

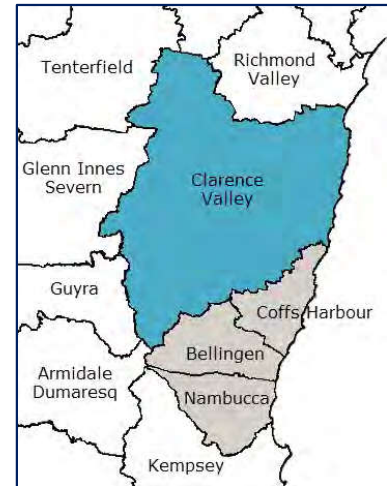
CLARENCE VALLEY COUNCIL – CIP

NOT FIT

Area (km ²)	10,440	Population 2011	51,043
OLG Group	4	(2031)	56,250
ILGRP Group	G		
Operating revenue (2013-14)	\$75.5m	TCorp assessment	Weak FSR Negative Outlook

ILGRP option Council in the North Coast JO (all shaded).

Assessment summary	Scale and capacity	Satisfies
	Financial criteria:	Does not satisfy overall
	• Sustainability	Does not satisfy
	• Infrastructure and service management	Does not satisfy
	• Efficiency	Satisfies



Fit for the Future – NOT FIT

- The council satisfies the scale and capacity criterion.
- The council does not satisfy the financial criteria overall. The council does not meet the criterion for sustainability including the benchmark for the operating performance ratio.
- It also does not satisfy the criterion for infrastructure and service management but does meet the efficiency criterion.
- We consider a council's operating performance ratio is a key measure of financial sustainability that all Fit for the Future (FTFF) councils should meet, therefore the council is not fit.

Scale and capacity - satisfies

- The council's proposal is consistent with the ILGRP's option to stand alone.
- As the ILGRP did not propose another option for this council, Clarence Valley Council was not required to demonstrate how it met each of the elements of scale and capacity. It therefore did not provide sufficient information on the other elements of scale and capacity.
- Our analysis has not identified evidence for a better alternative to the council's proposal to stand alone.
- We note Clarence Valley has a weak financial position and faces challenges in meeting current and future infrastructure requirements.

Sustainability – does not satisfy

- The council does not meet the criterion for sustainability based on its continuing operating deficits and a relatively low building and infrastructure asset renewal ratio. The own source revenue ratio is greater than the benchmark.
- The operating performance ratio was -26.6% in 2014-15 and is forecast to remain in deficit at -5.7% by 2019-20.
- The building and infrastructure asset renewal ratio was 38% in 2014-15 and is forecast to improve to 72% by 2019-20.
- The council's improvement proposal relies on the successful application for and adoption of a special variation from 2016-17 of 47% cumulative over 5 years (34% above the rate peg).
- The council had its infrastructure assets independently re-valued which resulted in reduced depreciation expense (from \$48m in 2012-13 to \$34m in 2013-14). This has improved its operating performance ratio from 2012-13.
- The council states in the past it has not been funding its depreciation as part of its budget process, which has resulted in a significant infrastructure backlog.

Infrastructure and service management - does not satisfy

- The council does not meet the criterion for infrastructure and service management based on its forecast infrastructure backlog and asset maintenance ratios not meeting their respective benchmarks. The debt service ratio remains within the benchmark range.
- The infrastructure backlog was 6.4% in 2014-15 and is forecast to improve to 4.9% by 2019-20.
- The asset maintenance ratio was 64.7% in 2014-15 and is forecast to be 79.9% in 2019-20.

Efficiency - satisfies

- The council meets the criterion for efficiency based on the real operating expenditure per capita showing a declining trend.

Other relevant factors

Social and community context	The Clarence Valley Council area is located in the Northern Rivers region of NSW, about 300 kilometres south of Brisbane. It is predominantly rural, with expanding residential areas and some industrial and commercial land uses. Agriculture, forestry and fishing are important industries. Recently, tourism has become a major industry, especially along the coast. Settlement is based around the regional centre of Grafton and the townships of Iluka, Maclean, and Yamba and some 44 small villages and localities along the coast and inland.
Community consultation	The council did not provide details of community consultation for its submission. It has included the need for the SRV in its Operational Plan and is currently in the process of consulting the community on this.
Water and/or sewer	The council currently meets the Best Practice Management Framework for its sewerage business, and almost meets it (90%) for its water business. Both are run on a break-even basis. The council's sewerage backlog was \$3.1m, or 1.3% of the WDV of the sewerage assets in 2013-14, and its water supply infrastructure backlog was \$9.8m, or 2.5% of the WDV of the water supply assets.
Submissions	We received 12 submissions relating to Clarence Valley's FFTF proposal, which raised other issues such as opposition to further rate increases and that council is not meeting community needs. One late submission was received.