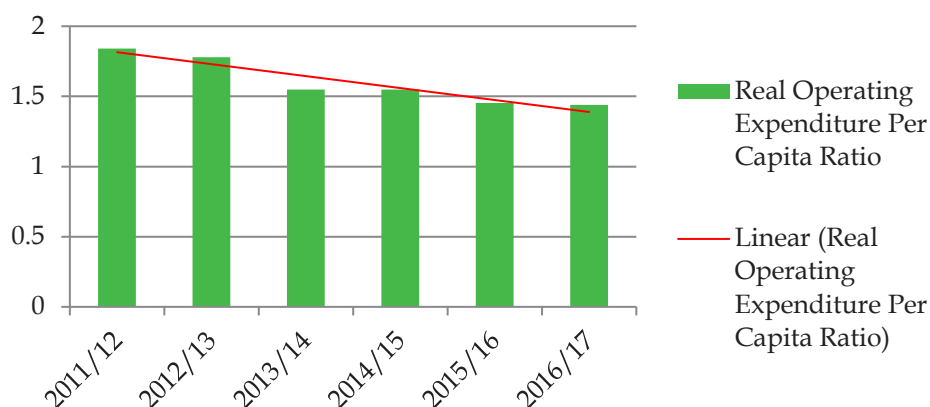
***Other Productivity and Cost Containment Strategies:***

- Continue to utilise the sustainability cash reserve to undertake projects that focus on energy mitigation to realise an operational saving by reduced electricity and power costs in major buildings, depots and specific community buildings.
- Reviewing the potential for power generation from waste at the Grafton Regional Landfill.
- Continuous rolling operational reviews of Council business units and implementation of progressive changes where considered necessary in line with identified service delivery standards and associated methods of delivery.
- Continued review of all fees and charges for the use and hire of buildings, and sports facilities.
- Review of Section 94 Plan works schedules to align with asset management plans to reduce Council's commitment to the identified capital works – mid 2018
- Continued participation in Mid North Coast Councils (MIDROC) Asset Management Project. The objectives of the project are to enable a consistent approach to:
  - Assessing asset condition.
  - Level of service definition/measurement
  - Valuing assets and determining useful life.
  - Calculating the infrastructure backlog.
  - Calculating the required annual maintenance.
- In July 2018 council will implement new budgeting software that will improve financial modelling for the operational plan and long term financial plan budgets and improve performance reporting to enable informed decisions to be made.
- In 2018/19 council will upgrade our Electronic Records Management System (ECM) to the latest version to enable better integration with Council's other corporate systems. Better integration will result in operational efficiencies and improved business reporting

**Indicators of efficiency, either over time or in comparison to other relevant councils.**

The Real Operating Expenditure Per Capita for General Fund which is the OLG's Fit For the Future efficiency indicator shows that over the last 6 financial years Council is compliant with the OLG's benchmark for this indicator which is a decrease in the indicator over time.

## Real Operating Expenditure Per Capita Ratio



### Conclusion

In summary the improvements Council has achieved to date has made a significant improvement in Council's financial sustainability. However, the progress and performance improvements to date are insufficient to ensure Council's General Fund financial sustainability benchmark is achieved (i.e. a greater than or equal to zero General Fund Operating Performance Ratio by 2020/21). As demonstrated in Council's Revised 2017/18 to 2026/27 LTFP Version 2 Scenario 2, the SRV initiative, provides sufficient funding for Clarence Valley Council progressing from ongoing deficits to a sustainable position of operating surpluses before grants and contributions provided for capital purposes.

Council has progressively engaged in a series of ongoing service reviews, revenue enhancement and expenditure reduction opportunities. The significant improvement and restructuring work undertaken by Council to date, means future opportunities for further cost reduction may be limited. A service-by-service ongoing assessment of further reduction opportunities is still underway and, while many areas do not provide capacity for reduction, any opportunities to support financial sustainability in parallel with the SRV will be considered. This may mean that the nature of the improvement strategies Council implements to bridge the \$15.343 million General Fund Budget Deficit may differ from those originally stated at the 27 June 2017 Ordinary Council meeting, however the targeted amount of the final improvement strategies of \$8.598 million to occur in 2020/21 will not change and the final improvement strategies will go ahead independent of the special variation.

The option to reduce discretionary service levels has been considered, but based on community feedback from recent community consultation further service reductions would not be welcomed or supported by the community. It would also not be considered judicious to reduce expenditure on renewals of assets as any savings would be limited, short-sighted and, in the final analysis, counterproductive to the goal of General Fund Financial Sustainability and General Fund Asset Sustainability.

## 8 List of attachments

The following is a list of the supporting documents to include with your application.

Some of these attachments will be mandatory to all special variation applications (eg, extracts from the Community Strategic Plan).

Other attachments will be required from some, but not all, councils. For example, extracts from the Asset Management Plan would be required from a council seeking approval of a special variation to fund infrastructure.

Councils should submit their application forms and attachments online through the Council Portal in the following order. Councils may number the attachments as they see fit.

Item	Included?
<b>Mandatory forms and Attachments</b>	
Part A Section 508A and Section 508(2) Application form (Excel spreadsheet)	<input checked="" type="checkbox"/>
Part B Application form (Word document) – this document	<input checked="" type="checkbox"/>
Relevant extracts from the Community Strategic Plan – Attachment 27	<input checked="" type="checkbox"/>
Delivery Program – Attachment 24	<input checked="" type="checkbox"/>
Long Term Financial Plan with projected (General Fund) financial statements (Income, Cash Flow and Financial Position) in Excel format – Attachment 7	<input checked="" type="checkbox"/>
NSW Treasury Corporation report on financial sustainability- Attachment 3	<input checked="" type="checkbox"/>
Media releases, public meeting notices, newspaper articles, fact sheets relating to the rate increase and proposed special variation – Attachments: 10a to 10i, 12, 14, 15, and 28.	<input checked="" type="checkbox"/>
Community feedback (including surveys and results if applicable) – Attachments 9, 11, and 19 to 23.	<input checked="" type="checkbox"/>
Hardship Policy – Attachment 25	<input checked="" type="checkbox"/>
Resolution to apply for the proposed special variation – Attachment 4	<input checked="" type="checkbox"/>
Certification (see Section 9) – Attachment 31	<input checked="" type="checkbox"/>
<b>Other Attachments</b>	
Relevant extracts from the Asset Management Plan – Attachment 6	<input checked="" type="checkbox"/>
Past Instruments of Approval (if applicable)	<input type="checkbox"/>
Resolution to adopt the revised Delivery Program – Attachment 30	<input checked="" type="checkbox"/>
Final Improvement Strategies – Attachment 1	<input checked="" type="checkbox"/>
Community Engagement Plan – Attachment 2	<input checked="" type="checkbox"/>
Extract of Assessment of Fit for The Future Proposal October 2015 – Attachment 5	<input checked="" type="checkbox"/>

---

IP&R Documents Exhibition Report – Attachment 8



GM & Mayor Letter – Attachment 13



Radio Script – Attachment 16



Facebook Post 24-10-17 – Attachment 17



Community Information Meetings Presentation – Attachment 18



Rates Hardship Application form – Attachment 26



Allocation of funds above rate peg only path from SRV between 2018-19 and 2026-27 – Attachment 29

---



---

## 9 Certification

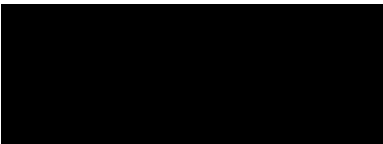
### APPLICATION FOR A SPECIAL RATE VARIATION

**To be completed by General Manager and Responsible Accounting Officer**

Name of council: Clarence Valley Council

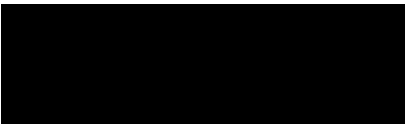
We certify that to the best of our knowledge the information provided in this application is correct and complete.

General Manager (name): Ashley Lindsay



Signature and Date: 12/02/2018

Responsible Accounting Officer (name): Matthew Sykes



Signature and Date: 12/02/2018

Once completed, please scan the signed certification and attach it as a public supporting document online via the Council Portal on IPART's website.