Template 2

Fit for the Future

clarence
VALLEY COUNCIL

Council Improvement Proposal

(Existing structure)

NSW GOVERNMENT
Office of Local Government

Getting started . . .

Before you commence this template, please check the following:

- You have chosen the correct template – only councils that have sufficient scale and capacity and who do not intend to merge or become a Rural Council should complete this template (Template 2)
- You have obtained a copy of the guidance material for Template 2 and instructions for completing each question
- You have completed the self-assessment of your current performance, using the tool provided
- You have completed any supporting material and prepared attachments for your Proposal as PDF documents. Please limit the number of attachments and ensure they are directly relevant to your proposal. Specific references to the relevant page and/or paragraph in the attachments should also be included.
- Your Proposal has been endorsed by a resolution of your Council.

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Council name: CLARENCE VALLEY COUNCIL

Date of Council resolution endorsing this submission: 23 JUNE 2015

1.1 Executive Summary

Provide a summary (up to 500 words) of the key points of your Proposal including current performance, the issues facing your council and your planned improvement strategies and outcomes.

In 2012 Clarence Valley Council adopted its first Strategic Organisation Action Plan (SOAP) (Refer Council Minute Item 13.059/12) which, in effect, aimed to deliver the same outcome as the Fit for the Future program – long term financial sustainability. Three (3) years on and we have an updated version of the SOAP (adopted 19 May 2015 Council Minute Item 12.013/15) which now sets out the strategic directions for Council until 2020. The analysis conducted to produce these documents showed there was no immediate threat to Clarence Valley Council's short term financial position. However, there is a risk over the long term because of the cost of our commitments to better management of our infrastructure assets. And, as is common to many councils, the costs associated with maintaining our services to the community outstrip our income.

This assessment of Council's financial position has been reinforced by the fact Council complies with only two (2) of the seven (7) financial benchmarks of the Fit for the Future program.

Since 2012, Council has been focused on ensuring we have reliable data to make informed decisions. During 2013/14 Council had all infrastructure assets independently re-valued which resulted in our depreciation expense (pre-capitalisation) reducing from $48.1M (2012/13) to $34.3M (2013/14) and that improved Council's operating result for 2013/14 by $13.8M.

Our Loan Borrowing Policy and Debt level have been independently assessed by Ernst & Young (refer item 14.064/15 April 2015 Council meeting). This review indicated that Council's existing debt levels ($126M as at February 2015) have exceeded what they consider to be acceptable levels $110M and increasing debt levels particularly in Council's General Fund is not recommended. The Ernst & Young 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 that savings from refinancing were limited due to the significant break costs – only $42M 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 $3.4M during the first five (5) years of the refinanced loan.

Prior to preparing our Draft 2015/16 Budget a review of Council services was undertaken. This review identified that Council currently provides 46 services comprising 109 sub-services. The services and sub-services have been identified as either being a non essential service (i.e. Discretionary) or an essential service that Council must provide (i.e. Non-Discretionary). The draft 2015/16 budgets have been prepared based on Zero Based Budgeting (ZBB) methodologies whereby each budget amount was built from the ground up. Where possible, all amounts included have been justified by relevant staff based on 2014/15 Budget service levels.

No formal decisions have been made by Council regarding the proposal for the Special Rate Variation (SRV) or the elimination and/or reduction in any Council services. However, we recognise that we are going to have to make some tough decisions in consultation with our ratepayers and community in order for Council to meet the "Fit for the Future" benchmarks. Council's adopted Long Term Financial Plan (Scenario 3) incorporates the following key strategies and actions which we have based our submission on:

- A proposal for Council to consider a Special Rate Variation (SRV) application to IPART for an 8% (inclusive of assumed 2.5% rate peg) rate increase each year for five (5) years commencing 2016/17. This action is subject to a ratepayer survey and community consultation in the first quarter of 2015/16.

- Asset rationalisation (including Depots and Administration offices, a legacy of amalgamation) to reduce duplication and operating costs.
- Ongoing service reviews to ensure all services deemed discretionary are valued by the community and therefore should be maintained.
- Under-utilised council/community assets to be identified and liquidated.
- Ongoing review of council service provision to ensure a culture of continuous improvement is maintained and “value for money” is achieved.
- Continued focus on managing our infrastructure assets to maximise asset life and minimise “whole of life” costs.
- Focus on reducing Council’s General Fund debt servicing costs by having no new General Fund loan borrowings until 2019/20. Council’s long-term financial plan (adopted Scenario 3) proposes new loan borrowings of $10.5M between 2019/20 to 2024/25. Funds from the new loan borrowings to be specifically used to reduce Council’s infrastructure backlog.

It is clear that each of these strategies and actions on their own will not enable Council to achieve long term financial sustainability. The goal and challenge for Council will be to achieve the optimum mix of these strategies and actions which will see Council be deemed “Fit for the Future”. This however, should not be construed as an adopted long term strategic plan of council but rather as illustrative that Clarence Valley Council has the operational capacity to achieve long term financial sustainability through application of fundamental strategic planning. Council is yet to undertake detailed community and ratepayer consultation as part of the Special Rate Variation process and the decisions that Council ultimately makes as a result will need to be incorporated into any future financial sustainability scenario planning.

Based on these key strategies and associated assumptions our long-term financial plan (adopted Scenario 3) indicates that our performance against the “Fit for the Future” benchmarks will be:

- Operating Performance Ratio – improving each year 2015/16 to 2019/20 when a beak even result will be achieved. The three (3) year average result for the benchmark will be achieved in 2021-22.
- Own Source Revenue – achieved by 2016/17.
- Building and Infrastructure Asset Renewal Ratio – improving each year to 2019/20, achieve by 2024/25.
- Infrastructure Backlog Ratio - improving each year to 2019/20, achieve by 2023/24.
- Asset Maintenance Ratio - improving each year to 2019/20, achieve by 2024/25.
- Debt Service Ratio – achieved each year to 2019/20.
- Real Operating Expenditure per capita - achieved each year to 2019/20.

Scale and Capacity

Does your council have the scale and capacity broadly consistent with the recommendations of the Independent Local Government Review Panel?

(ie, the Panel did not recommend your council needed to merge or become a Rural Council).

Yes

If No, please indicate why you are not proceeding with a voluntary merger or creation of a Rural Council as recommended by the Independent Panel and demonstrate how your council has scale and capacity (up to 500 words).

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2. Your council's current position

2.1 About your local government area

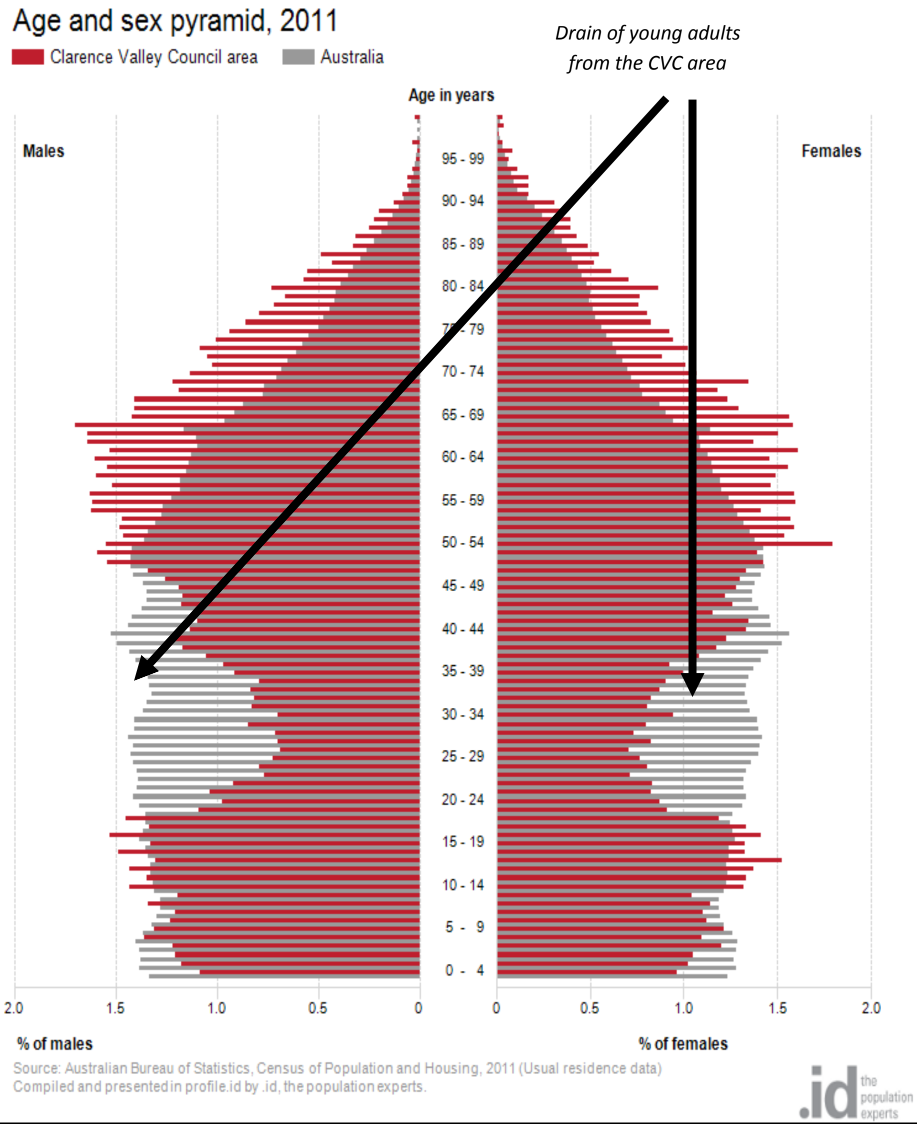
Explain the key characteristics of your local government area, your community's goals and priorities and the challenges you face in the future (up to 500 words).

You should reference your Community Strategic Plan and any relevant demographic data for this section.

The Governor of NSW proclaimed Clarence Valley Council (CVC) on 25 February 2004. This proclamation co-joined the former general purpose councils of Copmanhurst, Grafton, Maclean and Pristine Waters and the activities of North Coast Water and Clarence River County Council.

The CVC area is located in the Northern Rivers region of NSW, about 600 kilometres north of Sydney and 300 kilometres south of Brisbane and is predominantly rural, with expanding residential areas and some industrial and commercial land uses. The Council area encompasses a total land area of 10,440 square kilometres (71% of the proposed North Coast Joint Organisation area), of which a significant proportion is National Park, State Forest and nature reserves, including beaches, rainforests, mountains and rivers. Much of the area is used for forestry, agriculture and grazing, including beef cattle and sugarcane growing. Fishing is also an important industry. In more recent years 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, Yamba and some 44 small villages and localities along the coast and inland.

The population of Clarence Valley in 2012 was 51,346 persons. Projections to the year 2031 show the population is expected to increase by 2,554 persons, or 0.3% per annum, to a level of approximately 53,900.



The Age Structure of the CVC local government area provides key insights into the level of demand for age-based services and facilities and the available labour force. Single year of age data (to the left) is presented as an age-sex pyramid that enables the shape of the population to be compared against the national profile.

The chart shows the disparity between the ages of 20 to 49 where the labour force is significantly lower than the national figure, reflecting the movement of younger adults away from the Clarence Valley. The challenge is to provide employment and education opportunities that will encourage younger adults to stay and replace the mature age workers as they retire.

This diagram also highlights the concentration of older people in the Clarence compared with the national profile, which is a portent of the increased demand for aged services and domestic support services provided by Council (and other agencies) in the Valley.

We may be rapidly approaching the tipping point where service providers become service consumers.

The size of CVC areas' labour force in 2011 was 19,507, of which 7,575 were employed part-time and 9,759 were full time workers. The median weekly household income in 2011 was $768. Analysis of the employment status (as a percentage of the labour) in the Council area in 2011 compared with regional NSW shows there was a lower proportion in employment, and a higher proportion unemployed. Overall, 91% of the labour force was employed (43.9% of the population aged 15+), and 9.0% unemployed (4.3% of the population aged 15+), compared with 93.9% and 6.1% respectively for regional NSW.

The labour force participation rate refers to the proportion of the population aged 15 years and over that was employed or actively looking for work. "*The labour force is a fundamental input to domestic production. Its size and composition are therefore crucial factors in economic growth. From the viewpoint of social development, earnings from paid work are a major influence of economic well-being*." (Australia Social Trends 1995) Analysis of the labour force participation rate of the population in the Clarence Valley in 2011 shows there was a lower proportion in the labour force (48.2%) compared with regional NSW (56.4%).

The Clarence Valley Council area SEIFA Index of Disadvantage for 2011 was 919.4. This ranked Council 133 of the 152 Councils in NSW.

Since 2006, Council has produced a local Economic Monitor, which provides the latest statistics, growth trends, employment, lifestyle, approvals, investment and property news. The Monitor tracks the local economy across a range of indices. The local economy has experienced ongoing uncertainty stemming from over 300 full-time jobs in Grafton being lost within the past five (5) years. These job losses started in November 2010 with the closure of the Telstra Call Centre followed by the closure of the Grafton Abattoir. Additionally, some 100 full-time jobs were lost with the restructuring of the Grafton Gaol to a remand centre. Some of these job losses have been offset by the State Government relocating jobs to Grafton and despite these job losses the Economic Monitor shows we have a relatively consistent, stable and steadily growing economy in the Clarence Valley.

Having said this, the Clarence Valley is set to face an infrastructure 'storm' over the next five (5) years with a total estimated expenditure in excess of $5 billion. The major projects being Woolgoolga to Ballina Pacific Highway upgrade ($5B), and the new Grafton Bridge ($180M), with other public and private works such as the Sportsmans Creek Bridge ($15M) at Lawrence, Yamba Sewerage Augmentation ($25M), Maclean IGA Supermarket ($13M), Grafton Airport upgrade ($2M), CVC South Grafton Depot ($5M), Yamba Harbour Upgrade ($2M) and McLachlan Park Maclean ($1.3M) all adding to the complexity and scale of the impact. New projects seem to be coming on line almost daily with recent announcement of Grafton Hospital ($7M), a new 600 bed gaol at Grafton which is anticipated to create well over 100 new jobs for the area and various private aged care facilities ($20M). These works are all scheduled to be completed before 2020. With an estimated 1,500 road workers and another 4,000 indirect jobs to be created, the benefits to the community will be significant.

CVC itself, sits right on the edge of a once-in-a-lifetime opportunity. In line with Council's Asset Management Plan, staff are developing a prospectus of available Council assets for either sale or lease to the visiting construction companies. Other additional benefits will be:

- roadwork enabling materials, product and capability located in the Clarence, this will significantly reduce Council's works costs,
- opportunity to partner with successful contractors to ensure local roads that are impacted are returned to current engineering standards,
- upskilling of CVC staff and opportunity to recruit skilled contractor staff post construction,
- contractor legacy projects eg Grafton Waterfront Precinct, will go some way to meeting community expectations with limited resourcing from CVC.

In 2013/14 Council conducted extensive community consultation to assist with the preparation of Council's community strategic plan, Our Community Plan 2015-2024 (copy attached).

There are five broad strategic themes (Society, Infrastructure, Economy, Environment and Leadership) in Our Community Plan (OCP) around which all the objectives, strategies and actions are built.

Overall, just in excess of half of the Clarence Valley residents surveyed were either satisfied or very satisfied with Council's overall performance, with Council receiving an overall score of 3.51 out of 5, which, by industry standards, is considered to be a 'medium' level of satisfaction. Further analysis of the results showed there was no main standout reason amongst residents who were unsatisfied for feeling the way they do.

In total, a range of 25 services and facilities were analysed. Council services that received particularly strong performance ratings included sewerage services, libraries, sporting fields and waste management. Services that were identified as being of high importance that required improvement were maintaining sealed roads and town streets, communication and community engagement, economic development, youth services, civic leadership and advocacy. This important feedback was taken into consideration in the development of the OCP and the associated Delivery Program and Operational Plan.

2.2 Key challenges and opportunities

Clarence Valley Area

Strengths	Weaknesses
• Location • Climate and natural environment • Quality of life • Population >50,000 • Low cost of living • Recreation and sporting-based opportunities • Clarence River and coastal waters • Key infrastructure in place (water, sewerage, waste) • Tourism • Diverse economic base	• Low socio-economic area • Large unrateable land area • Multiple work locations • Medical Services • Low wage rate • Dispersed population \ large area • Demographically dispersed • Legacy infrastructure • Youth retention • Low land values • Lack of industry – non agri-business
Opportunities	**Threats**
• Waste disposal \ landfill • Available land – residential and industrial • Regional collaboration – location is suitable • National Broadband Network (NBN) • Pacific Highway upgrade • New Grafton bridge • Employment opportunities – aged care and mental health industries • Yamba port • Change in agribusiness • Education • Tourism • Ageing population • Water and Sewer infrastructure	• Ageing population and workforce • Natural disasters / hazards • Pacific Highway upgrade • Decline in agricultural industries • Environmental hazards • Tourism • Lack of public transport

Clarence Valley Council – Organisation & Services

Strengths

- Professional staff
- Detailed knowledge of assets
- Technology/innovation
- New sewerage infrastructure
- Organisational systems
- Regional landfill
- Regional water supply
- Significant infrastructure expenditure
- Organisational capacity
- Macro structure
- Land-based planning
- Stable workforce
- Personal level of service
- Non-partisan Council
- Strong civic leadership
- Strategic Organisation Action Plan (S.O.A.P.)
- Communications

Weaknesses

- Ageing workforce
- Undocumented corporate knowledge
- Large number of assets \ large geographic area
- Legacy planning issues
- Legacy infrastructure from amalgamation – duplicated assets
- Reactive
- Innovation
- Expectation of service delivery
- Under-utilised assets
- Reliance on grants

Opportunities

- Ageing workforce
- Technology
- Asset rationalisation
- Improved asset management plans & strategies
- Grafton Bridge and Pacific Highway upgrade
- Improve community consultation
- Entrepreneurial activities
- Improved culture
- Special Rate Variation
- Manage change
- Service level reviews
- Better utilisation of organisational systems
- Regional collaboration

Threats

- High level of expectation from the community
- Ageing workforce
- Lack of knowledge management
- > Population growth rates
- Government cost shifting and withdrawal of services
- Changes in regulatory requirements
- Increased legacy infrastructure from large projects (Grafton Bridge, Highway upgrade)
- Stable workforce
- Increased expectation for consultation
- Increased "red tape"
- Ageing population
- Resourcing change
- Community's capacity to pay

2.3 Performance against the Fit for the Future benchmarks

Sustainability

Measure/ benchmark	2013 / 2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	-0.293	No	-0.217	No
Own Source Revenue Ratio (Greater than 60% average over 3 years)	56.3%	No	60.5%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	28.7%	No	25.1%	No

If the Fit for the Future benchmarks are not being achieved, please indicate why.

For example, historical constraints/context, one-off adjustments/factors, council policies and trade-offs between criteria.

When Clarence Valley Council was formed in 2004 from the amalgamation of Grafton City, Maclean Shire, Copmanhurst Shire, Pristine Waters, North Coast Water and Clarence River County Councils a significant amount of time and resources was needed to enable formation of the new Council and ensure service delivery. In April 2012 Council adopted a Strategic Organisation Action Plan (SOAP) which detailed the strategies and objectives for Council to achieve long term financial sustainability and since then has been working to achieve that goal as evidenced by the improvement in Council's KPI benchmark results over the past 3 years (CVC Self Assessment document attached). Council owns and is responsible for a total of $1.974 billion (as at 30 June 2014) of assets. The annual depreciation expense (pre-capitalisation) on these assets is $34.3M (2013/14). Council traditionally has never funded depreciation and along with the annual maintenance requirements of these assets and the ever increasing demands on council services has left our income well short of matching these expenses. In short, there is more demand on services than can be met with our current income and is the primary reason why Council is not currently meeting the Sustainability benchmarks.

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2.3 Performance against the Fit for the Future benchmarks

Infrastructure and service management

Measure/ benchmark	2013 /2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
Infrastructure Backlog Ratio (Less than 2%)	26.31%	No	6.3%	No
Asset Maintenance Ratio (Greater than 100% average over 3 years)	56.8%	No	67.9%	No
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	6.14%	Yes	7.1%	Yes

If the Fit for the Future benchmarks are not being achieved, please indicate why.

Council owns and is responsible for a total of $1.974 billion (as at 30 June 2014) of assets. Comprising the following:

- 1,170ha of parks, sports fields and reserves
- 3 indoor sports centres
- 6 public swimming pools
- 2 community centres and 37 community halls
- 4 public libraries
- 2,068 km of local roads (sealed and unsealed)
- 283 bridges (129 timber & 154 concrete)
- 378 km of regional roads (sealed and unsealed)
- 1 regional art gallery
- 1 regional airport and 1 aerodrome
- 5 administration buildings
- 8 works depots

The annual depreciation expense (pre-capitalisation) on these assets is $34.3M (2013/14). Council traditionally has never funded depreciation and along with the annual maintenance requirements of these assets, and the ever increasing demands on council services has left council's income well short of matching these expenses. In short, there is more demand on our services than we can meet with our current income and is the primary reason why Council is not currently meeting the Infrastructure Backlog Ratio and the Asset Maintenance Ratio.

Since the adoption of the SOAP in 2012 Council has been focused on improving our infrastructure asset data and to this end has formed an Asset Management Steering Group with staff representatives from each of the asset class custodians. This Groups' focus is to ensure a co-ordinated approach to Asset Management for council. Council is also making changes to its current Works & Civil organisation structure which will create a dedicated team of staff responsible for the management of Council's asset data collection and modelling of optimum asset renewal and maintenance levels to inform long term Asset Management Plans.

Council has also joined with other Mid North Coast Councils (MIDROC) to form a project team that is facilitated by expert asset management consultants from Jeff Roorda & Associates. The key objectives of this project team are to achieve consistency across the councils in their 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

The guidance and support from the MIDROC project has enabled Council to better define the required annual maintenance of infrastructure assets and also permitted a more consistent approach to be implemented in defining assets deemed to fall within the “back log” category. The work that has been completed to date will assist with ensuring more reliable asset data is presented for inclusion in Council’s Special Schedule 7 reporting.

2.3 Performance against the Fit for the Future benchmarks

Efficiency				
Measure/ benchmark	**2013 /2014 performance**	**Achieves FFTF benchmark?**	**Forecast 2016 / 2017 performance**	**Achieves FFTF benchmark?**
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	1.55	Yes	1.51	Yes

If the Fit for the Future benchmarks are not being achieved, please indicate why.

2.4 Water utility performance

NB: This section should only be completed by councils who have direct responsibility for water supply and sewerage management

Does your council currently achieve the requirements of the NSW Government Best Practice Management of Water Supply and Sewerage Framework?

No

If NO, please explain the factors that influence your performance against the Framework.

Council currently meets 100% of the NSW Best-Practice Management (BPM) Framework for its Sewerage Service (NSW Office of Water TBL Sewerage Performance Report for 2013-14 is attached). Council currently meets 90% of the NSW BPM Framework for Water Supply (NSW Office of Water (NOW) TBL Water Supply Performance Report for 2013-14 is attached).

The primary reason for Council not meeting 100% of the BPM requirements for Water Supply is because it currently does not meet the 25% income from fixed charges and 75% income from consumption charges. When Council's current pricing path was adopted in 2005/06 it met the 25%/75% split but subsequent changes in residential consumption have meant that Council no longer complies with this requirement. Council has not previously applied for "deemed compliance" under Circular LWU11 as its Strategic Business Plan for water has been scheduled for review since 2010 pending the release of NOW's updated Developer Charges Guidelines for Water Supply, Sewerage and Stormwater (as Council proposed to update its Strategic Business Plan and Development Servicing Plan concurrently). However, despite NOW issuing draft guidelines for consultation in 2012, final guidelines are still yet to be released.

How much is your council's current (2013/14) water and sewerage infrastructure backlog?

2013/14 Water Supply Infrastructure backlog = $9.795 million. This equates to 2.5% of the WDV of the Water Supply assets as at 30 June 2014 of $386.18M.

2013/14 Sewerage Network Infrastructure backlog = $3.107 million. This equates to 1.3% of the WDV of the Sewerage Network assets as at 30 June 2014 of $241.133M.

This information has been compiled from those Water Supply and Sewerage Network assets deemed to have a Condition rating of 4 or 5 (updated from 2013/14 Special Schedule 7 report based on MIDROC Asset Group Infrastructure Backlog definition).

2.4 Water utility performance

Identify any significant capital works (>$1m) proposed for your council's water and sewer operations during the 2016-17 to 2019-20 period and any known grants or external funding to support these works.

Capital works

Proposed works	Timeframe	Cost	Grants or external funding
Implementation of capital works identified in risk assessment undertaken as required by Drinking Water Quality Assurance Management Plan (specific works yet to be identified – budget allowance included in forward financial plan)	2016/17	$3 Million	Nil
Replace section of trunk main serving Maclean/Yamba area if significant riverbank failure requires main to be re-routed away from the riverbank.	Provisionally 2016/17. This work would only proceed if significant failure occurred and it is kept in the budget two (2) financial years ahead of the current year for financial modelling purposes as it would take two (2) years to finalise property acquisitions.	$3 Million	Nil

Rehabilitation of Maclean, Townsend and Ilarwill STPs	2016/17	$2.1 Million	Project is eligible for 21% financial assistance under the CTWS&SS.

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2.4 Water utility performance

Does your council currently manage its water and sewerage operations on at least a break-even basis?

Yes

If No, please explain the factors that influence your performance.

2.4 Water utility performance

Identify some of your council's strategies to improve the performance of its water and sewer operations in the 2016-17 to 2019-20 period.

Improvement strategies

Strategy	Timeframe	Anticipated outcome
1. Upgrade telemetry system to Clear SCADA (5 year program).	2016/17 to 2019/20	Single telemetry system covering all sewer and water operations (currently 3 systems due to continuing pre-amalgamation systems) which will give greater operational efficiencies.
2. Implementation of Maintenance Management System for all water and sewer assets	2015/16 - 2016/17	Move from reactive to proactive maintenance with expected decrease in breakdown maintenance.

3. Improve field based access to corporate IT systems.	2016/17	Reduce “double handling” of information with operational staff able to directly update corporate systems in the field.
4. Implement capital works identified in Drinking Water Quality Assurance Management Plan.	2016/17	Improvement to drinking water quality so that reduced staff time is required to respond to customer reports of adverse water quality.
5. Joints projects with both the North Coast Joint Organisation (and also the Far North Coast JO)	2016/17 to 2019/20	Council has already undertaken projects with adjoining councils, which has given improved efficiency and financial savings, and these benefits are expected to continue.

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3. How will your council become/remain Fit for the Future?

3.1 Sustainability

Summarise your council's key strategies to improve performance against the Sustainability benchmarks in the 2016-20 period, including the outcomes you expect to achieve.

The key strategies and actions we propose to implement that will improve our performance against the Sustainability benchmarks are:

- A proposal for Council to consider a Special Rate Variation (SRV) application to IPART for an 8% (inclusive of assumed 2.5% rate peg) rate increase each year for five (5) years commencing 2016/17. This action is subject to a ratepayer survey and community consultation in the first quarter of 2015/16.
- Asset rationalisation (including Depots and Administration offices; a legacy of amalgamation) to reduce duplication and operating costs.
- Ongoing service reviews to ensure all services deemed discretionary are valued by the community and therefore should be maintained.
- Under-utilised council/community assets to be identified and liquidated.
- Ongoing review of council service provision to ensure a culture of continuous improvement is maintained and "value for money" is achieved.
- Continued focus on managing our infrastructure assets to maximise asset life and minimise "whole of life" costs.

The key focus of these strategies are about increasing Council's income (via the SRV) and reducing operating costs to ensure we can achieve the Operating Performance and Own Source Revenue Ratios by 2019/20, and that we have the funds available to allocate to asset renewals that will result in our performance against the Building and Infrastructure Asset Renewal Ratio improving during the 2016-2020 period.

Based on these key strategies and associated assumptions our long term financial plan (adopted Scenario 3) indicates that our performance against the Sustainability benchmarks will be:

- Operating Performance Ratio – improving each year 2015/16 to 2019/20 when a beak even result will be achieved. The three (3) year average result for the benchmark will be achieved in 2021-22.

- Own Source Revenue – achieved by 2016/17.
- Building and Infrastructure Asset Renewal Ratio – improving each year to 2019/20, will achieve by 2024/25

Explain the key assumptions that underpin your strategies and expected outcomes.

For example the key assumptions that drive financial performance including the use of SRVs, growth in rates, wage increases, Financial Assistance or other operating grants, depreciation, and other essential or major expense or revenue items.

The key assumptions which underpin Council's Long Term Financial Plan (adopted Scenario 3) are as follows:

- A proposal for Council to consider a Special Rate Variation (SRV) of 8% pa (inclusive of assumed 2.5% rate peg) for five years commencing in 2016/17 to improve financial flexibility and to assist in reducing the Infrastructure Renewal Backlog and Asset Maintenance Gap. The SRV will increase Council's rate income by $12.8M over the 5 years. This action is subject to a ratepayer survey and community consultation in the first quarter of 2015/16.

- In order to increase operating income further it has been assumed that User Charges & Fees will also need to be increased by 10% pa for 4 years commencing 2016/17 and then by 5% in 2020/21. From 2021/22 it has then been indexed by the estimated CPI of 2.5%. This assumption includes an allowance for increases in regulatory income associated with continuing building & development growth and the flow on effects of the Grafton Bridge and Pacific Highway works.

- The Financial Assistance Grant of $10.2M (2014/15) has not been indexed due the Federal Government's decision to pause indexation of the Financial Assistance grants to local government for 3 years commencing 1 July 2014. The grant has been indexed by 2.5% from 2017/18 through to 2024/25.

- Interest on Investment income has been left at a conservative rate of 2.9% per year, based on current returns and estimated balances held each year. Even if rates did rise above this other variables may result in internal reserves having to be further utilised to maintain the increase spending on asset maintenance and renewals.

- Employee award wage increases are indexed from 1 July 2015 by 2.7% (2014 LG Award) and to reflect some service rationalisation by 1.8% from 1 July 2016 (Award increase 2.8%). From 2017/18 out to 2024/25 employee wages have been indexed by 2.5%.

- The workers compensation premium has been estimated at 3.5% of the estimated wages for 2015-16 assuming all positions on the organisation structure are filled. From 2016/17 indexed in line with employee award increases.

- Superannuation – Employees are generally in either of two (2) schemes being:

  - ❖ The Defined Benefits Scheme whereby Council must contribute $1.90 for every dollar the employee elects to contribute up to a maximum of 9% of their gross wage plus a basic benefits component of 2.5%. The rate assumed for 2015/16 is the current rate elected by the employee. An employee can elect to change their rate each year which comes into effect on the following April.

  - ❖ The Super Guarantee Scheme (SG) whereby Council is legislatively required to contribute 9.5% of the employee's gross wage for 2015/16 (Super Guarantee Charge or SGC). Based on the new Federal law, the SGC will remain at 9.5% for 7 years, increasing to 10% from July 2021, and eventually to 12% from July 2025.

- Electricity prices are expected to reduce over the next four years, as such the 2015/16 budgeted figures have been reduced by 10% from the 2014/15 budgeted figures. From 2016-17 no percentage increase has been applied through to 2018/19. From 2019/20 it has been assumed that prices will increase by CPI of 2.5%.

- Insurance premiums have been indexed by 5% per year.

- Commencing from 2016/17 increase spending on maintenance and infrastructure renewal, balanced with the current level of capital expenditure on new assets. The projected 2015/16 asset maintenance gap of $4.6m has been gradually closed over the next nine years, the outstanding amount each year has also been indexed by CPI. Therefore each year's increased expenditure amount has been incremented by the prior year so to eliminate the gap by 2024/25.

- Infrastructure renewal has also been added each year, which has also had a positive impact on the operating position by increasing the amount of capitalised employment costs and hence reducing the amount of employment costs indicated on the income statement. The proposed additional expenditure is as follows.

  - 2016/17 $2.5m
  - 2017/18 $2.5m
  - 2018/19 $5m
  - 2019/20 $5m
  - 2020/21 $5m

These strategies will nearly double the current $21m General Fund total annual capital expenditure by year 2024/25.

- A rigorous review of all services and service levels with reduction or elimination wherever possible. Additionally, devising programs and strategies to contain rising costs and improve efficiencies resulting in a decrease in various operating costs. As such, although Materials and Contracts has been increased each year, this is a net increase and reflects the required increase in asset maintenance expenditure whilst at the same time reflecting the reduction that the rationalisation of services.

  The net percentage increases applied to Materials & Contracts is as follows.

2016/17 **4%**	2018/19 **5%**	2020/21 **9%**
2017/18 **5%**	2019/20 **6%**	2021/22 **8%**

  From 2022/23 CPI of **2.5%**

- Rationalise and review all assets including the review of operating and financing of current plant and equipment.

  In line with this assumption Depreciation expense has been adjusted as follows:

  > Initially, Depreciation expense has been indexed from the budgeted 2014-15 amount by 7% to allow for the possible impact of the removal of residual values in direct response to the Australian Accounting Standards Board latest determination on the valuation of assets. It has then been assumed that a reduction in the years 2016/17 and 2017/18 of 1% and then a further reduction of 2% in 2018/19 and 2019/20 will be probable as a result of the Asset Rationalisation strategies.

- Other Operating Expenses have been decreased by **4.85%** each year for 4 years commencing from 2016/17 to reflect the operational efficiencies planned. From 2020/21 these costs have been indexed by estimated CPI of **2.5%.**

3.1 Sustainability

Outline your strategies and outcomes in the table below.

3.1 Sustainability				
Objective	**Strategies**	**Key milestones**	**Outcome**	**Impact on other measures**
1. Increase Council's Rate Income	a) Proposal for Council to consider application to IPART for a Special Rate Variation (SRV) – 8% (inclusive of assumed 2.5% rate peg) per year for five (5) years commencing 2016/17.	July 2015 – commence ratepayer and community consultation on SRV proposal. Includes discussion on 25 identified discretionary services. September 2015 – conclude ratepayer and community consultation. October 2015 – Report to Council outcome of SRV ratepayer and community consultation November 2015 – Council to determine	SRV will increase Council's rate income by $12.8M over the 5 years	The increased revenue will assist Council with meeting the benchmark target for the Operating Performance Ratio and it will ensure Council meets the Own Source Revenue Ratio. The increased revenue will contribute to Council also meeting the Building & Infrastructure Asset Renewal Ratio, the Asset Maintenance Ratio and the Infrastructure Backlog Ratio.

		whether to proceed with the SRV application to IPART. December 2015 – advise IPART whether proceeding with SRV application. February 2016 – assuming Council resolves to proceed with the SRV submit the SRV application to IPART. May 2016 – IPART SRV determination June 2016 – assuming Council has made application to IPART for the proposed SRV and it has been approved by IPART Council to decide whether to implement the SRV for 2016/17.		
2. Continue with Service Reviews	a) Review all discretionary and non-essential Council Services	2015/16 – review Council's Mobile Library Service	Annual efficiency savings of minimum $250,000 per year 2015/16 to 2019/20	The reduction in council expenses will assist Council with meeting the

		2015/16 – strategic review of Regional Gallery & associated landholdings. 2015/16 – review Council owned quarries and saleyards. 2016/17 – strategic review of Council cemetery operations. 2016/17 – review Council's ongoing support for the Floodplain Voluntary House Raising Policy 2016/17 - review Aquatic Facilities – currently operate 6 public swimming pools		benchmark target for the Operating Performance Ratio. The reduction in Council's asset base will have a positive impact on Council improving its performance against the Building and Infrastructure Asset Renewal Ratio. The reduction in council expenses will assist Council with meeting the Efficiency benchmark for Real Operating Expenditure per Capita.
3. Asset Rationalisation	a) Works Depot Rationalisation	2015/16 - Council commit to the construction of a new Works Depot in South Grafton.	Operational efficiencies of a minimum $250,000 per year 2015/16 to 2019/20.	The reduction in council expenses will assist Council with meeting the benchmark target for the Operating Performance Ratio.

		2016/17 - Council vacate Weeds Depot South Grafton, dispose or lease. 2017/18 – new Works Depot completed in South Grafton 2017/18 – vacate Bruce Street Depot Grafton, dispose or lease. 2017/18 – vacate Floodplain Works Depot, dispose or lease. 2017/18 – vacate Schwinghammer Street South Grafton Works Depot, dispose or lease.		The reduction in Council's asset base will have a positive impact on Council improving its performance against the Building and Infrastructure Asset Ratio. The reduction in council expenses will assist Council with meeting the Efficiency benchmark for Real Operating Expenditure per Capita.
	b) Administration Office Building Rationalisation	2015/16 - Council commit to the refurbishment of Administration Offices	Operational efficiencies of a minimum $150,000 per year 2015/16 to 2019/20.	The reduction in Council expenses will assist Council with meeting the

		at 2 Prince Street Grafton 2015/16 - vacate Council Admin Office Pound Street Grafton, dispose or lease. 2015/16 - vacate Council Admin Office McNaughton Place Maclean, dispose or lease. 2015/16 - Council dispose of former Regional Library office Spring Street South Grafton 2017/18 - commence refurbishment of Prince Street Grafton Admin office 2018/19 - Council finalise refurbishment of Prince Street Grafton Admin Office 2018/19 - vacate 42 Victoria Street Grafton Admin office, dispose		benchmark target for the Operating Performance Ratio, The reduction in Council's asset base will have a positive impact on Council improving its performance against the Building and Infrastructure Asset Ratio The reduction in council expenses will assist Council with meeting the Efficiency benchmark for Real Operating Expenditure per Capita.

		or lease. 2018/19 - consolidate Community Care staff offices in Maclean into 50 River Street Maclean Admin Office Dispose of 2 & 4 Short Street Maclean (former Community Care staff offices).		
4. Review Service Delivery	a) Review Light Fleet & Heavy Plant Operations – Own-v- Lease & review vehicle servicing model	June 2015- issue brief for consultancy to complete Fleet Review July 2015 – engage consultant to complete the Fleet Review October 2015 – consultants report received December 2015 – report outcome of review to Council January 2016 to June 2016 - implement Council adopted recommendations	Operational efficiencies achieved unable to accurately quantify at this time.	Positive impact on meeting the benchmark target for the Operating Performance Ratio

		from the Fleet Review		
	b) Review options for contracting –v- staff service provision	July 2015 – December 2015 Managers to develop options for service provision to be market tested against option for contracting the service, e.g. broad acre mowing/slashing services	Operational efficiencies achieved unable to accurately quantify at this time	Positive impact on meeting the benchmark target for the Operating Performance Ratio
	c) Review Service Delivery Model for Library & Community Development Services	2016/17 - commence review/investigate relocation of Yamba Library to Treelands Drive Community Precinct – Yamba	Operational efficiencies achieved unable to accurately quantify at this time	Positive impact on meeting the benchmark target for the Operating Performance Ratio. The reduction in

		2016/17 - commence review/investigate relocation of Maclean Library to 50A River Street Maclean to create Community Precinct for Maclean 2017/18 - extend Treelands Drive Community Centre to accommodate Yamba Library 2018/19 - dispose/lease Wooli Street Yamba Library & Public Hall 2018/19 - relocate Maclean Library to 50A River Street Maclean community precinct 2019/20 - dispose/lease Maclean Library building Stanley Street Maclean		Council's asset base will have a positive impact on Council improving its performance against the Building and Infrastructure Asset Renewal Ratio

3.2 Infrastructure and Service Management

Summarise your council's key strategies to improve performance against the Infrastructure and service management benchmarks in the 2016-20 period, including the outcomes you expect to achieve.

The key strategies and actions we propose to implement that will improve our performance against the Infrastructure and Service Management benchmarks are:

- A proposal for Council to consider a Special Rate Variation (SRV) application to IPART for an 8% (inclusive of assumed 2.5% rate peg) rate increase each year for five (5) years commencing 2016/17. This action is subject to a ratepayer survey and community consultation in the first quarter of 2015/16.
- Asset rationalisation (including Depots and Administration offices) to reduce duplication and operating costs
- Under-utilised council/community assets are identified and disposed of.
- Continued focus on managing our infrastructure assets to maximise asset life and minimise "whole of life" costs.
- Focus on reducing Council's General Fund debt servicing costs by having no new General Fund loan borrowings until 2019/20. Council's long-term financial plan (adopted Scenario 3) proposes new loan borrowings of $10.5M between 2019/20 to 2024/25.

The key focus of these strategies are about increasing Council's income (via the SRV) to enable funds to be allocated to asset maintenance and reducing Council's Infrastructure backlog. Asset rationalisation will reduce Council's asset base and in turn reduce Council's asset maintenance obligations. Funds from the new loan borrowings to be specifically used to reduce Council's Infrastructure backlog.

Based on these key strategies and associated assumptions our long term financial plan (adopted Scenario 3) indicates that our performance against the Infrastructure and Service Management benchmarks will be:

- Infrastructure Backlog Ratio – improving each year to 2019/20, will achieve by 2023/24.
- Asset Maintenance Ratio – improving each year to 2019/20, will achieve by 2024/25.
- Debt Service Ratio – will achieve each year 2015/16 to 2019/20.

Explain the key assumptions that underpin your strategies and expected outcomes.

- Increased income from the Special Rate Variation will be applied to addressing Council's asset maintenance gap. The assumptions included in the Long Term Financial Plan (LTFP) are detailed above within the assumptions for Sustainability.

- Council's LTFP proposes no new loan borrowings until 2019/20. A total of $10.5M in loan borrowing is planned from 2019/20 to 2024/25 which is to be used to reduce the Infrastructure Backlog.

  The proposed New Loans have been based on Principal/Interest repayments using an interest rate of 6% over a term of 20 years. The annual borrowings from 2019/20 are as follows:

2019-20 $1.5m	2022-23 $2.5m
2020-21 $1.5m	2023-24 $2m
2021-22 $1.5m	2024-25 $1.5m

3.2 Infrastructure and Service Management

Outline your strategies and outcomes in the table below.

3.2 Infrastructure and service management				
Objective	**Strategies**	**Key milestones**	**Outcome**	**Impact on other measures**
1. Develop a centralised and unified Asset Management System incorporating consistent and simplified methodologies that will provide meaningful information so as to enable informed decision-making processes to eventuate.	a) Create a dedicated team of staff responsible for Council wide Asset Management Planning	2015/16 implement Works & Civil organisation re-structure with Asset Team in place by December 2015	Better management of asset data collection and modelling of optimum asset renewal and maintenance levels.	Positive impact on Council improving its performance against the Building and Infrastructure Asset Renewal Ratio and the Asset Maintenance Ratio
	b) Continue to participate in Mid North Coast Councils(MIDROC) Asset Management Project	2015/16 - objectives of MIDROC Project achieved by June 2016	Consistent approach to: • Assessing asset condition • Level of service definition/measurement	Positive impact on Council improving its performance against the Building and Infrastructure Asset Renewal Ratio, the

			• Valuing assets and determining useful life. • Calculating the infrastructure backlog. • Calculating the required annual maintenance.	Asset Maintenance Ratio, and the Infrastructure Backlog Ratio
	c) Improve field based access and usage of Asset Data systems	2015/16 -2017/18 - continue implementation of electronic data collection of field based asset data.	Reduce “double handling” of asset data and allow more intelligent use of data to enable robust decision making in the management of Council’s assets.	Positive impact on Council improving its performance against the Building and Infrastructure Asset Renewal Ratio, the Asset Maintenance Ratio, the Infrastructure Backlog Ratio, and the Efficiency benchmark Real Operating Expenditure per capita.

	d) Develop and implement updated Asset Accounting Protocol	2015/16 - by June 2016 finalise development of updated Asset Accounting Protocol which provides guidance to staff on asset capitalisation thresholds, classification of expenses between renewal / upgrade/ operating/ maintenance, asset residual values, useful lives, custodianship and Asset sub-categories/components and segments.	Better management of asset data collection and classification of expenditure.	Positive impact on Council improving its performance against the Building and Infrastructure Asset Renewal Ratio, the Asset Maintenance Ratio, the Infrastructure Backlog Ratio, and the Efficiency benchmark Real Operating Expenditure per capita.

	e) Continue to utilise/access NAMs software to facilitate preparation of Council's Asset Management Plans and Asset Strategy	2015/16 to 2019/20 - asset data updated within NAMs each year to inform asset maintenance and renewal requirements for annual budget preparation and long term financial plan modelling.	Will facilitate preparation of detailed preventative maintenance plans for all Council assets so as to extend asset useful lives and reduce long term costs.	Positive impact on Council improving its performance against the Building and Infrastructure Asset Renewal Ratio, the Asset Maintenance Ratio, the Infrastructure Backlog Ratio.
2. Continual review and assessment of all physical assets with a view to identifying usage and relevance to Council requirements, and to enable improved usage or potential rationalisation of under-utilised and surplus assets to occur.	a) Review utilisation of Council Assets	2015/16 – planned review of all Council land holdings including "pocket parks" in urban areas which may be surplus to Council/community needs. 2015/16 - continue with implementation of Playground Asset Replacement (refer Council Minute 14.010/15 attached) 2015/16 - continue with Public Amenities Rationalisation (refer Council Minute	Operational efficiencies achieved unable to accurately quantify at this time	Positive impact on meeting the benchmark target for the Operating Performance Ratio. The reduction in Council's asset base will have a positive impact on Council improving its performance against the Building and Infrastructure Asset Renewal Ratio and the Asset Maintenance Ratio

		14.073/15 attached) 2016/17 - review provision of Public Halls – council currently controls 37 public halls 2016/17 - review provision of the 12 public tennis court complexes that council maintains		
3. Increase revenue to fund infrastructure backlog.	a) New Loan Borrowings to fund projects associated with reducing Council's Infrastructure Backlog	2019/20 - new loan borrowings $1.5M 2020/21 - new loan borrowings $1.5M 2021/22 - new loan borrowings $1.5M 2022/23 - new loan borrowing $2.5M 2023/24 - new loan borrowing $2M 2024/25 - new loan borrowing $1.5M	Increased funding to complete projects associated with reducing Council's Infrastructure Backlog	Increased funding from loans will enable Council funds to be allocated to asset renewals which will assist with meeting the Building and Infrastructure Asset Renewal Ratio.

3.3 Efficiency

Summarise your council's key strategies to improve performance against the Efficiency measures in the 2016-20 period, including the outcomes you expect to achieve.

The key strategies and actions we propose to implement which will improve our performance against the Efficiency benchmark are:

- Asset rationalisation (including Depots and Administration offices; a legacy of amalgamation) to reduce duplication and operating costs
- Under-utilised council/community assets to be identified and liquidated.
- Continued focus on managing our infrastructure assets to maximise asset life and minimise "whole of life" costs.
- Ongoing review of council service provision to ensure a culture of continuous improvement is maintained and "value for money" is achieved.
- Continued implementation of Council's Strategic Organisation Action Plan (SOAP) 2015-2020.

The key focus of these strategies are about reducing Council's operating costs to ensure the Real Operating Expenditure per capita benchmark is met each year from 2015/16 to 2019/20.

Based on these key strategies and associated assumptions our long term financial plan (adopted Scenario 3) indicates that our performance against the Efficiency benchmark will be:

- Real Operating Expenditure per capita – will meet each year to 2019/20.

Explain the key assumptions that underpin your strategies and expected outcomes.

The key assumptions which underpin Council's Fit for the Future submission, which have been detailed above within Section 3.1 Sustainability and Section 3.2 Infrastructure and Service Management also apply here to the Efficiency benchmark. The key strategies and actions proposed are about council being more efficient and effective in the delivery of its services to the community.

3.3 Efficiency

Outline your strategies and outcomes in the table below.

3.3 Efficiency

Objective	Strategies	Key milestones	Outcome	Impact on other measures
1. Review Service Delivery	a) Review work location arrangements progressively across the organisation with particular consideration to improved asset utilisation and productivity improvements.	2015/16 - transfer staff from Pound St Grafton office to 42 Victoria St and Prince Street Grafton offices to enable 70 Pound Street office to be sold or leased. 2015/16 - transfer staff from Admin Office McNaughton Place Maclean to 50 River Street Maclean Admin Centre 2017/18 – consolidation of Works depot and engineering staff into	Operational efficiencies to be achieved – estimated to be $250,000 per year 2015/16 to 2018/19	Positive impact on meeting the benchmark target for the Operating Performance Ratio. Productivity improvements will have a positive impact on Council improving its performance against the Building and Infrastructure Asset Renewal Ratio and the Asset Maintenance Ratio

		new depot at South Grafton 2018/19 – consolidate all administration staff into new refurbished Prince Street Grafton Admin Office 2018/19 - consolidate Community Care staff offices in Maclean into 50 River Street Maclean Admin Office		
	b) 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.	2015/16 to 2019/20 - Managers required to review section staff structures on an annual basis and all staff vacancies require Executive approval to proceed with recruitment. 2015/16 to 2019/20 Business unit reviews to include business process re-engineering to minimise costs	Savings from vacancies during recruitment $200,000 per year Operational efficiencies achieved unable to accurately quantify at this time	Positive impact on meeting the benchmark target for the Operating Performance Ratio. Annual operating savings will have a positive impact on Council improving its performance against the Building and Infrastructure Asset Renewal Ratio and the Asset Maintenance Ratio

		through elimination of wastage and improvements in productivity		
	c) Implementation of revised Sustainable Procurement Policy and associated Purchasing and Tendering Procedures	July 2015 – new Purchasing & Tendering procedures implemented in accordance with Council's Sustainable Procurement Policy	Reduced operating costs anticipated as procurement becomes planned rather reactive.	Positive impact on meeting the benchmark target for the Operating Performance Ratio
2. Improved Financial Planning and Performance Management reporting	a) Implement new financial modelling and performance planning software	July 2015 – implement new Enterprise Budgeting and reporting software based on Council's Service and Sub-service structure July – September 2015 - implement new Performance Planning software which facilitates automated reporting of progress	Improved financial modelling and performance reporting to enable informed decisions to be made.	Positive impact on all Fit for the future benchmarks.

		against Council's identified Objectives/ Strategies and Actions within Council's Delivery Program and annual Operational Plan		
3. Improved Corporate System Integration	a) Better utilisation of technology and corporate systems	2015/16 – 2019/20 - review staff training plans to ensure they are focused and aligned to Council's business needs. Training to be provided to ensure staff obtain and maintain a sound understanding of the corporate applications they use and that all corporate systems are utilised to their full potential. 2015/16 – continued focus on Corporate system integration to eliminate duplication and improve efficiency and data	Improve productivity and streamline our services by better utilisation of our corporate systems and web based technology.	Positive impact on meeting the benchmark target for the Operating Performance Ratio

		integrity. 2015/16 – upgrade Council's Electronic Records Management System (ECM) to latest version to enable better integration with Council's other Corporate Systems 2016/17 – 2019/20 - focus on maximising our use of web based information services to our community.		

3.4 Improvement Action Plan

Summarise the key improvement actions that will be achieved in the first year of your plan.

Action plan

Actions	Milestones
1. Proposal for Council to consider application to IPART for a Special Rate Variation (SRV) – 8% (inclusive of assumed 2.5% rate peg) per year for five (5) years commencing 2016/17.	July 2015 – commence ratepayer and community consultation on proposed SRV. Includes discussion on 25 identified discretionary services. September 2015 – conclude ratepayer and community consultation. October 2015 – Report to Council outcome of SRV ratepayer and community consultation November 2015 – Council to determine whether to proceed with the SRV application.

	December 2015 – advise IPART whether proceeding with SRV application. February 2016 – assuming Council resolves to proceed with the SRV submit the SRV application to IPART May 2016 – IPART SRV determination June 2016 – assuming Council has made application for the SRV and it has been approved by IPART Council to decide whether to implement SRV for 2016/17.
2. Asset Rationalisation to reduce duplication and operating costs	By December 2015 - transfer staff from Pound St Grafton office to 42 Victoria St and Prince Street Grafton offices. By March 2016 - transfer staff from admin office at McNaughton Place Maclean to 50 River Street Maclean Admin Centre. By June 2016 - Council commit to the construction of a new Works Depot in South

	Grafton By June 2016 - Council commit to the refurbishment of Administration Offices at 2 Prince Street Grafton By June 2016 – dispose/lease 70 Pound Street Grafton, McNaughton Place Maclean and former Regional Library office Spring Street South Grafton
3. Review Light Fleet & Heavy Plant Operations – Own-v- Lease & review vehicle servicing model	June 2015- issue brief for consultancy to complete Fleet Review July 2015 – engage consultant to complete the Fleet Review October 2015 – consultants report received December 2015 – report outcome of review to Council January 2016 to June 2016 - implement Council adopted recommendations from the Fleet Review

4. Review options for contracting –v- staff service provision	July 2015 to December 2015 - Managers to develop options for service provision to be market tested against option for contracting the service. By March 2016 – report outcome of review to Council. April 2016 to June 2016 implement Council adopted recommendations from the Review.
5. Review all discretionary and non-essential Council Services	July 2015 – commence ratepayer and community consultation on proposed SRV which includes survey/discussion on 25 identified discretionary services September 2015 – conclude ratepayer and community consultation By December 2015 – report to Council outcome of ratepayer and community consultation on the identified discretionary services.

	January 2016 to June 2016 – implement Council adopted recommendations from the ratepayer survey and community consultation report to December 2015 Council meeting.
6. Strategic review of Regional Gallery & associated landholdings.	August 2015- issue brief for consultancy to complete Regional Gallery Review September 2015 – engage consultant to complete the Regional Gallery Review December 2015 – consultants report received February 2016 – report outcome of review to Council March 2016 to June 2016 - implement Council adopted recommendations from the Regional Gallery Review
7. Review Council's Mobile Library Service	July 2015 to September 2015 - review of mobile library service completed by Manager Social & Cultural Services.

	Report outcome of the review including alternative service delivery options to Council by December 2015. January 2016 to March 2016 - implement Council adopted recommendations from the Mobile Library Service Review
8. Strategic review of Council owned quarries.	August 2015- internal review and data gathering of all Council quarry sites in terms of usage and material types. September 2015 - issue brief for consultancy to complete the review of Council owned Quarries October 2015 – engage consultant to complete the Review December 2015 – consultants report received February 2016 – report outcome of review to Council

	March 2016 to June 2016 - implement Council adopted recommendations from the review of Council owned Quarries
9. Complete review of Council owned saleyards	By August 2015 - advertise expression of interest (EOI) for potential lessees / or alternative management options for the Saleyard Operations. By December 2015 - report the results of the EOI's to Council. January 2016 - implement Council adopted recommendations from the Saleyard EOI process.
10. Develop and implement updated Asset Accounting Protocol	July 2015 to August 2015 – Draft Protocol out for internal consultation and feedback. September 2015 – Asset Management Steering Committee review feedback and final draft. October 2015 – final draft Protocol reported to Executive

	for adoption. November 2015 to February 2016 – apply adopted Protocol and ensure changes made to Draft 2016/17 Budget as required. April 2016/May 2016 - consult with external auditor impact of adopted Protocol. July 2016 – adopted protocol to be implemented for 2016/17 financial year.
11. Create a dedicated team of staff responsible for Council wide Asset Management Planning	June 2015 – proposed Works & Civil organisation re-structure incorporating dedicated Asset Management Team considered by Staff Joint Consultative Committee (JCC). July 2015 – feedback from JCC considered by responsible Director and Human Resources Manager. August 2015 – final Works & Civil organisation structure adopted by Executive Team

	September 2015 - implement Works & Civil organisation re-structure with Asset Management Team in place by December 2015.
12. Continue to participate in Mid North Coast Councils (MIDROC) Asset Management Project	Key Asset staff attendance at MIDROC meetings on a quarterly basis during 2015/16 with the objectives of MIDROC Project achieved by June 2016 to ensure Special Schedule 7 audit achieved.
13. Planned review of all Council land holdings including "pocket parks" in urban areas which may be surplus to Council/community needs.	By September 2015 - Staff member appointed to commence project. October 2015 – March 2016 research and inspections completed with report to Council by April 2016. April 2016 to May 2016 - community consultation on proposed properties being considered for disposal. June 2016 – report to Council results of community consultation.

	July 2016 to September 2016 - implement Council adopted recommendations from the review of Council landholdings.
14. Playground Asset Replacement & Renewal Program implemented including removal of under-utilised/unsafe equipment.	By August 2015 – Following community consultation Playground Asset Strategy and Asset Management Plan reported to Council for adoption. By June 2016 - Playground Asset Replacement program implemented in accordance with Council's adopted 2015/16 budget.
15. Public Amenities Rationalisation & Renewal Program implemented	By June 2016 - Public Amenities Rationalisation & Renewal Program implemented in accordance with Council's adopted Asset Management Plan and the adopted 2015/16 budget.
16. Implementation of revised Sustainable Procurement Policy and associated Purchasing and Tendering Procedures	June 2015 – training provided for key purchasing staff (up to 100) by Local Government Procurement (LGP) July 2015 – new Purchasing & Tendering procedures implemented.

	July 2015 to December 2015 - Procurement & Supply staff to support all section purchasing staff with implementation of new purchasing & tendering procedures. January 2016 to March 2016 - Procurement & Supply staff critically review all section purchases to review compliance with new purchasing procedures. April 2016 – follow up training for section staff to be provided by Procurement & Supply staff.
17. Implement new financial modelling and performance planning software	1 July 2015 – “Go Live” Technology One Enterprise Budgeting software implemented based on Council’s Service and Sub-service reporting structure based on 2015/16 adopted budget. <u>Enterprise Budgeting Module</u> July 2015 – December 2015 - staged rollout to users

	including access provision, training via workshops and process support through one-on-one sessions, provision of procedures & FAQ documents. <u>Performance Planning Module</u> September 2015 - June 2016 - staged rollout to users including access provision, training via workshops and process support through one-on-one sessions, provision of procedures & FAQ documents.
18. Upgrade Council's Electronic Records Management System (ECM) to latest version 4.02 to 4.03 to enable better integration with Council's other Corporate Systems.	September 2015 – scoping study completed by Technology One in consultation with Council staff October 2015 – new ECM version Testing environment created. November 2015 to January 2016 – User Acceptance Testing (UAT) completed on the new software February 2016 – UAT signed off and software set up finalised. March 2016 – staffing training

	provided on new version of ECM April 2016 – Live environment of new software created. May 2016 – new version of ECM “Go Live”
*** Please attach detailed action plan and supporting financial modelling**	

Outline the process that underpinned the development of your Action Plan.

For example, who was involved, any external assistance, consultation or collaboration, and how the council has reviewed and approved the plan.

The Action Plan has been developed by Council's Executive Team after a series of five (5) workshops held with councillors during April and May 2015 in conjunction with the development of Council's Draft 2015/16 Budget. These and associated documents were adopted by Council for community consultation at an Extraordinary Council Meeting held 12 May 2015. The focus of these workshops was not only on the draft 2015/16 Budget but also included strategies and actions for council to include in the "Fit for the Future" submission, which in turn have been included in Council's Long Term Financial Plan (adopted Scenario 3).

Public meetings were held in Maclean (Tuesday 26 May 2015) and Grafton (Thursday 28 May 2015) to present Council's Draft Delivery Program and Operational Plans including Draft 2015/16 Budget, Revenue Policy and associated documents. The public meetings were not specifically held to address Council's "Fit for the Future" submission but the key strategies and actions as outlined above were discussed as measures by which Council was going to demonstrate that it is on the road to financial sustainability.

Both public meetings were broadcast live via the Mixlr Live Streaming application. Access to the broadcast can be obtained via logging onto Council's website www.clarence.nsw.gov.au

Since Council adopted its first Strategic Organisation Action Plan (SOAP) in 2012 the organisation has been focused on achieving long term financial sustainability. All of the Actions identified above are in line with the strategies outlined in the updated version of the SOAP adopted by Council at its 19 May 2015 meeting.

Before Council adopted the Fit for the Future submission at the 23 June 2015 meeting a workshop was held with councillors on Monday 22 June 2015 to discuss all aspects of the submission including the Action Plan detailed above.

3.5 Other actions considered

In preparing your Improvement Action Plan, you may have considered other strategies/actions but decided not to adopt them. Please identify what these strategies/actions were and explain why you chose not to pursue them.

For example, neighbouring council did not want to pursue a merger, unable to increase rates or increase borrowing, changes in policy or service standards.

North Coast Councils Joint Organisation

The Fit for the Future guidelines make it clear that councils need to be mindful of the specific recommendations of the Independent Local Government Review Panel (ILGRP) around scale and capacity. In our case, particularly regarding the options for non-metropolitan councils, Clarence Valley Council is listed in Group G of Table 11 of the ILGRP Report as a "Council in the North Coast JO". Coffs Harbour City Council, Bellingen Shire and Nambucca Shire Councils are proposed as the other members of the North Coast JO.

The Councils of Clarence Valley, Coffs Harbour City, Bellingen and Nambucca Shires took the opportunity to pursue the consideration of the Minister for Local Government and the Office of Local Government to be appointed as one of the Pilot Joint Organisations. The initial application was not successful and a subsequent revised application seeking consideration in the event that other Pilot JOs are to be endorsed has not thus far progressed. Nevertheless, the four Councils that make up the proposed North Coast JO are keen to progress this matter and have continued to meet periodically to discuss the strategic way forward.

Whilst the Councils collectively support the three identified core functions of regional strategic planning, working with state government and regional leadership and advocacy, the four councils also strongly believe that the JO has a role to play in facilitating shared service delivery sooner rather than later to improve financial sustainability, and understanding that this could take many forms.

The pursuit of shared service delivery between these four councils has the potential to yield efficiency gains for each of the member councils of the North Coast JO. These efficiency gains could manifest themselves in a variety of ways; however, it is expected that financial efficiencies could be expected to be realised. It is difficult to quantify the value of these financial efficiency gains until such time as there is the opportunity to examine the business case that would be produced to assist in the consideration of various options for shared service delivery. Nevertheless, we expect that there will be financial efficiencies that will impact the sustainability, infrastructure and service management, and efficiency criteria in a positive manner.

It is also acknowledged that prior to the individual members of the North Coast JO considering pursuit of shared service delivery across the JO region, the individual member councils will need to undertake a policy decision making process within their respective organisations regarding the pursuit of shared service delivery. The member Councils will need to consider the pros and cons of any shared service delivery proposal carefully and arguably in consultation with their respective workforces. This is part of a natural, considered and evidence-based decision making process.

Given the NSW Government's timetable for the implementation of Joint Organisations, at this stage the four Councils can expect to be part of a Joint Organisation from September 2016 at the latest. Allowing for a consultative decision making process as intimated above, it is likely that some level of financial efficiencies from shared service delivery could be anticipated toward 2020, albeit difficult to quantify at this point in time and as a result we have not included any of these efficiencies in any of our assumptions for this submission.

We are optimistic that our Council's involvement in the North Coast JO will influence the assessment of the efficiency criterion in a positive manner and accordingly we believe it should be taken into account when assessing Council's submission regarding it being Fit for the Future.

Dividends from Water & Sewer Fund

At this stage it is not Council's intention to pursue dividends from its Water and Sewer Funds. Council's Long Term Financial Plan assumes that we will only be receiving the "Tax Equivalent" dividend of $3 per assessment each year of the LTFP. It is Council's intention to continue to operate the Water and Sewer Services on a break even basis and, where possible, maintain water and sewer charges at CPI increases or less. As detailed above Council is considering applying for a Special Rate Variation (SRV) of 8% pa.(including assumed 2.5% rate peg) for five (5) years commencing 2016/17 and every effort will be made to ensure increases to ratepayers total rate bill is minimised during the period of the SRV.

4. How will your plan improve performance?

4.1 Expected improvement in performance

Measure/ benchmark	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Achieves FFTF benchmark?
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	-0.266	-0.232	-0.217	-0.178	-0.118	-0.057	No
Own Source Revenue Ratio (Greater than 60% average over 3 years)	56.6%	58.2%	60.5%	64.2%	66.4%	67.5%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than100% average over 3 years)	38.3%	41.7%	25.1%	38.8%	56.1%	72.2%	No
Infrastructure Backlog Ratio (Greater than 2%)	6.4%	6.4%	6.3%	6.1%	5.5%	4.9%	No
Asset Maintenance Ratio (Greater than 100% average over 3 years)	64.7%	72.5%	67.9%	73.4%	76.5%	79.9%	No
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	6.5%	7.2%	7.1%	6.9%	6.1%	5.5%	Yes
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	1.69	1.57	1.51	1.47	1.43	1.40	Yes

4.1 Expected improvement in performance

If, after implementing your plan, your council may still not achieve all of the Fit for the Future benchmarks, please explain the likely reasons why.

For example, historical constraints, trade-offs between criteria, longer time required.

When Clarence Valley Council (CVC) was formed in 2004 from the amalgamation of Grafton City, Maclean Shire, Copmanhurst Shire, Pristine Waters, North Coast Water and Clarence River County Councils a significant amount of time and resources was needed to enable formation of the new Council and ensure service delivery. Council received NO financial support from the State Government to assist with transitioning to and establishing the new organisation.

Council owns and is responsible for a significant asset base, which has a total value of $1.974 billion (as at 30 June 2014) of assets. Comprising the following:

- 1,170ha of parks, sports fields and reserves
- 3 indoor sports centres
- 6 public swimming pools
- 2 community centres and 37 community halls
- 4 public libraries
- 2,068 km of local roads (sealed and unsealed)
- 283 bridges (129 timber & 154 concrete)
- 378 km of regional roads (sealed and unsealed)
- 1 regional art gallery
- 1 regional airport and 1 aerodrome
- 5 administration buildings
- 8 works depots

A significant proportion of the road network (1,379 km of local roads and 314 km regional roads) and associated infrastructure assets are located within the former Councils of Pristine Waters and Copmanhurst Shire Councils. Both councils had relatively low rate bases compared with Grafton City and Maclean Shire and if assessed now would meet all the characteristics of a western NSW Rural Council. The annual depreciation expense (pre-capitalisation) on CVC's assets is $34.3M (2013/14). Council and the pre-amalgamated councils traditionally have never funded depreciation and along with the annual maintenance requirements of these assets and the ever increasing demands on council services have left council's income well short of matching these expenses.

In short, there is more demand on council services than we can meet with our current income and is the primary reason why Council is not currently meeting all of the Fit for the Future benchmarks by 2019/20.

Our strategies and actions that we have identified in our submission are what we see as being affordable from the community's perspective given the Clarence Valley is a low socio-economic area. The SEIFA Index of Disadvantage for 2011 was 919.4. This ranked Council 133 of the 152 Councils in NSW. The strategies and actions are also what we see as being achievable. The change initiatives and asset rationalisation that is planned will take time and unfortunately cannot all be achieved by 2019/20.

Based on our key strategies and associated assumptions our long term financial plan (adopted Scenario 3) indicates that we will meet all of the Fit for the Future benchmarks by 2024/25.

5. Putting your plan into action

How will your council implement your Improvement Action Plan?

For example, who is responsible, how the council will monitor and report progress against achieving the key strategies listed under Section 3.

Council's adopted Strategic Organisation Action Plan 2015-2020 forms part of the general manager's performance agreement with Council. The general manager's performance agreement is monitored six (6) monthly and reviewed annually as are each of the performance agreements for the Executive Team members. The "Fit for the Future" submission and in particular the key improvement strategies and actions identified in Section 3 of this submission will form part of these performance agreement reviews.

From an organisational perspective Council currently reports progress on achieving its operational plan actions on a quarterly basis and it is intended that the improvement strategies and actions within our Fit for the Future submission will also be monitored and reported on a quarterly basis to Council by the responsible Manager and Director. It is Council's intention then to report our annual performance and progress in meeting the improvement strategies and actions in Council's Annual report.

In accordance with the Integrated Planning and Reporting (IP&R) requirements Council is required to review all of the IP&R documents following the local government quadrennial elections and along with the development of a new four (4) year Delivery Program it would seem appropriate for Council to also review the improvement strategies and actions in the "Fit for the Future" submission at the same time. This review is planned for January 2017 to June 2017.

Appendix 1: Fit for the Future Improvement Proposal – Detailed Action Plan

Actions	Timeframes/Milestones	Costs/Benefits	Risks	Key Assumptions
1. Proposal for Council to consider application to IPART for a Special Rate Variation (SRV) – 8% (inclusive of assumed 2.5% rate peg) per year for five (5) years commencing 2016/17.	July 2015 – commence ratepayer and community consultation on proposed SRV. Includes discussion on 25 identified discretionary services. Consultation includes survey of ratepayers, community newsletters, meetings, forums and web based consultation on how the SRV will be implemented and where the increase in funds will be used. September 2015 – conclude ratepayer and community consultation. October 2015 – Report to Council outcome of SRV ratepayer and community consultation November 2015 – Council to determine whether to proceed with the SRV application. December 2015 – advise IPART whether proceeding	Budget estimate for the SRV ratepayer survey and consultation - $40,000. All funds available within Council's adopted 2015/16 Budget. SRV will increase Council's rate income by $12.8M over the 5 years. The increased revenue will assist Council with meeting the benchmark target for the Operating Performance Ratio and it will ensure Council meets the Own Source Revenue Ratio. The increased revenue will contribute to Council also meeting the Building & Infrastructure Asset Renewal Ratio, the Asset Maintenance Ratio and the	IPART rejects Council's application for a special rate variation. Ratepayers and community do not support the SRV. Council decides not to proceed with the SRV application to IPART.	Substantial support from majority of ratepayers and community that the SRV application is the best approach to take in addressing Council's infrastructure asset maintenance gap and backlog. Council proceeds with the SRV application to IPART. IPART approves Council's SRV application. Council implements the approved SRV for 2016/17 financial year.

	with SRV application. February 2016 – assuming Council resolves to proceed with the SRV submit the SRV application to IPART May 2016 – IPART SRV determination June 2016 – assuming Council has made application for the SRV and it has been approved by IPART Council to decide whether to implement SRV for 2016/17.	Infrastructure Backlog Ratio.		
2. Asset Rationalisation to reduce duplication and operating costs	By December 2015 - transfer staff from Pound St Grafton office to 42 Victoria St and Prince Street Grafton offices. By March 2016 - transfer staff from admin office at McNaughton Place Maclean to 50 River Street Maclean Admin Centre. By June 2016 - Council commit to the construction of a new Works Depot in South Grafton By June 2016 - Council commit to the refurbishment of Administration Offices at 2 Prince Street Grafton	Council's 2015/16 Budget includes an allocation of $1 million to progress the concept plans and development of the new works depot at South Grafton. Copies of Council minutes and concept plans are included as attachments to this submission. It is estimated that the depot rationalisation will achieve operational efficiencies of a minimum $250,000 per	DA approval for the new Works Depot and the refurbishment of the Prince Street Grafton Admin Office is not received by June 2016. Detailed costings for the New Works Depot and the refurbishment of the Prince Street office exceed Council expectations and available funding. Council is unable to sell the surplus properties within the planned timeframes.	The DA for the new Works Depot is approved by June 2016. The DA for the refurbishment of the Prince Street Admin Office is approved by June 2016. Council disposes of the surplus assets in a timely manner and sale prices achieved are in accordance with market valuations and Council expectations.

	By June 2016 – dispose/lease 70 Pound Street Grafton, McNaughton Place Maclean and former Regional Library office Spring Street South Grafton	year 2015/16 to 2019/20. The office rationalisation is estimated to achieve operational efficiencies of a minimum of $150,000 per year 2015/16 to 2019/20. The reduction in council expenses will assist Council with meeting the benchmark target for the Operating Performance Ratio. The reduction in Council's asset base will have a positive impact on Council improving its performance against the Building and Infrastructure Asset Ratio. The reduction in council expenses will assist Council with meeting the Efficiency benchmark for Real Operating Expenditure per Capita.		Council commits to the development of the new Works Depot by 30 June 2016. Council commits to the refurbishment of Administration Offices at 2 Prince Street Grafton by 30 June 2016.

3. Review Light Fleet & Heavy Plant Operations – Own-v-Lease & review vehicle servicing model	June 2015- issue brief for consultancy to complete Fleet Review July 2015 – engage consultant to complete the Fleet Review October 2015 – consultants report received December 2015 – report outcome of review to Council January 2016 to June 2016 - implement Council adopted recommendations from the Fleet Review	Estimated cost for the consultancy is $30,000 to be funded from Fleet Financial Reserve. Operational efficiencies are anticipated but at this time we are unable to accurately quantify. Positive impact on meeting the benchmark target for the Operating Performance Ratio.	Consultant fails to deliver on the Fleet Review. The level of operational efficiencies/savings unable to be realised as anticipated.	Consultant appointed by 31 July 2015. Consultants report received by 31 October 2015. Council accepts recommendations from the consultants Fleet Review which, when implemented, will result in operational efficiencies being achieved.
4. Review options for contracting –v- staff service provision	July 2015 to September 2015 - Managers to develop options for service provision to be market tested against option for contracting the service. Service provision to be reviewed include the following: • Parks and open spaces mowing • Roadside mowing and vegetation control • Cemetery Services • Construction activities • Airport operations and maintenance • Vehicle and plant servicing	This action to be funded from existing 2015/16 Section operational budgets. Operational efficiencies are anticipated but at this time we are unable to accurately quantify. Reduction in operating expenses will be a positive impact on meeting the benchmark target for the Operating Performance Ratio.	The service provision review takes longer than anticipated and are unable to be implemented by 30 June 2016. The level of operational efficiencies/savings unable to be realised as anticipated.	Managers identify opportunities for improved service provision and these recommendations are endorsed and adopted by the Council. Operational efficiencies achieved following implementation of the recommendations from the Managers reports.

	By November 2015 Managers report outcome of review to Executive. By March 2016 – report outcome of review to Council. April 2016 to June 2016 implement Council adopted recommendations from the Review.			
5. Review all discretionary and non-essential Council Services	July 2015 – commence ratepayer and community consultation on proposed SRV which includes survey/discussion on 25 identified discretionary services September 2015 – conclude ratepayer and community consultation By December 2015 – report to Council outcome of ratepayer and community consultation on the identified discretionary services.	Budget estimate for the SRV survey and ratepayer and community consultation - $40,000. Difficult to determine what the outcome of the survey and consultation will achieve from a service rationalisation perspective.	Community expectations may be that Council should not rationalise/reduce any services. Community survey may not be well received by the ratepayers.	Ratepayer and community consultation is successful. Report to Council's December 2015 council meeting is achieved. Council's resolution from the December meeting is implemented which is supported by the ratepayers and community.

	January 2016 to June 2016 – implement Council adopted recommendations from the ratepayer survey and community consultation report to December 2015 Council meeting.			Operational efficiencies are achieved.
6. Strategic review of Regional Gallery & associated landholdings.	August 2015- issue brief for consultancy to complete Regional Gallery Review September 2015 – engage consultant to complete the Regional Gallery Review December 2015 – consultants report received February 2016 – report outcome of review to Council March 2016 to June 2016 - implement Council adopted recommendations from the Regional Gallery Review	Estimated Budget for Consultancy - $25,000 to be funded from 2015/16 SOAP implementation budget. The anticipated savings from the Regional Gallery review will assist Council with meeting the Operating Performance ratio.	Community expectations may be that Council should not rationalise/reduce Regional Gallery service levels. Anticipated savings from the Regional Gallery review are not achieved.	Consultant appointed by 30 September 2015. Consultants report received by 31 December 2015. Council accepts recommendations from the consultants Regional Gallery Review which, when implemented, will result in operational efficiencies being achieved.
7. Review Council's Mobile Library Service	July 2015 to September 2015 - review of mobile library service completed by Manager Social & Cultural Services. Report outcome of the review including alternative service delivery options to Council by	Cost of Mobile Library review (primarily staff time) to be funded from within existing 2015/16 Section operational budgets. No specific budget required.	Community expectations may be that Council should not rationalise/reduce the Mobile Library service. Anticipated savings from the Mobile Library service review are not achieved.	Review of the Mobile Library service results in operational savings for Council. The review of the mobile library service delivery model results

	December 2015. January 2016 to March 2016 - implement Council adopted recommendations from the Mobile Library Service Review	Critical review of the current mobile library service should highlight that there are more cost effective ways to deliver a mobile library service to the community.		in asset rationalisation savings.
8. Strategic review of Council owned quarries.	August 2015- internal review and data gathering of all Council quarry sites in terms of usage and material types. September 2015 - issue brief for consultancy to complete the review of Council owned Quarries October 2015 – engage consultant to complete the Review December 2015 – consultants report received February 2016 – report outcome of review to Council March 2016 to June 2016 - implement Council adopted recommendations from the review of Council owned Quarries	Estimated Budget for Consultancy - $30,000 to be funded from Quarry Reserves. Consultants review of council owned quarry sites will enable a strategic plan for the operation and/or disposal of the quarry sites to be developed.	Anticipated savings from the Quarry service review are not achieved. Gravel available from Council quarries not of the required standard for council operations.	Consultant appointed by 31 October 2015. Consultants report received by 31 December 2015. Council accepts recommendations from the consultant’s review of Council Quarry sites which, when implemented, will result in operational efficiencies being achieved.

9. Complete review of Council owned saleyards	By August 2015 - advertise expression of interest (EOI) for potential lessees / or alternative management options for the Saleyard Operations. By December 2015 - report the results of the EOI's to Council. January 2016 - implement Council adopted recommendations from the Saleyard EOI process.	Cost of implementation (primarily staff time) to be funded from within existing 2015/16 Section operational budgets. No specific budget required. Saleyard operations are not seen as Council's core business and operational efficiencies can be achieved by leasing to the private sector.	Council does not receive any submission to Council's EOI advertising. Saleyard operations impacted by reduction in cattle being sold through the saleyards.	Operational efficiencies unable to be accurately quantified at this time. Council's Long Term Financial modelling has been based on existing Saleyard service delivery continuing.
10. Develop and implement updated Asset Accounting Protocol	July 2015 to August 2015 – Draft Protocol out for internal consultation and feedback. September 2015 – Asset Management Steering Committee review feedback and final draft. October 2015 – final draft Protocol reported to Executive for adoption. November 2015 to February 2016 – apply adopted Protocol and ensure changes made to Draft 2016/17 Budget as required. April 2016/May 2016 - consult with external auditor impact of	Cost of implementation (primarily staff time) to be funded from within existing 2015/16 Section operational budgets. No specific budget required. Better management of asset data collection to enable informed decisions to be made based on reliable data. More reliable asset data to inform Council's Building and Infrastructure Asset Renewal Ratio, the Asset Maintenance	Timeline identified within the action plan may not be achieved which could impact on the audit of Council's 2016/17 Financial Statements. Staff may not follow Asset Accounting protocol as required. Inconsistent asset data may impact on the development of Council's Asset Management Plans.	Asset Accounting protocol adopted by Executive by 31 October 2015. Asset Accounting protocol endorsed by External Auditor by 31 May 2015. Adopted protocol implemented 1 July 2016. Implementation of the protocol results in more reliable asset data.

	adopted Protocol. July 2016 – adopted protocol to be implemented for 2016/17 financial year.	Ratio, and the Infrastructure Backlog Ratio.		
11. Create a dedicated team of staff responsible for Council wide Asset Management Planning	June 2015 – proposed Works & Civil organisation re-structure incorporating dedicated Asset Management Team considered by Staff Joint Consultative Committee (JCC). July 2015 – feedback from JCC considered by responsible Director and Human Resources Manager. August 2015 – final Works & Civil organisation structure adopted by Executive Team September 2015 - implement Works & Civil organisation re-structure with Asset Management Team in place by December 2015.	Salary budgets for Asset Management Team included in 2015/16 adopted Budget. Better management of asset data collection and modelling of optimum asset renewal and maintenance levels, to enable more informed decisions to be made.	Council may not receive applications from appropriately qualified and skilled staff to fill the Asset Management team positions. Timeline identified within the action plan may not be achieved which could delay the commencement of the Asset Management Team.	Asset Management Team structure adopted by the Executive. Appropriately skilled staff appointed to the positions by 31 December 2015. Implementation of the Asset Management Team structure results in more reliable asset data, which enables more informed decisions to be made.
12. Continue to participate in Mid North Coast Councils (MIDROC) Asset Management Project	Key Asset staff attendance at MIDROC meetings on a quarterly basis during 2015/16 with the objectives of MIDROC Project achieved by June 2016 to ensure Special	Cost of staff time to be funded from within existing 2015/16 Section operational budgets. No specific budget required.	Asset data collection costs may increase. Consistent approach between Councils maybe difficult to achieve due to	Consistent approach achieved ensuring more reliable asset data is presented for inclusion in Council’s

	Schedule 7 audit achieved.	The key benefit of this project is to achieve consistency across the councils in their 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. More reliable asset data to inform Council's Building and Infrastructure Asset Renewal Ratio, the Asset Maintenance Ratio, and the Infrastructure Backlog Ratio.	different work practices, standards, and service level expectations of the different communities.	Special Schedule 7 reporting. Better asset management data presented to inform Council's Long Term Financial Plan.

13. Planned review of all Council land holdings including “pocket parks” in urban areas which may be surplus to Council/community needs.	By September 2015 - Staff member appointed to commence project. October 2015 – March 2016 research and inspections completed with report to Council by April 2016. April 2016 to May 2016 - community consultation on proposed properties being considered for disposal. June 2016 – report to Council results of community consultation. July 2016 to September 2016 - implement Council adopted recommendations from the review of Council landholdings.	Staff Salary Budget $80,000 to be funded from Council’s Sustainability Reserve. The reduction in Council’s asset base will have a positive impact on Council improving its performance against the Building and Infrastructure Asset Renewal ratio and the Asset Maintenance ratio. Under utilised assets disposed of.	Ratepayers and community may object to the potential loss of community open space and facilities. Review of land holdings fails to identify any sites that can be sold. Re-zonings of community land to operational land not approved, which will result in the land being unable to be sold. Review of landholdings takes longer than anticipated. Long term operational and maintenance savings may not be achieved.	Planned review of Council’s land holdings will result in a reduction in Council’s asset base. Any re-zonings of community land are approved. The review of council land holdings completed within the planned timeframe. Long term operational and maintenance savings are achieved.
14. Playground Asset Replacement & Renewal Program implemented including removal of under-utilised/unsafe equipment.	By August 2015 – Following community consultation Playground Asset Strategy and Asset Management Plan reported to Council for adoption. By June 2016 - Playground Asset Replacement program implemented in accordance with Council’s adopted 2015/16 budget.	Playground equipment renewals budget for 2015/16 $210,000. Timely renewal of playground equipment will result in improved service delivery, minimising council’s risk and better asset management resulting in reduced costs over the	Playground equipment renewals not completed within budget and planned timeframes. Community expectations may not be met. Long term operational and maintenance savings may not be achieved.	Playground equipment renewals completed on budget and within planned timeframes. Playground equipment renewals result in reduced operating and maintenance costs. Improved service delivery to the

		long term. Council minutes and plans for Council's Playground equipment replacement program are included as attachments to this submission.		community.
15. Public Amenities Rationalisation & Renewal Program implemented	By June 2016 - Public Amenities Rationalisation & Renewal Program implemented in accordance with Council's adopted Asset Management Plan and the adopted 2015/16 budget.	Public Amenities renewals budget for 2015/16 $10,250. The reduction in Council's asset base will have a positive impact on Council improving its performance against the Building and Infrastructure Asset Renewal ratio and the Asset Maintenance ratio. Timely renewal of public amenities will result in improved service delivery, better asset management resulting in reduced costs over the long term.	Public amenities renewals not completed within budget and planned timeframes. Community expectations may not be met. Long term operational and maintenance savings may not be achieved.	Public amenities renewals completed on budget and within planned timeframes. Public amenities renewals result in reduced operating and maintenance costs. Improved service delivery to the community.

16. Implementation of revised Sustainable Procurement Policy and associated Purchasing and Tendering Procedures	June 2015 – training provided for key purchasing staff (up to 100) by Local Government Procurement (LGP) July 2015 – new Purchasing & Tendering procedures implemented. July 2015 to December 2015 - Procurement & Supply staff to support all section purchasing staff with implementation of new purchasing & tendering procedures. January 2016 to March 2016 - Procurement & Supply staff critically review all section purchases to review compliance with new purchasing procedures. April 2016 – follow up training for section staff to be provided by Procurement & Supply staff.	Budget for staff training $23,500. Cost of implementation (primarily staff time) to be funded from within existing 2015/16 Section operational budgets. No specific budget required for implementation. Reduced operating costs anticipated as procurement becomes planned rather reactive.	Staff may not follow procurement procedures as required. Delay in procuring goods and services as a result of increased compliance and accountability requirements of purchasing staff.	Improved service delivery to the community. Long term operational and maintenance savings are achieved.

17. Implement new financial modelling and performance planning software	1 July 2015 – "Go Live" Technology One Enterprise Budgeting software implemented based on Council's Service and Sub-service reporting structure based on 2015/16 adopted budget. <u>Enterprise Budgeting Module</u> July 2015 – December 2015 - staged rollout to users including access provision, training via workshops and process support through one-on-one sessions, provision of procedures & FAQ documents. <u>Performance Planning Module</u> September 2015 - June 2016 - staged rollout to users including access provision, training via workshops and process support through one-on-one sessions, provision of procedures & FAQ documents.	Cost of implementation (primarily staff time) to be funded from within existing 2015/16 Section operational budgets. No specific budget required. Improved financial modelling and performance reporting to enable informed decisions to be made.	New budgeting and performance planning software fails to deliver operational savings. New budgeting and performance planning software not accepted or used by staff to its maximum capacity.	Improved financial modelling and performance reporting is delivered to the community. Improved operational budgeting and performance reporting to enable informed decisions to be made.
18. Upgrade Council's Electronic Records Management System (ECM) to latest version 4.02 to 4.03 to enable better integration with Council's other Corporate Systems.	September 2015 – scoping study completed by Technology One in consultation with Council staff October 2015 – new ECM version Testing environment created.	Cost of implementation (primarily staff time) to be funded from within existing 2015/16 Section operational budgets. Budget for scoping study and consultant support for	New ECM software not used by staff. Improved productivity and system integration not achieved as anticipated. Costs for ECM upgrade higher than anticipated.	Improved corporate system integration. ECM upgrade completed and implemented within budget and on time.

	November 2015 to January 2016 – User Acceptance Testing (UAT) completed on the new software February 2016 – UAT signed off and software set up finalised. March 2016 – staffing training provided on new version of ECM April 2016 – Live environment of new software created. May 2016 – new version of ECM “Go Live”	implementation $50,000. Project upgrade and planning guide is attached to this submission. ECM upgrade will improve corporate system integration resulting in operational efficiencies and improved business reporting.		

Appendix 2: Fit for the Future Improvement Proposal – Schedule of Attachments

1. Council Minute 13.059/12 – Strategic Organisation Action Plan 2012 – 2017
2. Council Minute 12.013/15 - Strategic Organisation Action Plan 2015 – 2020
3. Council Minute 14.064/15 – Debt Management Strategy
4. Our Community Plan 2015-2024
5. NSW Office of Water TBL Sewerage Performance Report for 2013-14
6. NSW Office of Water TBL Water Supply Performance Report for 2013-14
7. Council Minute 14.161/14 & 14.073/15 Public Toilet Rationalisation
8. Fit for the Future Self Assessment Tool – Clarence Valley Council
9. Clarence Valley Council – Fit for the Future Benchmark Calculations
10. Council Minute 12.022/15 Special Schedule 7 – Infrastructure Backlog & Asset Maintenance

11. Council Minute 14.010/15 & 14.028/15 Playground Asset Replacement – *uploaded as separate file document*
12. Depot and Administration Office Rationalisation - *uploaded as separate file document*
13. Adopted Long Term Financial Plan 2015/16 – 2024/25 - *uploaded as separate file document*
14. Adopted Clarence Valley Council 2015/16 Budget - *uploaded as separate file document*
15. Adopted Clarence Valley Council Delivery Program 2014-17 & Operational Plan 2015/16 - *uploaded as separate file document*
16. **CONFIDENTIAL**: ECM Project Upgrade and Planning Guide – *uploaded as separate file document*

A) MATTERS IN RESPECT OF WHICH NOTICE HAS BEEN GIVEN

Committee:	**COUNCIL MEETING**
Section:	General Manager
Date:	17 April 2012
Item: 13.059/12	**STRATEGIC ORGANISATIONAL ACTION PLAN**

ATTACHMENT

REPORT SUMMARY

Present the *Strategic Organisation Action Plan* for Council consideration.

OFFICER'S RECOMMENDATION

That Council endorse the *Strategic Organisation Action Plan* and the proposed actions of the General Manager.

COUNCIL RESOLUTION – 13.059/12
(Crs Dinham/Comben)

That Council endorse the *Strategic Organisation Action Plan* and the proposed actions of the General Manager.

Voting recorded as follows:
For: Councillors Williamson, Comben, Dinham, Howe, Hughes, McKenna, Simmons, and Toms
Against: Nil

BACKGROUND

Since commencing with Council in late October 2011, I have observed and reviewed the various facets of Council's operations.

As an organisation, the Clarence Valley Council has now evolved to a fully operational and functional entity following the amalgamation which resulted in its formation in 2004. The Council provides all the expected services usually associated with a local government organisation and is a credit to the elected members and officers who have worked to create the Council post amalgamation. The focus understandably during this period was primarily on formation and the maintaining of service delivery and it is now, in my opinion, that Council has matured and is in a position to progress to the next level of formation with a greater emphasis on efficiency, effectiveness and performance.

In order to progress the identified changes, a workshop was held earlier this year with elected members where my observations and proposed course of action was outlined.

In line with Council's Valley Vision 2020 document and the significant emphasis that is placed on the need to attain sustainability a *Strategic Organisational Action Plan (SOAP)* has now been developed to act as a high level change guide that aims to work towards the goal of organisational sustainability.

Tagged under the slogan "*Our Valley, My Council, One Future"*, the *SOAP* broadly outlines the proposed actions that are to be undertaken in the nine (9) identified areas over a five (5) year period. The *SOAP* is attached to this report.

The identified areas are:

1. Strategy & Governance
2. Asset Management
3. Organisation Structure
4. Financial Management
5. Performance Management
6. Major Project Evaluation
7. Culture & Learning
8. Customer Service
9. Public Relations & Media

The actions to be undertaken in each area are detailed in the *SOAP*.

ISSUES

Whilst the proposed actions could be considered as operational and as such not a matter for Council's consideration, I am of the opinion that the significance of the proposals warrants a Council resolution endorsing the actions and as such this matter is now presented to Council for consideration.

Guiding Sustainability Principles
The following guiding sustainability principle is relevant to this issue:
- Focusing on continuous improvement.

OPTIONS

1. That Council endorse the *Strategic Organisation Action Plan* and the proposed actions of the General Manager.

2. That Council not endorse the Strategic Organisation Action Plan.

Option 1 is recommended.

FINANCIAL IMPLICATIONS

Funds are currently allocated for the General Manager's discretion in relation to the engaging of additional assistance with operational based projects. The 2011/12 budget included an allocation of $50,000 which to date no expenditure has been incurred. An additional $50,000 has been added in the 2012/13 budget to give a total allocation of $100,000. This will then be monitored in accordance with demands anticipated in future years.

Scott Greensill
GENERAL MANAGER

Attachment: Strategic Organisation Action Plan

……Our Valley

My Council

One Future

Strategic Organisational Action Plan 2012 / 2017

Contents

Introduction

Clarence Valley Council's primary strategic document, *Valley Vision 2020*, states Council's Vision as:

A sustainable Clarence Valley: Life in the Clarence Valley, now and in the future, is based on a culture of living sustainably that protects and carefully utilises the natural environment, its beauty and resources, our cultural heritage and unique identity of our valley and its communities.

Sustainability is all about survival and as an organisation Clarence Valley Council must operate in a manner which ensures that it survives and provides the required leadership so as it can achieve its *Vision*.

When Clarence Valley Council was formed in 2004 from the amalgamation of Grafton City Council, Maclean Shire Council, Copmanhurst Shire Council, Pristine Waters Council, North Coast Water and Clarence River County Council a significant amount of time and resources was needed to enable formation and ensure service delivery. With 8 years now passed, the Council has now developed to a position where it is ready to progress to the next transition stage.

As an organisation, for the Clarence Valley Council to be sustainable it must be:

- ***Effective*** in that it provides the services and meets the demands of its community within its capacity
- ***Efficient*** in that it is responsible with its finances and seeks to achieve the best return on investment for its constituents
- ***Environmentally*** focused so as not to cause harm to the environment when undertaking its activities
- ***Governance*** orientated to ensure that all processes are undertaken in an accountable and transparent manner and that all legal obligations and responsibilities are observed.

This *Strategic Organisational Action Plan (SOAP)* has been designed to introduce new processes and change the way Council currently operates so as to move the organisation towards its fundamental goal of sustainability and the overall meeting of its *Vision*. As a plan, it is considered to be high level with much more detailed planning required for implementation. However, the plan sets the basic direction for Council as an organisation so as to achieve an organisationally sustainable future.

The *SOAP* is broken into nine (9) functions, each relating to specific areas of Council's operation. Whilst each area has separate actions to be implemented, they are all intrinsically linked to form a collective and comprehensive approach to organisation sustainability.

It is acknowledged that the implementation of the proposed changes will take some time and will need to be embraced by both the Council and its employees. However, Council is confident, that in time, the proposed changes will progressively result in an organisation which is not only sustainable but also more responsive and output focused.

This *Strategic Organisational Action Plan* is essentially our operational change blueprint for the future.

Scott Greensill
General Manager

1. Strategy & Governance

The leadership and decision making capability of any Council is a fundamental component of good local government. At Clarence Valley Council, the elected members are ultimately responsible for an organisation which employs over 600 people and administers an asset base valued at approximately $1.7 billion. The stewardship responsibilities of Councillors are therefore significant and as such it is important that the elected members are provided with the necessary assistance, skills and training in order to effectively undertake their roles and responsibilities and to lead the Council into the future.

The *Strategic Organisational Action Plan* recognises the integral role played by the elected members and provides a series of proposals intended to ensure that the elected members receive the necessary information and training on a progressive basis to successfully undertake their stewardship responsibilities for the betterment of the Council and the community that they serve.

Objective	Action 2012/13	Action 2013/14	Action 2014/15	Action 2015/16	Action 2016/17
1. Prepare a general induction workshop for Councillors following the Sept 2012 local government quadrennial election.	Mar 2012 – Oct 2012				
2. Review Council's strategic position in relation to the existing Integrated Plan and decide whether to continue with existing plan with minor adjustments or to re-consider and prepare a new document.	Sept 2012 – Dec 2012				
3. Arrange and engage a suitably qualified and experienced consultant to prepare and facilitate an Elected Member Professional Development Program.	Jan 2013 – Mar 2013				
4. Arrange and engage a suitably qualified and experienced consultant to prepare and facilitate re-fresher training for elected members on matters relevant to the ongoing governance requirements of Council.		Jan 2014 – Mar 2014	Jan 2015 – Mar 2015	Jan 2016 – Mar 2016	Jan 2017 – Mar 2017
5. General Manager or other officers to conduct workshops and additional information sessions on issues as required with a view to developing a more comprehensive understanding and appreciation of corporate planning and operational processes.	As required	As required	As required	As required	As required

2. Asset Management

Clarence Valley Council currently owns and administers an estimated total of $1.7 billion of assets. The significant value and variety of assets means that failure to adequately manage the assets can, in itself, create a major and unnecessary cost burden which Council then needs to contend with.

Assets are the fundamental basis that enables Council, in many instances, to provide service delivery and includes core infrastructure such as roads, water and sewerage. Needless to say, the effective management of these assets is critical to the community.

Assets maintenance, depreciation, renewal and replacement all need to be carefully considered. However, due to the enormity of the collective assets an over-estimate or under-estimate of requirements can have significant long term ramifications for Council and, in particular, with our ability to fund future demands and projects. As such, the importance of having an Asset Management system which accurately measures and determines future requirements is therefore critical to long term sustainability.

To date, the asset management process being undertaken at Clarence Valley Council has been inconsistent and spread across several work areas. Whilst an annual depreciation cost has been calculated, it appears to be significantly over estimated and as such distorts Council's total annual expenses.

The need to develop a unified Asset Management system is apparent. The new system, when established, will provide more meaningful and timely data so as to improve Council's strategic and financial planning decision making processes.

Objective	Action 2012/13	Action 2013/14	Action 2014/15	Action 2015/16	Action 2016/17
1. Review existing Asset Management system with a view of developing a centralised and unified system incorporating consistent and simplified methodologies which will provide meaningful information so as to enable informed decision making processes to eventuate.	Commence 2013				
2. Undertake an assessment of all physical assets with a view to identifying usage and relevance to Council requirements and to enable improved usage or potential rationalisation of under-utilised and surplus assets to occur.		Commence review late 2013	Implement findings of review	Implement findings of review	Implement findings of review
3. Develop and implement a system of condition auditing and assessment to be applied across all of Council's assets for replacement and renewal to be undertaken on a prioritisation basis.		Late 2013			
4. Formulate a detailed and realistic preventive maintenance plan for all Council assets so as to extend useful life and reduce long term costs.		Late 2013	Implement plan	Implement plan	Implement plan
5. Identify the funding "gap" required for asset maintenance and replacement and prepare a strategy to address the same.		Late 2013			

3. Organisation Structure

Council's employees are a major resource which Council administers and manages. Currently having over 600 employees which equates to approximately 500 full time positions, the managing, arranging and housing of employees contributes significantly to the delivery and overall effectiveness of Council's operations and services.

In order to achieve the optimum employee arrangement it is imperative that an organisation reviews its structure on a periodical basis to ensure that the structure can deliver the desired strategic outcomes.

In accordance with s333 of the Local Government Act 1993, every council in NSW is required to review its organisation structure within one year following the completion of a quadrennial election. With the NSW local government elections scheduled for September 8 this year, it is now timely to commence the preliminary assessment and preparation work so as to have a draft organisation structure ready for review and consideration by the newly elected Council.

How employees are housed and grouped also has a significant impact on the provision of services and as such the location and working environment which employees are engaged also needs to be considered as part of the structure review.

Objective	Action 2012/13	Action 2013/14	Action 2014/15	Action 2015/16	Action 2016/17
1. Commence preliminary research and preparation for the development of a new organisation structure for presentation and consideration by the newly elected Council following the quadrennial election in September 2012.	Mar 2012 – Dec 2012				
2. Adoption and implementation of new organisation structure.	Jan – June 2013				
3. Review work location arrangements progressively across the organisation.		Continuous	Continuous	Continuous	Continuous
4. Continuous rolling operational reviews of individual business units and implementation of progressive changes where considered necessary.		Continuous	Continuous	Continuous	Continuous

4. Financial Management

To be sustainable we must know not only what our current financial position is but what our future financial position is likely to be. This requires the ability to accurately forecast changes in our financial position so as to ensure that the decisions we make today are not going to create an unwanted long term financial burden for future councils to contend with and ultimately the community to fund.

To achieve this position an improved focus on all aspects of our financial management is required so that well-assessed, informed and considered financial decisions can be made by Council.

Fundamental to good financial planning is the ability to model and scenario plan so the impact of a possible decision can be considered before any long term commitment is made.

In order to make improved financial decisions the Council, as primary decision makers, also need to be trained and skilled in financial planning and interpretation.

Objective	Action 2012/13	Action 2013/14	Action 2014/15	Action 2015/16	Action 2016/17
1. Commence preparation of the budget process in an accrual format and provide appropriate training for elected members to assist with the interpretation and understanding.	Early 2013 for 2013/14 budget				
2. Acquire suitable modelling software for the purpose of developing a 10 year financial plan. The software is to have the ability to perform scenario planning and modelling so as to adequately assess the long term financial ramifications of Council decisions.		Early 2014	Progressive scenario planning	Progressive scenario planning	Progressive scenario planning
3. Formulate a Loan Borrowing Policy which reflects responsible financial stewardship.		Early 2014		Review policy	

5. Performance Management

If we are seeking to introduce a change program designed to improve our overall operation, we need to be able to assess whether we are meeting our goals or not. To date, Clarence Valley Council has undertaken limited performance management processes and the need to commence the development of meaningful performance measurement is now critical to the assessment of service delivery and the meeting of community standards and expectations.

As a starting point, we need to assess where we currently are and whether we are meeting the required standards. From this, an appropriate benchmark can be determined and actions taken in order to achieve the determined standard. Periodic assessment of how we are performing can then be undertaken and further changes made if identified.

Objective	Action 2012/13	Action 2013/14	Action 2014/15	Action 2015/16	Action 2016/17
1. Undertake a community satisfaction survey with a view to determining community service standards and expectations.	Early 2013				
2. From the community satisfaction survey, review all existing service standards and where possible make changes to reflect the community's needs.		Late 2013			
3. Developed a meaningful "whole of organisation" performance assessment program for each service provided by Council and progressively assess the actual service provided against the standard and report findings.		Early 2014	Continuous reporting	Continuous reporting	Continuous reporting
4. Where possible link identified performance standards to individual employee performance responsibilities and reviews.			Late 2014	Continuous	Continuous

6. Major Project Evaluation

Whilst the undertaking of major projects provides often new and exciting facilities and infrastructure for communities, it is important that the development of these projects do not in themselves create an undesirable burden for future generations to fund, operate and replace.

The enthusiasm to create a new project combined with poor project planning and development can result in significant unaccounted constructions costs and further more impose an annual financial operational legacy for Council to manage and the community to resource. This situation should be avoided and as such the need for a formalised major project evaluation process is evident.

The availability of grants and the usually associated lack of time to assess a project can also inadvertently create an environment which is susceptible to inadequate project development and ongoing operational issues. Whilst the receipt of grants can significantly assist with the capital construction costs, it is important that the subsequent ongoing long term operational impacts are also assessed and considered on a "whole of life" basis.

Objective	Action 2012/13	Action 2013/14	Action 2014/15	Action 2015/16	Action 2016/17
1. Develop a standard Major Project Evaluation Assessment process as a means of ensuring all due diligence requirements including “whole of life” costing and associated long term financial planning impacts are assessed prior to Council consideration of the project.		July 2013 – Dec 2013			

7. Culture & Learning

Organisational culture is central to overall organisational effectiveness and efficiency. A legacy of amalgamation is the existence of differing and in some cases conflicting work practices and processes across the various work locations in the local government area. It is important that parity in work practices exists so as to avert conflict and develop a unified and integrated work force.

A fundamental component of developing a strong organisational culture is through the provision of suitably targeted employee training and learning programs. The development of a learning organisation creates the foundation for a culture of workplace improvement and as such both culture and learning are considered to be integral to effective and efficient organisational performance and service delivery.

Objective	Action 2012/13	Action 2013/14	Action 2014/15	Action 2015/16	Action 2016/17
1. Undertake a cultural analysis of the organisation with a view to determining actions to overcome and issues identified.		Early 2014			
2. Undertake actions to address identified cultural issues.			Continuous	Continuous	Continuous
3. Undertake a training and learning needs analysis and develop a program to address the identified areas of need.		Early 2014			
4. Implementation of Learning and Training program.			Continuous	Continuous	Continuous

8. Customer Service

Every employee of Council in their own way is a customer service officer of Council. As such it is important that Council works to develop a customer service culture and that all employees are trained and understand the importance of good customer service.

Objective	Action 2012/13	Action 2013/14	Action 2014/15	Action 2015/16	Action 2016/17
1. Review existing Customer Service processes with a view to identifying areas of improvement and implement the identified changes as required.	Early 2013		Early 2015		Early 2017
2. Undertake whole of organisation training on customer services principles and required practices.		Initial whole of organisation training – early 2013	Inductions and refreshers as required	Inductions and refreshers as required	Inductions and refreshers as required

9. Public Relations & Media

Whilst councils are expected to undertake public consultation on a wide range of matter, the effectiveness of the consultation is often questionable. It is important that a consultation approach to each individual process is undertaken to ensure that meaningful information and feedback is derived in the most effective and efficient manner. Central to this will be the development of consultation policies and practices which can be tailored to suit the required consultation to be undertaken.

How we are perceived by the community can be greatly influenced by how we approach our public relations and engage with the media. As such, it is considered important that a “whole of organisation approach” to public relations is required and appropriate policies and practices be implemented.

Objective	Action 2012/13	Action 2013/14	Action 2014/15	Action 2015/16	Action 2016/17
1. Develop a standard Council Consultation Policy so as community consultation is undertaken in a consistent and beneficial manner.	Mid/Late 2012				
2. Review existing media and communication policies and procedures with a view to improving overall process.		Early 2014			

ITEM 12.013/15 STRATEGIC ORGANISATIONAL ACTION PLAN REVISION UPDATE

Meeting	Council	19 May 2015
Directorate	General Manager	
Submitted by	Scott Greensill	

SUMMARY

The final draft of the revised Strategic Organisational Action Plan 2015-2020 (SOAP) is now tabled for Council's consideration.

OFFICER RECOMMENDATION

That
the draft Strategic Organisational Action Plan 2015-2020 (SOAP) be adopted by Council.

COUNCIL RESOLUTION - 12.013/15

(Crs McKenna/Hughes)

That

the draft Strategic Organisational Action Plan 2015-2020 (SOAP) be adopted by Council.

Voting recorded as follows
For: Councillors Williamson, Baker, Howe, Hughes, Kingsley, Lysaught, McKenna, Simmons, Toms
Against: Nil

LINKAGE TO OUR COMMUNITY PLAN

Theme	5 Our Leadership
Objective	5.1 We will have a strong, accountable and representative Government
Strategy	5.1.6 Make prioritised decisions in the long-term interest of the broad community and have regard to financial and infrastructure sustainability

BACKGROUND

At the March 2015 Meeting of Council it was resolved:

COUNCIL RESOLUTION - 12.006/15
That the draft Strategic Organisational Action Plan 2015-2020 (SOAP) be received and be brought back to Council for further determination at the Ordinary Meeting of Council on 19 May 2015.

The draft Plan contains only one minor revision. Strategy and Governance, Objective 2, now reads:

> Review Council's strategic position post-2016 quadrennial election to determine suitability of current Community Plan, and implement any changes that arise from the Assessment. This includes the development of a new 4 year Delivery program to coincide with the term of the new Council as per Integrated Planning and Reporting requirements.

KEY ISSUES
N/A

COUNCIL IMPLICATIONS

Budget/Financial
N/A

Asset Management
N/A

Policy or Regulation
N/A

Consultation
Senior Executive

Legal and Risk Management
N/A

Prepared by staff member:	Scott Greensill
Approved/Reviewed by Manager:	Scott Greensill
Section:	Organisation Performance & Governance
Attachment:	Revised Draft Strategic Organisational Action Plan 2015-2020

……Our Valley

My Council

One Future

Strategic Organisational Action Plan 2015-2020

Contents

Introduction

This *Strategic Organisational Action Plan 2015-2020 (SOAP)* has been developed for the purpose of guiding Clarence Valley Council in their long term strategic aim of sustainability.

In early 2012, Clarence Valley Council undertook a review of their overall operations which lead to the development and formal adoption of the initial *SOAP.* Over the past 3 years this Plan has been the basis on which Council has implemented its current change program.

Since the development of the initial *SOAP* other influencing factors have arisen. In particular, the state government-imposed "Fit for the Future" program now requires Council to formally demonstrate financial responsibility and operational sustainability. As such, it is now considered to be an opportune time to reconsider the *SOAP* in the context of these additional requirements.

The fundamental aim of this *SOAP* is the achievement of organisational sustainability. Sustainability is all about survival and as an organization Clarence Valley Council must operate in a manner which ensures that it survives.

When Clarence Valley Council was formed in 2004 from the amalgamation of Grafton City Council, Maclean Shire Council, Copmanhurst Shire Council, Pristine Waters Council, North Coast Water and Clarence River County Council a significant amount of time and resources was needed to enable formation and ensure service delivery. With 11 years now passed, the Council must continue to implement a change program that works to collectively unite the organisation into a single sustainable operation.

As an organisation, for Clarence Valley Council to be sustainable it must be:

- ***Effective*** in that it provides the services and meets the demands of its community within its capacity
- ***Efficient*** in that it is responsible with its finances and seeks to achieve the best return on investment for its constituents
- ***Environmentally focused*** so as not to cause harm to the environment when undertaking its activities
- ***Governance orientated*** to ensure that all processes are undertaken in an accountable and transparent manner and that all legal obligations and responsibilities are observed.

This *SOAP* has been designed to introduce new processes and change the way Council currently operates so as to move the organisation towards its fundamental goal of sustainability. As a plan, it is considered to be high level with much more detailed planning required for implementation. However, the Plan sets the basic direction for Council as an organisation so as to achieve an organisationally sustainable future.

This *SOAP* is broken into eight (8) functions, each relating to specific areas of Council's operation. Whilst each area has separate actions to be implemented, they are all intrinsically linked to form a collective and comprehensive approach to organisation sustainability.

It is acknowledged that the implementation of the proposed changes will take some time and will need to be embraced by both the Council and its employees. However, Council is confident, that in time, the proposed changes will progressively result in an organisation which is not only sustainable but also more responsive and output focused.

The *Strategic Organisational Action Plan 2015-2020* is essentially our operational change blueprint for the future.

Scott Greensill
General Manager

1. Strategy and Governance

The leadership and decision making capability of any Council is a fundamental component of good local government. At Clarence Valley Council, the elected members are ultimately responsible for an organisation which employs over 600 people and administers an asset base valued at approximately $2.0 billion. The stewardship responsibilities of Councillors are therefore significant and as such it is important that the elected members are provided with the necessary assistance, skills and training in order to effectively undertake their roles and responsibilities and to lead the Council into the future.

The *SOAP* recognises the integral role played by the elected members and provides a series of proposals intended to ensure that the elected members receive the necessary information and training on a progressive basis to successfully undertake their stewardship responsibilities for the betterment of the Council and the community that they serve.

Objective	Action 2015	Action 2016	Action 2017	Action 2018	Action 2019
1. Prepare a general induction workshop for Councillors following the September 2016 local government quadrennial election.		October 2016			
2. Review Council's strategic position post 2016 quadrennial election to determine suitability of current Community Plan, and implement any changes that arise from the assessment. This includes the development of a new 4 year Delivery Program to coincide with the term of the new Council as per Integrated Planning & Reporting requirements.			January 2017 - June 2017		
3. Arrange and engage a suitably qualified and experienced consultant to prepare and facilitate an Elected Member Professional Development Program.			January 2017 - December 2017		
4. Arrange and engage a suitably qualified and experienced consultant to prepare and facilitate re-fresher training for elected members on matters relevant to the ongoing governance requirements of Council.	As required	As Required		As required	As required
5. General Manager or other officers to conduct workshops and additional information sessions on issues as required with a view to developing a more comprehensive understanding and appreciation of corporate planning and operational processes.	As required	As required	As required	As required	As required

2. Asset Management

Clarence Valley Council currently owns and administers an estimated total of $2.0 billion of assets. The significant value and variety of assets means that failure to adequately manage the assets can, in itself, create a major and unnecessary cost burden which Council then needs to contend with.

Assets are the fundamental basis that enables Council, in many instances, to provide service delivery and includes core infrastructure such as roads, water and sewerage. Needless to say, the effective management of these assets is critical to the community.

Assets maintenance, depreciation, renewal and replacement all need to be carefully considered. However, due to the enormity of the collective assets an over-estimate or under-estimate of requirements can have significant long term ramifications for Council and, in particular, with our ability to fund future demands and projects. As such, the importance of having an asset management system which accurately measures and determines future requirements is therefore critical to long term sustainability.

The continual development and enhancement of Council's Asset Management System is considered an essential part of achieving a sustainable and responsible organisation. As Council's Asset Management System develops so will the accuracy and reliability of the data produced therefore enabling improved confidence in associated strategic decision making processes. As such, it is important to appreciate that an effective and beneficial asset management system is a continual "work in progress" that needs to be assessed and developed for the betterment of the organisation and the community

Objective	Action 2015	Action 2016	Action 2017	Action 2018	Action 2019
1. Develop a centralised and unified Asset Management System incorporating consistent and simplified methodologies which will provide meaningful information so as to enable informed decision-making processes to eventuate.	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing
2. Continual review and assessment of all physical assets with a view to identifying usage and relevance to Council requirements, and to enable improved usage or potential rationalisation of under-utilised and surplus assets to occur.	Continue evaluation process	Completion of evaluation process and implementation of findings	Implement findings	Implement findings	Implement findings
3. Develop and implement a system of condition auditing and assessment to be applied across all of Council's assets for replacement and renewal to be undertaken on a prioritisation basis.	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing
4. Formulation of detailed and realistic preventive maintenance plans for all Council assets so as to extend useful life and reduce long term costs based on adopted levels of service and available funding.	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing
5. Identify the funding "gap" required for asset maintenance and replacement and prepare a strategy to address the same.	Mid 2015	Implementation of strategy	Implementation of strategy	Implementation of strategy	Implementation of strategy
6. Ongoing re-evaluation of assets and depreciation methodologies based on adopted service levels and identified risk profiles.	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing
7. Through the application of a Major Project Evaluation process ensure that all major assets are acquired having had due consideration of “whole of life costs” and subsequent replacement and renewal.	As required	As required	As required	As required	As required

3. Organisation Structure

Council's employees are a major resource which Council administers and manages. Currently having approximately 660 employees which equates to approximately 550 full time positions, the managing, arranging and housing of employees contributes significantly to the delivery and overall effectiveness of Council's operations and services.

In order to achieve the optimum employee arrangement it is imperative that an organisation reviews its structure on a periodical basis to ensure that the structure can deliver the desired strategic outcomes.

In accordance with s333 of the Local Government Act 1993, every council in NSW is required to review its organisation structure within one year following the completion of a quadrennial election. With the NSW local government elections scheduled for September 2016, it will be timely to commence the preliminary assessment and preparation work in mid 2016 so as to have a draft organisation structure ready for review and consideration by the newly elected Council.

How employees are housed and grouped also has a significant impact on the provision of services and as such the location and working environment which employees are engaged also needs to be considered as part of the structure review.

Objective	Action 2015	Action 2016	Action 2017	Action 2018	Action 2019
1. Commence preliminary research and preparation for the development of a new organisation structure for presentation and consideration by the newly elected Council following the quadrennial election in September 2016.		Commence July 2016. Presentation to Council November 2016			
2. Adoption and implementation of new organisation structure.			January - June 2017		
3. Review work location arrangements progressively across the organisation with particular consideration to improved asset utilisation and service delivery.	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing
4. Continuous rolling operational reviews of individual business units and implementation of progressive changes where considered necessary in line with identified service delivery standards and associated methods of delivery.	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing

4. Financial Management

To be sustainable we must know not only what our current financial position is but what our future financial position is likely to be. This requires the ability to accurately forecast changes in our financial position so as to ensure that the decisions we make today are not going to create an unwanted long term financial burden for future councils to contend with and ultimately the community to fund.

To achieve this position an improved focus on all aspects of our financial management is required so that well-assessed, informed and considered financial decisions can be made by Council.

Fundamental to good financial planning is the ability to model and scenario plan so the impact of a possible decision can be considered before any long term commitment is made.

In order to make improved financial decisions the Council, as primary decision makers, also need to be trained and skilled in financial planning and interpretation.

The need for improved financial reporting and forecasting is also highlighted with the obligation to meet the timeline imposed by the NSW state government in the "Fit for the Future" program. The proposed actions identified in the *SOAP* are being undertaken so as to achieve the long term objective of organisational sustainability which is consistent with the reporting requirements as detailed in the "Fit for the Future" program.

Objective	Action 2015	Action 2016	Action 2017	Action 2018	Action 2019
1. Provide appropriate training for elected members to assist with the interpretation and understanding of local government finance and associated report interpretation.	Periodic	Detailed training program - post September 2016	As required	As required	As required
2. Utilise modelling software to develop 10 year financial plan incorporating identified operational changes with a view of achieving organisational sustainability and to satisfying the timeline as required with the "Fit for the Future" program. This will involve detailed scenario planning and modelling so as to adequately assess the long term financial ramifications of Council's proposed actions and decisions.	Current. "Fit for the Future" proposal required by 30 June 2015.	Ongoing	Ongoing	Ongoing	Ongoing. Demonstrated Financial Sustainability in accordance with the "Fit for the Future" program by 30 June 2019.
3. Formulate a new Debt Management Policy to reflect changes to long term borrowing strategies and objectives so as to demonstrate financial responsibility and stewardship.	Strategy and policy developed by 30 June 2015.	Periodic review	Periodic review	Periodic review	Periodic review
4. Where possible seek to align revenue-raising through fees and charges to reflect the service provided and maximise revenue raising opportunities in addition to rating.	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing

5. Performance Management

It is important during a change process that we can assess our operation to ensure that performance is improving. As such, the ability to assess ongoing performance forms the basis of a continuous change program which is central to effective organisational performance management. The initial *SOAP* document identified the need for improved performance management which in turn led to the formation of a specific operation unit dedicated to this function. Performance management systems have subsequently been develop and will further be enhanced through the ongoing development of meaningful performance measurement of Council's service delivery and the meeting of community standards and expectations.

Objective	Action 2015	Action 2016	Action 2017	Action 2018	Action 2019
1. Undertake a community satisfaction survey with a view to determining community service standards and expectations and utilising the results obtained from previous surveys for comparative purposes.		Late 2016			
2. From the community satisfaction survey, review all existing service standards and where possible make changes to reflect the community's needs.			Early 2017 followed by implementation	Implementation where possible	Implementation where possible
3. Undertake a detailed service level review of each respective business unit of Council with a view of determining suitable service standards to satisfy community expectation and in consideration of financial limitations.	Mid 2015			Mid 2018	
4. Where possible link identified performance and service standards through the establishment of Key Performance Indicators to individual employee performance so as to create "ownership" for outcomes and the meeting to the desired standard.		Early 2016	Periodic Review		Early 2019

6. Culture and Learning

Organisational culture is central to overall organisational effectiveness and efficiency. A legacy of amalgamation is the existence of differing and in some cases conflicting work practices and processes across the various work locations in the local government area. It is important that parity in work practices exists so as to avert conflict and develop a unified and integrated work force.

A fundamental component of developing a strong organisational culture is through the provision of suitably targeted employee training and learning programs. The development of a learning organisation creates the foundation for a culture of workplace improvement and as such both culture and learning are considered to be integral to effective and efficient organisational performance and service delivery.

Objective	Action 2015	Action 2016	Action 2017	Action 2018	Action 2019
1. Undertake a cultural analysis of the organisation with a view to determining actions to overcome and issues identified.		Early 2016			
2. Undertake actions to address identified cultural issues.			Continuous	Continuous	Continuous
3. Undertake a training and learning needs analysis and develop a program to address the identified areas of need.		Early 2016			
4. Implementation of Learning and Training Program.			Continuous	Continuous	Continuous

7. Customer Service

Every employee of Council in their own way is a customer service officer of Council. As such it is important that Council works to develop a customer service culture and that all employees are trained and understand the importance of good customer service.

Objective	Action 2015	Action 2016	Action 2017	Action 2018	Action 2019
1. Review existing Customer Service processes with a view to identifying areas of improvement and implement the identified changes as required.		Early 2016		Early 2018	
2. Undertake whole of organisation training on customer services principles and required practices.	Initial whole of organisation training - late 2015	Inductions and refreshers as required	Inductions and refreshers as required	Inductions and refreshers as required	Inductions and refreshers as required
3. Adopt Customer Service Policy	Adopt by 30 June 2015	Implementation	Implementation	Implementation	Implementation

8. Consultation and Communications

Whilst councils are expected to undertake wide ranging consultation and communication, the effectiveness of this process is often questionable. It is important that a targeted approach to each individual process is undertaken to ensure that meaningful information and feedback is given and derived in the most effective and efficient manner. Central to this will be the development of communication and consultation policies and practices which can be tailored to suit the specific actions to be undertaken. Collectively, these need to be developed under an overarching whole of organisation consultation and communications strategic plan.

How we are perceived by the community can be greatly influenced by how we approach our consultation and communications and the way in which we engage with the media. As such, it is considered important that a "whole of organisation approach" to consultation and communications is required and appropriate policies and practices be developed and implemented.

Objective	Action 2015	Action 2016	Action 2017	Action 2018	Action 2019
1. Review Council current practices in regards to consultation and communication and based on the information obtained prepare a whole of organisation strategic plan that aims to improve Council's image through improved consultation and communications practices	Late 2015				
2. Implementation of Consultation and Communications Strategic Plan		Continuous	Continuous	Continuous	Continuous

ITEM 14.064/15 DEBT MANAGEMENT STRATEGY & REVIEW

Meeting	Corporate, Governance & Works	14 April 2015
Directorate	Corporate	
Submitted by	Director - Corporate (Ashley Lindsay)	

SUMMARY

This report presents to Council the outcome of a review, completed by consultants Ernst & Young, of Council's existing debt portfolio and loan borrowing policy.

OFFICER RECOMMENDATION

That
1. Council amend its Loan Borrowing Policy to reflect:
   - that it is moving to a portfolio approach for its debt management,
   - that it plans to transition from principal and interest loans to an interest only repayment profile,
   - when Council is seeking new loan borrowings, consider a combination of fixed interest and variable interest rates on a case by case basis, and
   - Council's total debt over the long term is to be managed within a sustainable target debt range which is currently assessed as being up to $110M.
2. The General Manager bring forward a report to the May 2015 Council meeting which amends Council's Loan Borrowing Policy to reflect these changes.
3. The General Manager be delegated authority to refinance the National Australia Bank loans which total approximately $42M based on fixed quarterly principal and interest repayments over 13 years and that Council's seal be affixed to the contract documents.

COMMITTEE RECOMMENDATION

Simmons/Toms

That this matter be deferred to full Council meeting on 21 April 2015.

Voting recorded as follows:
For: Williamson, Kingsley, Simmons, Toms
Against: Nil

COUNCIL RESOLUTION – 14.064/15

(Crs Williamson/Lysaught)

That

1. **Council amend its Loan Borrowing Policy to reflect:**
   - **that it is moving to a portfolio approach for its debt management,**
   - **that it plans to transition from principal and interest loans to an interest only repayment profile,**
   - **when Council is seeking new loan borrowings, consider a combination of fixed interest and variable interest rates on a case by case basis, and**
   - **Council's total debt over the long term is to be managed within a sustainable target debt range which is currently assessed as being up to $110M.**

2. **The General Manager bring forward a report to the May 2015 Council meeting which amends Council's Loan Borrowing Policy to reflect these changes.**

3. **The General Manager be delegated authority to refinance the National Australia Bank loans which total approximately $42M based on fixed quarterly principal and interest repayments over 13 years and that Council's seal be affixed to the contract documents.**

Voting recorded as follows:
For: Councillors Williamson, Lysaught, McKenna, Baker, Hughes, Kingsley
Against: Councillors Simmons, Toms

LINKAGE TO OUR COMMUNITY PLAN

Theme	5 Our Leadership
Objective	5.2 We will have an effective and efficient organisation
Strategy	5.2.2 Operate in a financially responsible and sustainable manner

BACKGROUND

Council engaged Ernst & Young (EY) to complete a review of Council's current debt portfolio which at the end of February 2015 totalled $122.6M. The review's aim was to determine a debt management strategy to achieve funding objectives including the following:

- Cost savings – are alternative sources of debt able to be raised providing significant interest savings?
- Tenor considerations, such as evaluating appropriate debt duration against long term assets,
- Probity – is the current debt raising process transparent and efficient?
- Flexibility – ability to break early or change the repayment profile of the debt?

The review also sought an evaluation of the current way Council borrows, including items such as fixed / variable interest rates, against the identified funding objectives, and alternative sources which may improve the outcome compared to the current bank debt funding model.

KEY ISSUES

An overview of the process and key findings of the EY review is tabled below. Also attached for Council's information are the EY reports (Attachment A – Debt Review and Strategy Determination February 2015 and Attachment B – EY Council Workshop Presentation 17 March 2015) which both contain more detailed analysis and commentary.

Evaluation of debt portfolio and financing strategy
<u>Process</u> • Define Council's funding objectives • Review of borrowing policy • Review of $126M debt portfolio • Credit rating analysis • Review of debt requirements • Evaluation of alternative borrowing sources, structures and borrowing formats against the defined funding objectives.
<u>Key findings</u> There is merit in Council considering: • A revised borrowing philosophy, focused on a sustainable target debt level which incorporates a transition to interest only ("I/O") debt compared to traditional multiple principal and interest (P&I) loans • Refinancing where possible now, to take advantage of favourable market conditions which will drive interest savings
Market testing and evaluation of responses

<u>Process</u>
• Market sounding with existing and potential lenders
• Requested feedback on financing appetite to achieve
  o Revised borrowing philosophy
  o Interest savings
  o Other tactical refinements
• Pricing analysis
• Assess refinancing considerations (e.g. break costs)
• Transitional options analysis

<u>Key findings</u>
• Partial transition to new borrowing philosophy being a combination of I/O on both fixed and floating rate basis for new debt may provide the following key benefits
  o Asset / liability matching
  o Surplus cash
  o Flexibility
  o Access to other debt sources and structures
  o Operational efficiency
• Partial refinance of existing debt may achieve interest savings

Borrowing Philosophy

Council's current debt levels are high as suggested by the credit metrics and market feedback from the banks. EY assessed the sustainable debt level for Council as being as follows (see EY commentary at page 21 of Attachment A):

- $50 - $75M "Conservative" debt range
- $75 - $110M "Moderate risk" debt range

Council's existing debt portfolio is inefficient noting asset specific loans may not reflect overall asset /liability match for the Council as a whole given Council currently has 34 individual P&I loans. The EY review also indicated that Council's asset portfolio (and revenue stability) can likely support debt into perpetuity (i.e. no requirement to fully repay debt). Aligning debt levels with a sustainable target debt range would empower Council to balance capital investment decisions with prudent financial management.

Recommendation 1

Is for Council to move to a portfolio approach, focused on:

- Transition from P&I to I/O loans, and
- Council's total debt over the long term to be managed within a sustainable target debt range as determined through revised KPI's. Currently assessed as being up to $110M.

The benefits of taking this approach to managing Council's debt portfolio are that it will enable Council to:

- Asset / Liability match
- Provide flexibility
- Access alternative borrowing sources and structures
- Achieve operational efficiencies
- Release cash that previously would have been committed to repaying principal
- Achieve best practice corporate finance principles, and
- Achieve intergenerational equity principles.

An issue for Council in the short term will be how we implement a debt reduction program to bring Council's debt levels back to within the sustainable target debt range of $110M.

Interest Rate – Fixed –v- Variable

The recent market testing process completed by EY and Council has highlighted that Council's current fixed interest rate debt portfolio has resulted in a lack of flexibility given the significant break costs of approximately $31M should Council seek to refinance its total debt portfolio.

Recommendation 2

When Council is seeking new loan borrowings, consider a combination of fixed interest and variable interest rates on a case by case basis.

The introduction of I/O loans to Council's portfolio will provide Council with the flexibility to repay the loans early without incurring break costs. This approach however, does expose Council to the risk that when renewing the I/O loans the interest rates may have increased.

Refinance Option

Based on the recent market testing with Council's current lenders if we refinance our loans held with the National Australia Bank (NAB) we have the opportunity to achieve interest savings. Refinancing of other loans held with other institutions appears to be cost prohibitive due to the significant break costs which would increase Council's debt levels. Further investigations and discussions are being held with the lending institutions. Interest rates are currently at a multi-decade low point and opportunities may exist to allow Council to refinance this debt similar to the proposed refinance of the NAB debt.

Recommendation 3

Is for Council to refinance the NAB debt portfolio (approx. $42M) on a fixed rate P&I basis for 13 years.

Based on the indicative interest rate information provided by the NAB the refinancing of the NAB loans over 13 years may save Council ~$172k p.a. or ~$2.2M over the life of the loan. The refinancing also frees up cashflow of approx. $2.4M over the next 5 years across the General, DWM and Sewer Funds. The proposed refinance is largely based on a like for like basis (tenor, P&I repayment profile and fixed interest rate) with the NAB loans being repaid by June 2028 rather than June 2032. A summary analysis of the refinancing which looks at refinancing over 5, 10, 13, 15, 20 and 5 + 15 year options is attached (refer Attachment C).

COUNCIL IMPLICATIONS

Budget/Financial
Based on the indicative interest rate information provided by the NAB the refinancing of the NAB loans over 13 years may save Council ~$172k p.a. or ~$2.2M over the life of the loan.

The Ernst & Young consultancy for the Debt Management review and analysis is estimated to cost $60,000 which will be funded from Council's budget allocation for the implementation of Council's Strategic Organisation Action Plan.

Asset Management
N/A

Policy or Regulation
Loan Borrowing Policy

Consultation
A workshop was held with councillors on Tuesday 17 March 2015 where the consultant from Ernst & Young presented their findings of their review. Refer Attachment B.

Legal and Risk Management
N/A

Prepared by staff member:	Ashley Lindsay
Approved/Reviewed by Manager:	Scott Greensill
Section:	Finance & Supply
Attachment:	Attachment A – EY Debt Review and Strategy Determination Feb 2015 Attachment B – EY Presentation 17 March 2015 Attachment C – Summary Analysis NAB Loan Refinance

Clarence Valley Council

Debt Review and Strategy Determination

February 2015

Building a better
working world

Contents

Building a better
working world

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17 February 2015

Dear Scott,

Debt review and strategy determination

In accordance with our engagement agreement dated 3 December 2014, we have prepared this report following a review of Clarence Valley Council's ("CVC", "you" or the "Council") existing debt portfolio and strategy and undertaken an evaluation of alternative debt arrangements that may be considered to improve efficiencies and savings. The report highlights various aspects of the existing debt position and debt strategy for CVC's consideration and our recommendations with respect to these.

Purpose of our report and restrictions on its use

This report was prepared on your instructions solely for the purpose outlined in our Scope of Work and should not be relied upon for any other purpose. Because others may seek to use it for different purposes, this report should not be quoted, referred to or shown to any other parties unless so required by court order or a regulatory authority, without our prior consent in writing.

Our report may not have considered issues relevant to any third parties. Any use such third parties may choose to make of our report is entirely at their own risk and we shall have no responsibility whatsoever in relation to any such use. This report should not be provided to any third parties without our prior approval and without them recognising in writing that we assume no responsibility or liability whatsoever to them in respect of the contents of our deliverables.

Scope of our work

Our work in connection with this assignment is of a different nature to that of an audit. Our report to you is based our analysis of CVC's debt portfolio. We have not sought to verify the accuracy of the data or any information provided by management.

Our work has been limited in scope and time and we stress that a more detailed review may reveal material issues that this review has not. A more detailed overview of the scope of our work is outlined in the engagement agreement dated 3 December 2014.

If you would like to clarify any aspect of this report or discuss other related matters then please do not hesitate to contact myself on (03) 8650 7600.

Yours faithfully

Jason Lowe
Partner
Capital & Debt Advisory
Ernst & Young

Introduction and Objectives

Introduction

- As per our Engagement Agreement dated 3 December 2014, EY has been engaged to undertake a review of CVC's debt position and funding policy to assist to identify improvements which may be incorporated into an alternative debt management strategy
- We understand that CVC is currently funded by bank debt, with a debt portfolio of approximately $126m
- In accordance with our engagement agreement, we have utilised CVC's key funding objectives as a basis of evaluation to determine our recommendations as per the methodology detailed herein. The Council's key objectives are as follows:
  - **Cost savings**
    - Value for money of existing bank debt funding
      - EY has undertaken a review of the current bank debt funding to determine whether alternative sources and structures of finance are available to provide interest cost savings
  - **Borrowing format**
    - Appropriateness of existing borrowing format
      - EY has considered factors such as debt sizing, tenor, fixed vs. variable interest rates, repayment profile, number of loans and principal and interest ("P&I") vs. interest only
  - **Probity**
    - Efficiency and transparency of the bank debt procurement model
      - EY has undertaken a review of the debt procurement model and evaluated this against best practice principles
  - **Flexibility**
    - Ability to provide flexibility to the Council to accommodate changes in cash flow requirements
      - EY has considered factors such as the ability to repay early (i.e. break costs) and amendments to the existing debt repayment profiles.
- Our debt strategy recommendations are summarized in the Executive Summary on the following pages.

Executive Summary

Executive Summary

Following our review of CVC's debt portfolio, EY's recommendations are classified into two key categories as follows:

1. Borrowing philosophy

- We have reviewed CVC's existing borrowing policy and suggest a change from an asset approach to a portfolio or "sustainable debt level" approach
- The focus on sustainable debt levels and asset / liability matching is derived from intergenerational equity principles whereby availability of capital for investment is first determined and capital is subsequently allocated by a council in line with their strategic objectives. This is viewed to be a best practice approach to borrowing philosophy based on corporate finance principles and shares similarities with how corporates and other government entities borrow
- Importantly such an approach is designed to meet the intergenerational objectives.

2. Tactical refinements

- Subsequently we focus on the specific benefits which may be achieved through amendments to the characteristic of CVC's borrowings to achieve the stated objectives of cost savings, improvements in borrowing format, probity and flexibility to drive efficiencies and savings.

The two categories are interrelated with the recommended borrowing philosophy changes on the next page also assisting to drive efficiencies and savings.

Debt strategy recommendations

1. Revised borrowing philosophy, focussed on sustainable target debt level

Recommendations	Assessment against objectives				Next steps
	Cost Savings	Borrowing Format	Probity	Flexibility	
▶ Consider amending CVC's borrowing philosophy to be a rolling core debt requirement in line with target debt range, annual budget and strategic objectives rather than individual principal and interest loans for each capital works program ▶ Target debt range to be determined utilising a broader range of debt sizing metrics compared to the existing Debt Service Ratio ("DSR") Key Performance Indicator ("KPI") within loan borrowing policy					▶ Changes to borrowing philosophy to be incorporated into loan borrowing policy, with relevant approvals sought ▶ Changes to borrowing philosophy to be achieved through either a partial or full transition (see slides 9 - 10 for details)

Key benefits

1) Asset/liability match
   - Asset portfolio (and revenue stability) can likely support debt into perpetuity (i.e. no requirement to fully repay debt)
   - Aligning debt levels with a sustainable target debt range empowers CVC to balance capital investment decisions with prudent financial management
   - Provides intergenerational benefits

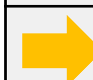
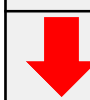
We assess the sustainable debt level for CVC as follows:

- $50 - $75m "Conservative" debt range
- $75 - $110m "Moderate risk" debt range

We have evaluated key debt service metrics used by CVC, NSW Office of Local Government ("OLG") and Moody's in determining CVC's sustainable debt level above (see slide 23 for details)

2) Flexibility:
   - Free up cash flow currently allocated to debt amortisation for other purposes (if required) where CVC is within the target debt range
3) Access to other debt sources and structures (given minimum transaction sizes for some markets):
   - Potential pricing benefits
   - Diversification of funding source
   - Transparency of wholesale market tender process
4) Operational efficiency:
   - Reduced administrative burden of a large loan portfolio

Description:

	High potential to achieve outcomes which satisfy the objective
	Moderate potential to achieve outcomes which satisfy the objective
	Minimal potential to achieve outcomes which satisfy the objective

Debt strategy recommendations

2. Debt refinance to take advantage of favourable market conditions

Recommendation	Assessment against objectives				Next steps
	Cost Savings	Borrowing Format	Probity	Flexibility	
▶ Consider refinancing CVC's existing debt portfolio via a bank and/or other debt market refinancing to achieve interest savings	↑	→	→	→	▶ Agree borrowing philosophy / format (see slide 30 for details) ▶ Determine most appropriate source(s) / debt market (see slides 26-27 for details) ▶ Seek break cost quotes from existing banks ▶ Prepare Request for Proposal ("RFP") for bank and/or other debt market refinancing

Key benefits

1) Cost savings:
   - ▶ Current market conditions (bank, Collective Bond and Australian Dollar ("AUD") Bond markets) are favourable for a refinance with CVC well positioned to access cheaper funding which may drive interest savings estimated as $0.6 – $1.4m p.a.
   - ▶ Savings via a bank market refinance are due to margin improvements observed over the last 18 months of up to ~0.50%

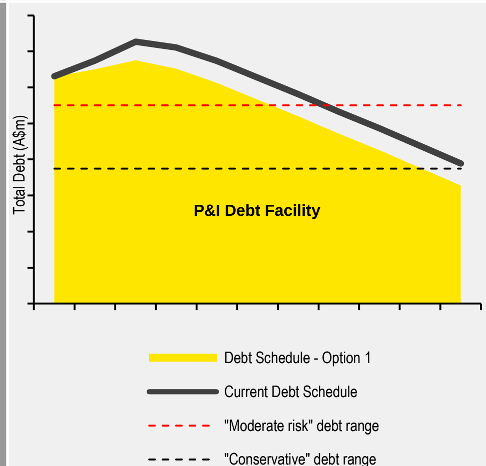
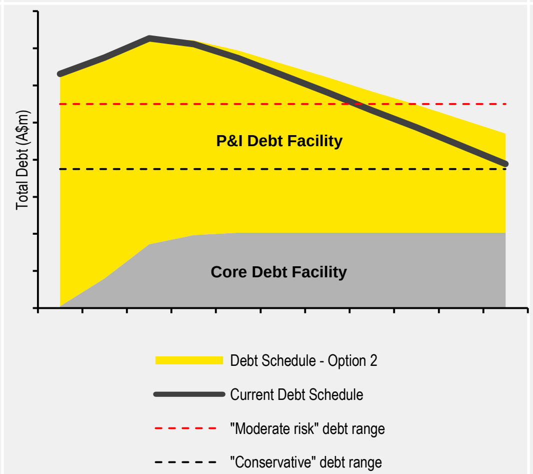
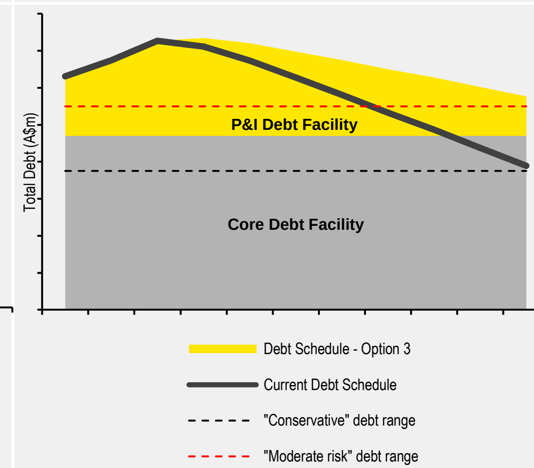
<u>A refinance can be considered either independently or as part of the revised borrowing philosophy (Recommendation 1)</u>

Observed pricing and potential savings

	Tenor	Savings vs. Existing Bank	Annual Savings on Current Debt amount	Savings on current debt amount over 10 years
Bank refinance	5 year	0.50%	$0.6m	$6.3m
	7 year	0.50%	$0.6m	$6.3m
Collective Bond	5 year	0.97%	$1.2m	$12.2m
	7 year	1.03%	$1.3m	$12.9m
AUD Bond	5 year	1.02% - 1.07%	$1.3m - $1.4m	$12.8m - $13.5m
	7 year	1.08% - 1.13%	$1.4m - $1.4m	$13.6m - $14.2m
AUPP	Pricing TBD (likely to be in line with bank market)			

Debt strategy recommendations

3. Transitional options

	Option 1	Option 2	Option 3
Description	► Refinance of existing loans on identical basis (tenor, P&I repayment profile and fixed interest rate)	► Future debt requirements (i.e. $40.7m capital program) funded by new “core debt” facility with no scheduled amortisation	► Full debt refinance into “core debt” facility with no scheduled amortisation, plus P&I loan for remaining debt and future borrowing requirements ► “Core debt” facility suggested to be in line with “Conservative” debt range of $75 - $110m, for example CVC may choose to match the ~$94m loan liability assigned to Water and Sewer Funds (FY14)
			
Borrowing philosophy	► No change	► Partial transition (future borrowings)	► Full transition (existing and future borrowings)
Refinance	► Partial or full refinance	► Partial or full refinance	► Full refinance

- *Note: Diagrams for illustrative purposes only and based on ‘core debt facilities’ with 20 year tenors*

Debt strategy recommendations

3. Transitional options (cont.)

	Option 1 (cont.)	Option 2 (cont.)	Option 3 (cont.)

Benefits vs. existing	► Interest savings of ~0.50% p.a.
	► Accelerated amortisation where interest cost savings of ~\$0.6m (assuming full refinance) are applied to debt reduction
	► Total debt reduced more quickly
		► Interest savings of ~0.50%+ p.a. on new facilities
		► Flexibility:
		  ► interest only facility of \$40.7m provides an average of \$2.04m in cash savings p.a. assuming a 20 year P&I profile due to no amortisation payments
		  ► option to apply excess cash to amortisation
		► Once debt is within target range more free cash available for capital allocation
		► Partial transition to asset/liability matching
			► Interest savings of ~0.50%+ p.a. on new facilities
			► Flexibility:
			  ► interest only facility of \$94m provides an average of \$4.7m in cash savings p.a. assuming a 20 year P&I profile due to no amortisation payments
			  ► option to apply excess cash to amortisation
			► Once debt is within target range more free cash available for capital allocation
			► Full transition to asset/liability matching

Limitations	► No improvements in flexibility	► Higher debt / delay in achieving target debt level ► Higher interest over life of loan due to no amortisation	► Higher debt / delay in achieving target debt level ► Higher interest over life of loan due to no amortisation

- Many iterations to the above transitional options are available. Refer pages 33 - 35 for more details of the models presented above.

Debt strategy recommendations

4. Other considerations

- The above options to be considered in light of the following borrowing philosophy set by CVC

Format	Observation	Considerations
Interest rate – fixed vs. variable	CVC loans currently have fixed interest rate profiles	<u>Benefits:</u> ► Fixed interest rate debt provides certainty in repayment profile <u>Limitations:</u> ► Break costs may be payable in prepayment / refinance scenario ► Therefore this may limits flexibility to manage debt levels on an ongoing basis <u>Other considerations:</u> ► Interest rates are currently at a multi-decade low point
Tenor	CVC currently has a mix of loan tenors with a weighted average tenor of approximately 20 years	► Asset portfolio (and revenue stability) can likely support debt into perpetuity – tenor does not have to be linked to individual capital works or assets ► Long term debt attracts a pricing premium due to incremental risk and increased cost of capital for investor ► Longer debt tenor provides increased certainty of funding however councils are viewed to have good access to debt markets in particular noting strong appetite from banks to lend to the sector ► Tenor of debt may be aligned or independent from tenor of fixed interest rates (if applicable). Tenor therefore becomes tactical, for example use of varying maturity profiles may drive pricing benefits (for example short term debt may drive significant pricing reductions)

Borrowing Philosophy

Methodology and Key Findings

To meet the objectives outlined previously, our report focuses on the following key areas

Step	Rationale	Methodology	Key Findings

Review of loan borrowing policy
 	
Page 16 - 17
	► Provides an overview of the Council's current debt procurement model including process, key principles and KPI's	► Review of CVC's loan borrowing policy (adopted August 2014)
		► Compare and evaluate policy against peers, Moody's and OLG policy to identify potential improvements
			► Borrowing policy incorporates a combination of legislative requirements, key borrowing principles and process guidelines
			► Borrowing is restricted to new capital projects only
			► The expression of interest "(EOI") process which requires quotes from a minimum of three Authorised Deposit Taking Institutions **ensures probity and transparency**
			► CVC may consider amending borrowing philosophy to be a rolling core debt requirement in line with target debt range, annual budget and strategic objectives rather than individual P&I loans for each capital works program, with benefits achievable including:
			  ► Asset/liability match
			  ► Interest savings
			  ► **Increased flexibility**
			  ► Operational efficiency
			► Target debt range to be determined utilising a broader range of debt sizing metrics compared to the existing DSR KPI within loan borrowing policy

Review of debt portfolio
 	
Page 18
	► Understand current debt portfolio to establish a base case with which to compare alternative:
	  ► Borrowing formats
	  ► Sources and structures of finance
	► Provides insights regarding flexibility of existing debt and process to transition to alternatives (if required)
		► Review of 10 loan agreements, "Loan Summary" and "Loan Repayment Data" spreadsheets provided by CVC as a sample (vs. 34 loans in total)
		► Comparison to asset portfolio
			► Fragmented loan portfolio with 34 loans across 7 lenders totalling $126.3m
			► Loan purposes appear to be largely for specific individual capital works programs with a broad range of tenors up to 45 years
			► All loans reviewed have P&I repayments and fixed interest rate profiles
			► Limited flexibility to change given:
			  ► Contractual amortisation – deferment of repayment likely to require refinance
			  ► Fixed rate loans – break costs may be payable upon refinance
			► Asset portfolio (and revenue stability) can likely support debt into perpetuity

Methodology and Key Findings

To meet the objectives outlined previously, our report focuses on the following key areas

Step	Rationale	Methodology	Key Findings
Credit rating analysis **Page 19 - 21**	► Shadow credit rating analysis allows for assessment of CVC's: ► Overall risk profile ► Sustainable debt levels ► Access to alternative funding sources such as wholesale debt markets ► Applicable debt pricing	► In assessing CVC's credit profile we have applied Moody's credit rating methodology ► We have subsequently undertaken a sustainable debt evaluation for CVC by utilising debt service metrics used by CVC, the OLG and Moody's	► We assess the shadow credit rating of CVC as Aa3 which translates to rated as *'high quality and very low credit risk'* ► We asses CVC's sustainable debt level as up to $110m with this level divided into: ► $50m - 75m "Conservative" debt range ► $75m - $110m "Moderate risk" debt range ► Higher debt levels may be justified in the short term given strong credit profile ► Based on CVC's credit profile, access to wholesale debt markets is likely achievable
Review of borrowing requirements **Page 22**	► Financial forecasts highlight the annual borrowing requirement of CVC based on operating assumption forecasts and capital expenditure ("capex") needs	► Review Council's Long Term Financial Plan ("LTFP") ► Assess proposed borrowing and repayment profile including peak debt requirement and consider alternative structures	► Peak debt requirement of $145.4m in FY16 ► Existing and peak debt requirements are above CVC's sustainable debt range due to historical expansionary capex program, with sustainable debt levels to be achieved through transition to focus on renewal of assets

Council Overview
Our understanding

clarence
VALLEY COUNCIL

Size: 10,400km^2
Population: 51,043
Type: Rural Council
Regional GDP: $31.8k per capita
Council Assets: $2.4bn (Infrastructure, Property, Plant & Equipment Fair value as at 30-Jun-14)

Clarence Valley Council Area & Location Map

Overview

- The Clarence Valley Council area is located in the Northern Rivers region of NSW, about 600 kilometres north of Sydney and 300 kilometres south of Brisbane
- The CVC area is predominantly rural, with expanding residential areas and some industrial and commercial land uses
- A significant proportion of the Council area is National Park, State Forest and nature reserves, including beaches, rainforests, mountains and rivers. Much of the rural area is used for forestry, agriculture and grazing, including beef cattle and sugarcane growing. Fishing is also an important industry. In more recent years tourism has become a major industry, especially along the coast
- The largest industries in the Council are health care and social assistance, retail, accommodation and food services, public administration and safety and manufacturing.

Strategic Plans

- In response to Commonwealth and State government reviews of the NSW local government sector, CVC was rated as having a weak financial sustainability rating by TCorp and is focussed on financial and operational changes to achieve the Council's corporate financial objective of long term financial sustainability
- A key component of the Council's strategy is to focus its capital expenditure on the renewal of assets rather than the expansion of Council's asset base.

Loan Borrowing Policy

Combination of legislative requirements, key borrowing principles and process guidelines

Overview

- CVC's loan borrowing policy was adopted on 19 August 2014 for the purpose of ensuring a structured and disciplined approach to borrowing which is summarised below:

Legislative Requirements

- There are a number of overarching borrowing requirements specified by the Local Government Act 1993, Local Government (General) Regulation 2005 and Minister Borrowing Order including:
  - Purpose – borrowing purpose must be consistent with the Local Government Act 1993
  - Form – overdraft or loan or by any other means approved by the NSW Minister for Local Government
  - Security – councils may provide security for any borrowing
  - Restrictions – the Minister may impose restrictions on borrowings by a particular council
  - Source – lender must be Australian and borrowing must be denominated in AUD

Key Principles

- In addition, the borrowing policy incorporates a number of key principles:
  - Purpose – council borrowings are restricted to high priority capital projects, and borrowings should not fund recurrent expenditure
  - Inter-generational equity – the full cost of infrastructure should be borne by current and future ratepayers who will also benefit
  - Serviceability – debt levels are sustainable as measured by the DSR in line with benchmarks set by the OLG (see next slide for details)

Consider transition to new borrowing philosophy based on sustainable debt level approach to meet intergenerational objectives with benefits achievable including:

- Asset/liability match
- Interest savings
- Increased flexibility
- Operational efficiency

Borrowing Process

- Individual borrowings are subject to the following process and procedures:
  - Council approval – all borrowings are subject to council approval
  - Format – the tenor and nature of interest rate (fixed or variable) should take into account the purpose of the borrowing and seek to minimise interest rate exposure. In addition, the use of overdraft facilities should be minimised
  - Debt procurement model – EOI process undertaken to seek quotes from a minimum of three Authorised Deposit Taking Institutions (this therefore ensures transparency and probity requirements)

EOI process ensures probity and transparency

Loan Borrowing Policy (cont.)

Serviceability metrics are no longer consistent with OLG benchmarks

Debt Service Ratio (DSR)

- The DSR is the primary financial metric used by CVC in assessing the appropriateness of their debt level, with the following DSR benchmarks applied:

Fund	DSR benchmark
General Fund	< 12%
Water Fund	50 – 60%
Sewer Fund	50 – 60%

- The DSR is defined as net debt service cost divided by revenue from continuing operations
- It is observed that the (OLG) accepted benchmark for the DSR (outlined in CVC's loan borrowing policy) is as follows:
  - DSR < 10% - satisfactory
  - 10% < DSR < 20% - fair
  - DSR > 20% - could be of concern
- We understand from CVC that the suggested OLG benchmark for DSR is for General Fund performance measurement only and therefore may not apply for water and sewerage

Debt related performance measures going forward

- The OLG, together with local government sector representatives, has started on work to build a new performance measurement framework for councils. Of particular note, the 'Local Government Code of Accounting Practice and Financial Reporting (Guidelines) – June 2014' does not include the DSR as an ongoing measure of performance for Local Councils
- The revised financial performance metrics are based upon those developed by TCorp, with two of the ten TCorp ratios and benchmarks specifically relating to debt serviceability as follows:

Ratio	Definition	Benchmark
Debt Service Cover Ratio (DSCR)	EBITDA / Borrowing costs (both interest expense and principal repayments	> 2.0x
Interest Cover Ratio (ICR)	EBITDA / Borrowing interest costs	> 4.0x

- CVC should consider updating serviceability metrics per above and utilise a broader range of debt sizing metrics to evaluate a sustainable debt level. See page 21 for further considerations.

Debt Portfolio Summary

Fragmented loan portfolio aligned to individual assets with limited flexibility

Clarence Valley Council Debt portfolio as at 30 June 2014	
Facilities Drawn: General Water Sewer Domestic Waste Management (DWM) **Total Drawn**	 $24,409,177 $26,613,468 $67,194,628 $8,110,514 **$126,327,788**
Number of Loans	34 (10 loan agreements have been reviewed)
Number of Lenders	7
Tenor (years): Minimum Weighted Average Maximum	 3.0 21.1 45.0
Overdraft Facility	$500,000 Facility may be drawn at any time and may be terminated by the bank without notice

Key Findings

- Fragmented loan portfolio with 34 loans across 7 lenders totalling $126.3m
- Loan purposes appear to be largely for specific individual capital works programs with a broad range of tenors up to 45 years
- Loans reviewed are all P&I repayment profile and fixed interest rate
  - Given interest rates are currently at a multi-decade low point (and therefore lower than when the loans were originally sought), break costs would likely be payable should CVC decide to refinance or repay loan(s) early (see slide 22 for further details)
  - P&I amortisation profiles limit flexibility to prepay a portion of the loan in the event of cash windfall (e.g. asset sale) given potential break costs
- FY14 loan repayments were $5.95m (4.71% of drawn debt amount) vs. $1.1m of new debt being drawn
- CVC's $2.4bn asset portfolio comprises long life assets of 20+ years which may be significantly extended subject to suitable levels of maintenance capex. As such borrowing threshold may resist intergenerational considerations
- Asset portfolio (and revenue stability) can likely support debt into perpetuity

Peer comparison

- Australian local councils differ in terms of size and financial profile, and therefore have different capital requirements
- Across the sector, councils tend to adopt a cautious approach to borrowing
- Common borrowing practices for the Australian local council sector include:
  - **Source -** Bank debt is the traditional form of financing utilised
  - **Tenor -** Historically borrow both long and short term
  - **Repayment profile -** Historically have favoured P&I debt
  - **Interest rate -** Historically have favoured fixed interest borrowing due to increased certainty in repayments
  - **Borrowing purpose -** Some Councils only borrow for revenue generating assets
  - **Debt sizing -** Varying debt levels and cash reserves
  - **Timing / Intergenerational considerations of matching short term with long term -** some Councils only spend what they save
- The table below compares CVC with the local government sector highlighting a higher level of gearing and lower level of debt serviceability

	Sector*	CVC (FY14)
Debt / Net Assets	2.8%*	6.58%
Interest payments / Total Revenue	1.4%*	7.86%

*National data for period 2011-2012 (Australian Bureau of Statistics)

Credit rating benchmarking

Shadow credit rating assessment highlights CVC is of high quality and very low credit risk

Overview

- EY has undertaken a shadow credit rating assessment based on publicly available information on CVC
- Applying Moody's credit rating methodology[1], we assess the credit profile of CVC to be Aa3 which translates to rated as 'high quality and very low credit risk'. This is 3 notches below the Commonwealth of Australia and the State of NSW which are both rated Aaa and AAA by Moody's and Standard & Poor's ("S&P") respectively

Methodology

- We have applied Moody's sub-sovereign rating methodology titled "Regional and Local Governments" dated January 18, 2013 in assessing CVC's credit rating
- Moody's methodology focuses on four broad rating factors of differing weightings:
  - Economic Fundamentals
  - Institutional Framework
  - Financial Performance and Debt Profile
  - Governance and Management
- Within each key factor, individual subfactors have been analysed and evaluated for CVC that incorporate a combination of qualitative and quantitative assessments
- Subfactor score definitions are as follows:
  - Lower scores (1 and 3) reflect strong performance
  - Mid range score (5) reflects moderate performance
  - Higher scores (7 and 9) reflect weaker credit fundamentals
- Based on the responses to each question and the respective weightings, a risk score is derived which is then translated into a shadow credit rating (see next slide for details)

Peer comparison

- The table below highlights the credit ratings of Australian local councils
- Rated councils are larger and more diversified than CVC which supports a higher credit rating
- Victoria's Local Government Funding Vehicle ("LGFV") includes councils with similar characteristics (size, financial and economic profile) to CVC and benefits from diversification associated with pooled structure

Australia local council credit ratings

Council	Credit Rating	Comments
City of Melbourne	AAA (S&P)	Rated AAA from FY01 to FY13
Wollongong City Council	AA+ (S&P)	Rating held FY05 to FY08
Penrith City Council	AA+ (S&P)	Rating held FY04 to FY09
Newcastle City Council	AA+ (S&P)	Rating held FY05 to FY09
LGFV	Aa2 (Moody's)	Rating reflects underlying credit profile of participating Victorian councils

References

In undertaking our review we have also considered:

- Moody's credit rating report on Local Government Funding Vehicle (LGFV) Program Trust dated November 11, 2014
- S&P's report titled "Public Finance System Overview: Australian States and Municipalities" dated April 14, 2011
- S&P's credit rating report on Wollongong City Council dated June 23, 2008
- S&P's credit rating report on Penrith City Council dated July 23, 2008
- S&P's credit rating report on Newcastle City Council dated January 5, 2009

1. Moody's sub-sovereign rating methodology "Regional and Local Governments" dated January 18, 2013

Credit rating benchmarking

CVC is viewed to be a strong investment grade credit, albeit with weaker scores evident relating to its current debt profile

Factor Table – Clarence Valley Council (as at 30 June 2014)

Key Factor	Subfactor	Result	Subfactor score	Subfactor weighting	Factor weighting	Factor score
Economic fundamentals	Economic strength	48%	9	70%	20%	1.56
	Economic volatility	Mod	5	30%		
Institutional framework	Legislative background	1	1	50%	20%	0.60
	Financial flexibility	5	5	50%		
Financial performance and debt profile	Operating margin	11%	1	12.5%	30%	1.05
	Interest burden	9%	9	12.5%		
	Liquidity	1	1	25%		
	Debt burden	134%	7	25%		
	Debt structure	5%	1	25%		
Governance and management	Risk controls and financial management	1	1	Max Subfactor score	30%	0.30
	Investment and debt management	1	1			
	Transparency and disclosure	1	1			
Total						**3.51**
Shadow credit rating assessment						**Aa3**

Moody's Global Long-Term Rating Scale

Aaa	Highest quality, subject to the lowest level of credit risk	Investment grade
Aa	High quality and are subject to very low credit risk	Investment grade
A	Upper-medium grade and are subject to low credit risk	Investment grade
Baa	Medium-grade and subject to moderate credit risk	Investment grade
Ba	Speculative and are subject to substantial credit risk	Sub-investment grade
B	Speculative and are subject to high credit risk	Sub-investment grade
Caa	Speculative of poor standing and are subject to very high credit risk	Sub-investment grade
Ca	Highly speculative and are likely in, or very near, default	Sub-investment grade
C	Lowest rated and are typically in default	Sub-investment grade

Note: Within each rating level above, Moody's applies numbers to classify as either 1 = higher (e.g. Aa1), 2 = mid-range (Aa2) or 3 = lower (e.g. Aa3) to provide further granularity of the ratings scale

Debt portfolio impact on credit rating

- CVC's subfactor scores relating to its debt portfolio ('Interest burden' and 'Debt burden') are relatively weaker compared to the overall strong performance of other subfactor scores (See above table)
- While each subfactor is important in CVC's overall credit assessment, these two debt related subfactors only have a combined 11.25% impact on the overall rating
- As such, weaker performance in these two subfactors does not resign CVC to a weaker credit rating and in fact CVC's strength in other areas of importance such as governance, institutional framework and some financial performance measures contribute to CVC's strong rating and offsets these weaker areas of performance
- While (all else being equal) a reduction in debt and interest payments from current levels would improve interest burden and debt burden subfactor scores and CVC's credit profile, minimal rating improvement would be seen
  - E.g. a 30% - 50% reduction in debt (and corresponding reduction in interest payments) improves CVC's rating by one notch from Aa3 to Aa2
- This analysis assists to support sustainable debt profile parameters

Sustainable Debt Level

We assess CVC's sustainable debt level as up to $110m

Overview

- We have undertaken a sustainable debt evaluation for CVC which assists to:
  - Determine a target debt range; and
  - Inform future capital decisions
- A sustainable debt level for a local council is one which the council can comfortably service both its current and future debt service obligations while maintaining an acceptable level of asset maintenance and service provision to support economic growth

Methodology

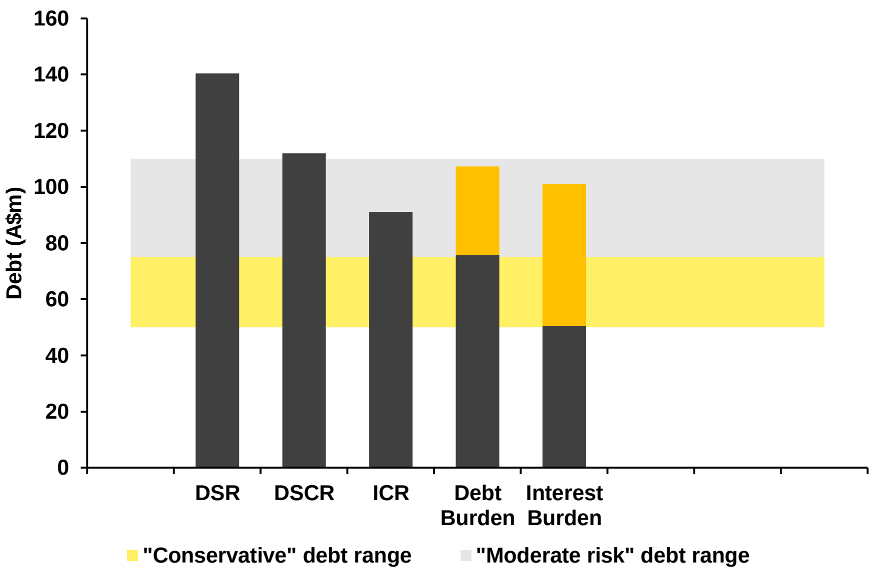
- In determining CVC's sustainable debt level we have evaluated key debt service metrics used by CVC, OLG and Moody's
- We have assessed the debt level CVC can support (as at 30 June 2014) whilst maintaining the following target benchmarks:

	Metric	Benchmark	Debt level
CVC loan policy ***(current KPI)***	DSR	< 20%[1]	$140.3m
OLG metrics ***(suggested KPI)***	DSCR	> 2.0x	$111.9m
	ICR	> 4.0x	$91.1m
Moody's metrics ***(suggested KPI / Independent industry benchmark)***	Debt Burden	< 100%[2]	$75.7m* / $107.3m
	Interest Burden	< 5.0%[2]	$50.5m* / $101m

Key findings

- As highlighted above, the Moody's median metrics constrain the debt level to $50-75m. This is considered a "Conservative" debt range given these lower debt levels drive a one notch improvement to the already strong investment grade shadow credit rating of Aa3 per analysis on previous slide
- A higher debt range of $75-$110m has also been considered which results in debt levels more closely aligned with the OLG metrics and supports a shadow credit rating of Aa3. Accordingly, the "Moderate risk" debt range is currently assessed as $75-$110m
- Higher debt levels may be justified in the short term to support essential capital works given CVC's strong credit profile, however it is suggested that where this is the case a clear plan be implemented to reduce debt levels back to within the target range benchmark. This is demonstrated by the existing DSR which provides comfort regarding serviceability albeit at a higher risk level (which is presumably why the OLG metrics have been revised more in line with Moody's).

CVC - Sustainable Debt Level (30 June 2014)

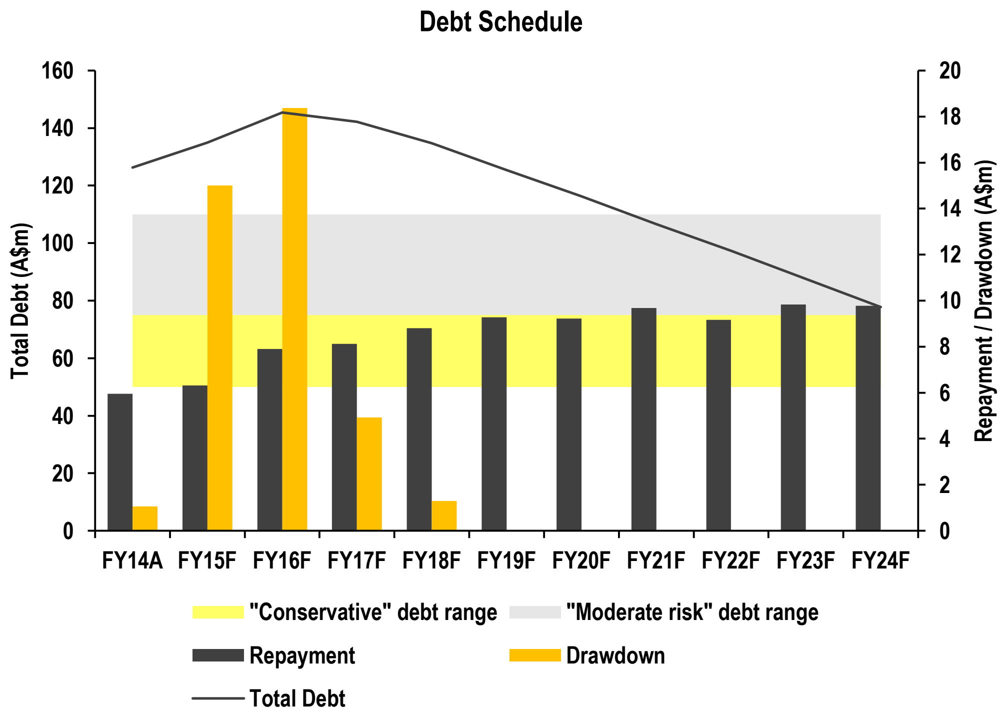


Note: [1]DSR has been excluded from the assessment of sustainable debt level given it is to be discontinued as an OLG measure and the results are an outlier compared to the other metrics.

[2]Debt levels for Moody's metrics are based on achieving the median benchmark (i.e. mid range subfactor score of 5). The amber bars highlight the debt level at which CVC achieves a subfactor score of 7 or higher which reflects weaker credit fundamentals.

Borrowing Requirement

Existing and peak debt requirements are above target debt range due to historical expansionary capex program, with sustainable debt level achieved through transition to focus on renewal of assets



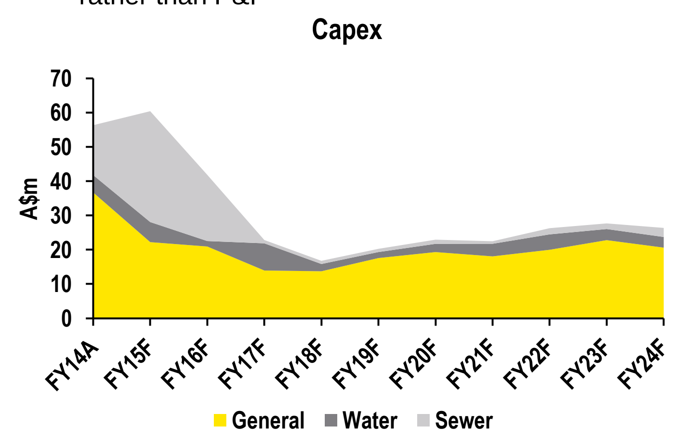
Total debt peaks in FY16 due to draw down of debt to fund sewer capital works. Total debt is subsequently reduced through increasing repayment profile as a result of reduced capex spend

Debt Schedule

- Peak debt requirement of $145.4m in FY16
- Council has traditionally funded the majority of its capital works through borrowings. However the Council's '2014-2015 Operational Plan' highlights a transition away from this practice, with lower capex forecasts allowing CVC to reduce debt levels back within target sustainable debt range

Capex

- Transition to focus on renewal of assets sees capex reduce materially over the forecast period
- Majority of new (as opposed to renewal) capex appears to be for considerably long life assets. This supports a change in borrowing to a range basis rather than P&I



- Understanding the borrowing requirements assists to identify alternatives (outlined in Tactical Refinements section)

Borrowing Philosophy Conclusions

Review

We have reviewed CVC's existing borrowing policy and debt portfolio

Asset approach

Current borrowing philosophy is focused on individual assets as evaluated by 1) number of individual loans and 2) different tenor. This approach appears contrary to best practice by OLG and others whereby a sustainable debt profile is developed and capital decisions are based off this

Change to "sustainable debt level" approach

Transition to new borrowing philosophy recommended with sustainable debt level of up to $110m assessed via credit rating metrics and industry benchmarks

Intergenerational equity objectives

Suggest approach is designed to meet the intergenerational objectives through first determining availability of capital and subsequently allocating it in line with strategic objectives

Best practice borrowing philosophy

Tactical Refinements

Methodology and Key Findings

To meet the objectives outlined previously, our report focuses on the following key areas

Step	Rationale	Methodology	Key Findings
Evaluate alternative borrowing sources and structures **Page 28 - 29**	► Alternative sources and/or structures of debt funding may provide advantages over bank debt in the form of: ► pricing ► operating flexibility ► certainty of funding	► Identify and evaluate alternative funding options of debt capital and structures in the market ► Assessment of the costs, advantages and limitations of alternatives such as: ► Bank debt ► AUD bond ► AUD private placement ► NSW council collective bonds ► NSW Treasury Corporation ("TCorp") direct lending	► Bank debt likely to be most suitable option given simple, flexible and potential cost savings vs. current bank debt portfolio, but tenor is reducing ► Merit in also considering AUD bond and NSW council collective bonds given potential pricing benefits vs. bank debt (offset by increased complexity) ► TCorp direct lending to be evaluated once further details are available (expected mid 2015)
Pricing analysis **Page 30**	► Alternative sources and/or structures of debt funding may provide advantages over bank debt in the form of more competitive pricing	► Consider current bank market pricing trends ► Assess pricing of current bank debt and alternative borrowing sources and structures as highlighted in this report	► Bank debt pricing has improved over the last 18 months with margins reducing by up to ~0.50% based on a 5 year tenor ► Wholesale markets (AUD bond or NSW council collective bond) offer more attractive pricing than bank debt ► It is estimated that interest savings of ~0.50% - 1.13% or \$0.6m to \$1.4m p.a. based on current debt levels may be achievable should all facilities be refinanced ► Therefore, CVC should consider a refinancing to take advantage of current market conditions

Methodology and Key Findings

To meet the objectives outlined previously, our report focuses on the following key areas

Step	Rationale	Methodology	Key Findings
Assess refinancing considerations (break costs) **Page 31**	► Break costs may impact the attractiveness of potential changes to current borrowing practices	► Review break cost considerations associated with current loans ► Consider the impact on various refinancing strategies	► Break costs will be payable on loans where interest rates are higher than current market rates ► Despite this, all-in pricing benefits may be achievable via refinance, but CVC to consider whether cash settlement of break costs is acceptable ► An aggregated bank loan is likely to achieve refinancing benefits without requirement to cash settle break costs (i.e. via refinancing of break costs into margin)
Evaluate alternative borrowing formats **Page 32**	► Changes in the way that CVC borrows may assist in achieving its financing objectives	► Assess alternative borrowing formats and how these relate to CVC's objectives: ► debt aggregation ► debt sizing ► repayment profile ► tenor	► There is merit in considering changes to CVC's borrowing format as part of the debt refinancing strategy including: ► aggregation of loan portfolio ► interest only repayment profile ► staggered maturity profile

Methodology and Key Findings

To meet the objectives outlined previously, our report focuses on the following key areas

Step	Rationale	Methodology	Key Findings
Transitional options **Page 33 - 35**	▶ Based on recommendation that CVC should consider amending borrowing philosophy, transitional options should be considered	▶ Outline and assess alternative transitional options for CVC including: 1) no change to borrowing philosophy 2) partial transition to new philosophy 3) full transition to new philosophy	1) With no change to borrowing philosophy CVC may achieve: ▶ Interest savings of ~0.50% p.a. ▶ Accelerated amortisation where interest cost savings of ~$0.6m (assuming full refinance) are applied to debt reduction ▶ Total debt reduced more quickly 2) With a partial transition to borrowing philosophy where future borrowings are sought according to the new borrowing philosophy CVC may achieve: ▶ interest savings of ~0.50%+ p.a. on new facilities ▶ Flexibility: ▶ interest only facility of $40.7m provides an average of $2.04m in cash savings p.a. assuming a 20 year P&I profile due to no amortisation payments ▶ option to apply excess cash to amortisation ▶ Once debt is within target range more free cash available for capital allocation ▶ Partial transition to asset/liability matching 3) With a full transition to borrowing philosophy where existing and future borrowings are made according to the new borrowing philosophy CVC may achieve: ▶ interest savings of ~0.50%+ p.a. on new facilities ▶ Flexibility: ▶ interest only facility of $94m provides an average of $4.7m in cash savings p.a. assuming a 20 year P&I profile due to no amortisation payments ▶ option to apply excess cash to amortisation ▶ Once debt is within target range more free cash available for capital allocation ▶ Full transition to asset/liability matching

Alternative Sources and Structures

Bank debt likely to be most suitable option, however merit in also considering AUD bond and NSW council collective bond

	Bank debt	AUD bond	AUD private placement	NSW council collective bonds	TCorp direct lending
Description	► Traditional form of debt utilised by the local council sector in Australia. Loans are typically provided bilaterally on a secured basis (i.e. mortgage over rates)	► Debt security placed on the Australian open market to raise medium and long-term funds. It is the "wholesale" version of a loan which is widely used by Governments, Corporates and Banks, with the lenders being institutional investors (i.e. superannuation funds, banks and foreign Governments)	► Unregistered debt securities that are directly negotiated between a borrower and a limited number of institutional investors in a private and unregistered transaction. Investors are generally Australian superannuation funds	► Collective borrowing vehicle which aggregates council loans to directly access the AUD bond market. Victorian councils raised $240m via this debt procurement model in Nov-14	► We understand that the NSW Government is currently considering the establishment of a state wide borrowing facility whereby TCorp will lend directly to councils
Estimated cost: ► **Margin (5yrs, fixed rate, interest only)**	► Base rate + ~1.22%	► Base rate + ~0.65% – 0.70%	► Margins TBD ► Likely to be in line with bank debt	► Base rate + ~0.75%	► Margins TBD
Estimated cost: ► **Other costs**	► Legal fees (min) ► Banks do not typically charge establishment fees for loans to councils	► Bank arranger fees (typically ~0.05% per year as an upfront fee) ► Credit rating fees (upfront and ongoing) ► Legal fees	► Arranging, credit rating (if required) and legal fees ► Establishment fees	► Bank arranger fees (typically ~0.05% per year as an upfront fee) ► Credit rating fees (upfront and ongoing) ► Legal fees ► Trust services fees	► Other costs TBD

Note: See Appendix for further details regarding alternative funding options

Alternative Sources and Structures (cont.)

Bank debt likely to be most suitable option, however merit in also considering AUD bond and NSW council collective bond

	Bank debt	AUD bond	AUD private placement	NSW council collective bonds	TCorp direct lending
Benefits	► Simple / cost effective ► Flexible – "blend and extend" refinance avoids having to cash settle break costs on existing debt portfolio ► Prepayment normally permitted	► Potential to provide pricing benefits vs. bank debt	► Long term tenor	► Potential to provide pricing benefits vs. bank debt	► Potential to be lowest cost funding option depending on whether TCorp charges additional margin on top of its borrowing costs ► Others TBD
Limitations	► Available tenor is contracting due to changes in bank regulation ► Early redemption costs for fixed rate loans	► Complexity greater than bank debt ► Minimum transaction size of $100m ► Credit rating required ► No prepayment permitted	► Complexity greater than bank debt ► Pricing benefits untested ► Limited ability to redeem early ► Credit rating may be required	► Requires broad Council support and coordination ► Minimum transaction size of $100m ► No prepayment permitted	► Uncertainty regarding whether it will progress and timing of roll out (announcement expected mid 2015) ► Others TBD
Overall relevance for CVC	► Simple, flexible and potential cost savings vs. current bank debt portfolio	► Potential to provide pricing benefits but involves greater degree of complexity and less flexibility vs. bank debt	► Potential to be complex with unknown pricing benefit	► Potential to provide pricing benefits but dependent on broad Council support	► To be evaluated once further details are available (expected mid 2015)

Note: See Appendix for further details regarding alternative funding options, for descriptions of arrows refer page 7

Pricing Analysis

Current bank market pricing provides the opportunity for significant interest savings, with further savings available from wholesale markets

Observed pricing and potential savings

	Tenor	Margin	SWAP rate (fixed)	All in pricing (Margin + SWAP rate)	Savings vs. Existing Bank	Annual Savings on Current Debt amount	Savings on current debt amount over 10 years
Bank refinance	5 year	1.22%	2.59%	3.81%	0.50%	$0.6m	$6.3m
	7 year	1.43%	2.71%	4.14%	0.50%	$0.6m	$6.3m
Collective Bond	5 year	0.75%	2.59%	3.34%	0.97%	$1.2m	$12.2m
	7 year	0.90%	2.71%	3.61%	1.03%	$1.3m	$12.9m
AUD Bond	5 year	0.65% - 0.70%	2.59%	3.24% - 3.29%	1.02% - 1.07%	$1.3m - $1.4m	$12.8m - $13.5m
	7 year	0.80% - 0.85%	2.71%	3.51% - 3.56%	1.08% - 1.13%	$1.4m - $1.4m	$13.6m - $14.2m
AUPP	Pricing TBD via soft market sounding (Initial feedback does not suggest cost savings vs. banks)						

Comments

- Current market conditions (bank, Collective Bond and AUD Bond markets) are favourable for a refinance with CVC well positioned to access cheaper funding
- Bank pricing has improved over the last 18 months by up to ~0.50% due to:
  - LGFV competitive option - Banks responding aggressively to new entrant lender
  - Credit rating - Uplift in perceived credit quality of Australian councils following Moody's Aa2 rating of the LGFV transaction
  - Low point of bank pricing cycle - Bank pricing dependent on point in time supply/demand
- AUD Bonds are a cheaper source of funding given this involves going direct to the wholesale market, thereby bypassing the banks
- Pricing benefits should be considered in conjunction with overall evaluation of alternative borrowing sources and structures

Refinancing Considerations

Break costs may impact the attractiveness of potential changes to current borrowing practices

	Observation	Considerations

Break costs overview	*Break cost will likely be payable should CVC decide to refinance or repay loans early given interest rates are lower than when the loans were originally sought*	▶ Break costs from banks include:
		  ▶ Fixed rate loan break costs
		  ▶ Other early repayment fees
		▶ Despite break costs being potentially payable, CVC will likely be better off given current market pricing:
		  ▶ Bank margins have reduced / wholesale markets offer cheaper pricing
		  ▶ Interest savings likely to more than offset break costs over the life of the existing bank loans

Next steps	*Determine materiality of break costs payable*	▶ Seek break cost quotes from existing banks
		▶ Evaluate the all-in costs / benefits over the life of the existing bank loans to determine the attractiveness of refinancing
		▶ CVC to consider whether cash settlement of break costs is acceptable:
		  ▶ Bank refinance can be tailored without requirement to cash settle break costs (see below)
		  ▶ Other solutions will more likely require cash settlement or increased debt

Aggregated bank debt solution	*Refinancing option which rolls forward the break costs*	▶ A “blend and extend” refinance with the banks rolls forward the potential break costs into the new aggregated loan as follows:
		  ▶ No cash break costs payable
		  ▶ Break cost rolled forward into the new loan in the form of a higher interest rate
		  ▶ Effectively the weighted average interest rate of existing loans adjusted for tenor differences, less the improvement in bank margins based on current market dynamics

Alternative Borrowing Format

Changes in the way that CVC borrows may assist in achieving its financing objectives

Format	Observation	Considerations
Aggregation of loan portfolio	*CVC has individual loan agreements in place for each debt funded capital works program*	There is merit in considering consolidating the Council's core debt component into a single loan or loans with staggered maturities, with benefits including: 1) Flexibility: ► Aligning debt levels with a sustainable target debt range empowers CVC to balance capital investment decisions with prudent financial management (see below) 2) Access to other debt sources and structures (given minimum transaction sizes): ► Potential pricing benefits ► Diversification of funding source ► Transparency of wholesale market tender process 3) Operational efficiency: ► Reduced administrative burden
Repayment Profile	*Council has historically favoured P&I debt products, with drawdowns on new loans offset by amortisation of existing loans*	► P&I repayment profiles do not provide flexibility and may generate unnecessary cash flow pressures ► It is common practice for governments and major corporates to borrow interest only, with consideration to sustainable debt level per above ► Inclusion of an interest only component to the debt structure should be considered
Tenor	*Mix of loan tenors*	► Asset portfolio (and revenue stability) can likely support debt into perpetuity – tenor does not have to be linked to individual capital works or assets ► Long term debt attracts a pricing premium due to incremental risk and increased cost of capital for investor ► Longer debt tenor provides increased certainty of funding however councils are viewed to have good access to debt markets in particular noting strong appetite from banks to lend to the sector ► Tenor of debt may be aligned or independent from tenor of fixed interest rates (if applicable). Tenor therefore becomes tactical, for example use of varying maturity profiles may drive pricing benefits (for example short term debt may drive significant pricing reductions)

EY

Transitional Options

Three transitional options are presented below for consideration
Option 1 – No change to borrowing philosophy

Description

- Option 1 involves refinancing of existing loans with no change to current borrowing philosophy in terms of:
  - tenor
  - P&I repayment profile
  - fixed interest rate
  - bank debt
- An aggregated bank loan is likely to achieve refinancing benefits via a "blend and extend" refinance without requirement to cash settle break costs (i.e. via refinancing break costs into margin)

Benefits vs. existing

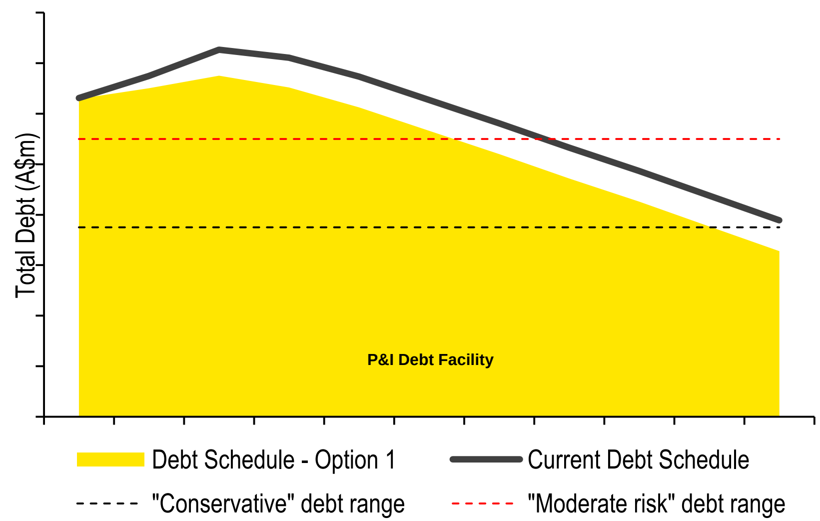
- Based on favourable current pricing trends (outlined on page 30) interest savings of ~0.50% p.a. may be achieved on a refinancing
- Assuming CVC refinanced total debt portfolio ($126.3m) an annual saving of ~$0.6 may be achievable
- As shown in the graph below this will result in accelerated repayment of debt and assist CVC reach the "moderate risk" range more quickly
- Interest savings generated free up cash for other purposes including one or more of the following (see impact analysis below):
  - Accelerated amortisation where interest cost savings are applied to debt reduction
  - Cash flow may be allocated towards future capex and reduce the need for further borrowing
  - Reduction in future rate increases (i.e. benefits passed onto ratepayers)

Limitations

- No improvements in flexibility

Sustainable debt level impact analysis

- Total savings over the forecast 10 year period ~$6m
- Current debt schedule:
  - "Moderate risk" range is reached in FY21 ($102.1m)
  - "Conservative risk" range is not reached within the forecast period (at FY24 debt level is $77.8m)
- Option 1:
  - "Moderate risk" range is reached in FY21 (same year as current), although there are ~$4.5m of interest savings to this point
  - "Conservative risk" range reached in FY24 ($71.5m)



- *Note: Diagram for illustrative purposes only*

Transitional Options

Option 2 – Partial transition to new borrowing philosophy (future borrowings)

Description

- Option 2 involves future debt requirements (i.e. $40.7m capital program) funded by a new interest only "core debt" facility of $40.7m
- Existing loans maintain current borrowing philosophy

Benefits vs. existing

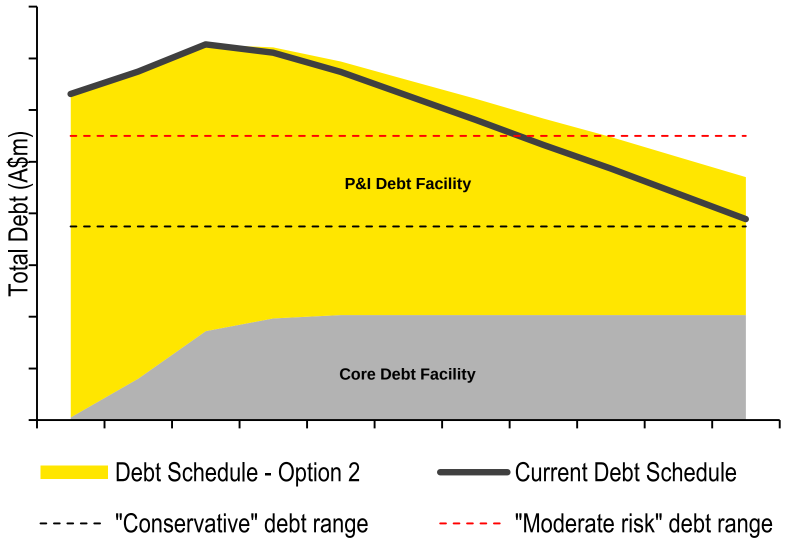
- New "core debt" facility is interest only repayment profile which provides cash savings due to no amortisation payments of:
  - $2.04m p.a. (assuming $40.7m capital program funded by 20 year loan)
- Flexibility of capital allocation including:
  - Accelerated amortisation where interest cost savings are applied to debt reduction
  - Cash flow may be allocated towards future capex and reduce need for further borrowing
  - Reduction in future rate increases (i.e. benefits passed onto ratepayers)
- In line with Option 1 existing loans can also be refinanced to take advantage of pricing benefits and assuming CVC refinanced full debt load ($126.3m) an annual saving of ~$0.6m may be achievable (assuming interest savings of ~0.50% p.a.)
- Partial transition to asset/liability matching

Limitations

- Higher debt / delay in achieving target debt level
- Higher interest over life of loan due to no amortisation

Sustainable debt level impact analysis

- Annual cash savings due to no amortisation on new "core debt" facility slow debt reduction
- Current debt schedule:
  - "Moderate risk" range is reached in FY21 ($102.1m)
  - "Conservative risk" range is not reached within the forecast period (at FY24 debt level is $77.8m)
- Option 2:
  - "Moderate risk" range is reached in FY22 ($109.6m)
  - "Conservative risk" range is not reached within the forecast period (at FY24 debt level is $94.0m)



Note: Diagram for illustrative purposes only and based on 'core debt facility' with 20 year tenors

Transitional Options

Option 3 – Full transition to new borrowing philosophy (existing and future borrowings)

Description

- Option 3 involves full debt refinance into an interest only "core debt" facility of $94m (within "Conservative" debt range and matching CVC's ~$94m (FY14) loan liability assigned to Water and Sewer Funds) plus P&I loan for remaining debt and future borrowing requirements

Benefits vs. existing

- $94m "core debt" facility is interest only repayment profile which provides cash savings due to no amortisation payments of:
  - $4.7m p.a. (assuming a 20 year loan)
- Flexibility of capital allocation including:
  - Accelerated amortisation where interest cost savings are applied to debt reduction
  - Cash flow may be allocated towards future capex and reduce need for further borrowing
  - Reduction in future rate increases (i.e. benefits passed onto ratepayers)
- In line with Option 1 and 2 existing loans can also be refinanced to take advantage of pricing benefits and assuming CVC refinanced full debt load ($126.3m) an annual saving of ~$0.6m may be achievable (assuming interest savings of ~0.50% p.a.)

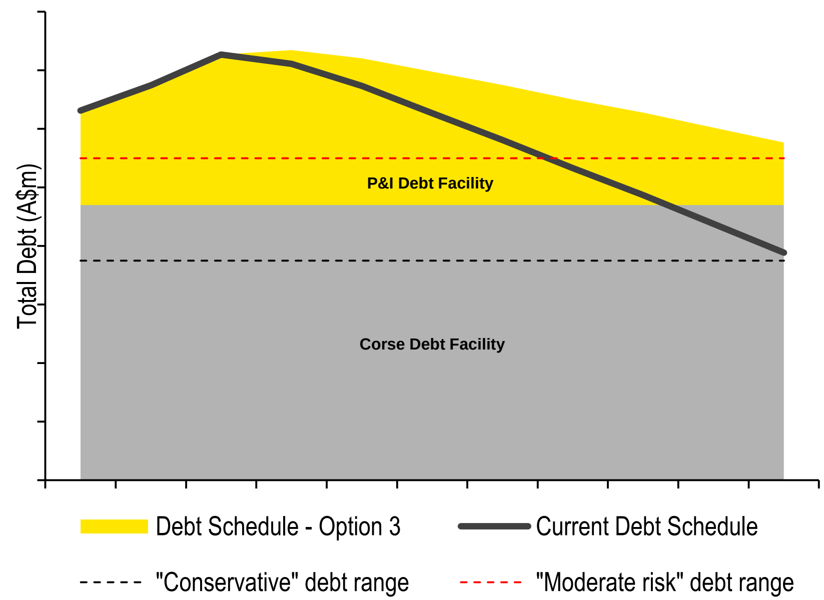
- Full transition to asset/liability matching

Limitations

- Higher debt / delay in achieving target debt level
- Higher interest over life of loan due to no amortisation

Sustainable debt level impact analysis

- Annual cash savings due to no amortisation on "core debt" facility slow debt reduction
- Current debt schedule:
  - "Moderate risk" range is reached in FY21 ($102.1m)
  - "Conservative risk" range is not reached within the forecast period (at FY24 debt level is $77.8m)
- Option 3:
  - "Moderate risk" range is not reached within the forecast period with debt level being $115.4m at FY24
  - "Conservative risk" range is not reached within the forecast period with debt level being $115.4m at FY24



- *Note: Diagram for illustrative purposes only and based on 'core debt facility' with 20 year tenors*

Tactical Refinements Conclusions

Sources and Structures

Bank debt likely to be most suitable option given simple, flexible and potential cost savings vs. current bank debt portfolio.
There is merit however in considering AUD bond (noting $100m is the minimum issuance size) and NSW council collective bonds given potential pricing benefits vs. bank debt (offset by increased complexity).

Pricing

CVC should consider a refinancing to take advantage of current market conditions with margins reducing by up to ~0.50% based on a 5 year tenor (more for alternative options).

Refinancing Considerations

Break costs will be payable on loans where interest rates are higher than current market rates.
CVC to consider whether cash settlement of break costs is acceptable.
An aggregated bank loan may remove requirement to cash settle break costs (i.e. via refinancing of break costs into margin).

Alternative Borrowing Formats

Changing borrowing format (i.e. aggregation of loan portfolio, interest only repayment profile and staggered maturity profile) may provide benefits to CVC including:

- Asset / liability match
- Flexibility
- Access to other debt sources
- Pricing benefits
- Operational efficiency

Tactical refinements to be considered

- Transitional options presented may achieve the stated objectives of cost savings, improvements in borrowing format, probity and flexibility to drive efficiencies and savings

Appendix: Alternative Funding Options

Alternative funding options

Description: Aggregated bank loan

Overview

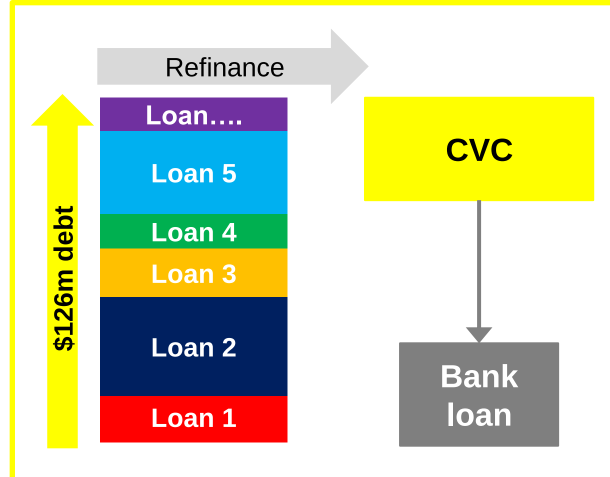
- Bank debt is the traditional form of debt utilised by the local council sector in Australia. Loans are typically provided bilaterally on a secured basis (i.e. mortgage over rates)
- Aggregated bank loans refer to the grouping of a number of previously individual loans via refinancing into a single loan or loans

Establishment

- EY can assist CVC to self-arrange a debt aggregation refinance with key steps including:
  - Seek break cost quotes from existing banks
  - Consider borrowing format changes (e.g. interest only and staggered maturity profile)
  - Prepare RFP for bank market refinance including request for "blend and extend" debt aggregation refinance

Structure

- Terms and conditions for council bank loans are generally standardised, with no material changes vs. existing loans expected
- "Blend and extend" refinance to be considered given potential to avoid having to cash settle break costs on existing debt portfolio



Cost	Benefits	Limitations
▸ Base rate + 1.22% margin (5 years) ▸ Legal fees minimal ▸ Banks do not typically charge establishment fees for loans to councils	▸ Potential to avoid cash break costs ▸ Low cost of arranging ▸ Flexible debt structures ▸ Low complexity ▸ Prepayment normally permitted ▸ Fewer loans allows consolidation of administrative duties	▸ Scale required to achieve "blend and extend" refinance ▸ Changes in banking regulations have negatively impacted availability of long term debt ▸ Early redemption costs

Alternative funding options

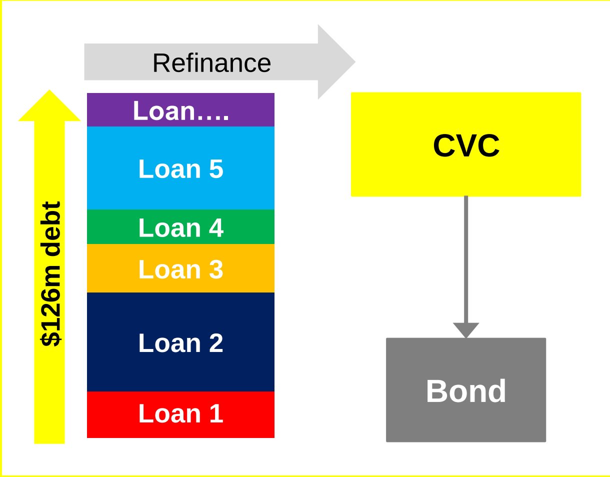
Description: AUD bond

Overview

- Debt security placed on the Australian open market to raise medium and long-term funds
- It is the "wholesale" version of a loan which is widely used by Governments, Corporates and Banks
- Lenders typically include institutional investors (i.e. superannuation funds, banks and foreign Governments)

Establishment

- A bond issuance typically requires the engagement of an arranger or bank(s) as an underwriter / lead manager who will coordinate the process
- The establishment phase incorporates obtaining a credit rating, preparation of bond offering memorandum and other documentation, and the marketing of the bond via a road show to access the wholesale capital markets



Structure

- Bonds have a specific term and specific form of interest and principal repayment. The borrower or issuer is typically required to make periodic interest payments (commonly referred to as coupons) for the life of the bond, and at the maturity of the bond the principal is repaid ("bullet" maturity)
- Bonds can be either secured or unsecured depending on the risk profile of the issuer and financial covenants (if required) are typically "incurrence" rather than "maintenance" covenants (i.e. only tested in certain circumstances such as raising additional debt)

Cost	Benefits	Limitations
▶ Base rate + 0.65% – 0.70% margin (5 years) ▶ Bank arranger fees (typically 0.05% per year as an upfront fee) ▶ Credit rating fees (upfront $75-$100k, and ongoing $50-$$60k) ▶ Legal fees	▶ Potential to provide pricing benefits vs. existing bank debt of 1.02% - 1.07% (5 years) ▶ Can be combined with bank debt	▶ Involve a greater degree of complexity and less flexibility vs. bank debt ▶ Minimum transaction size of $100m ▶ Credit rating required ▶ No prepayment permitted

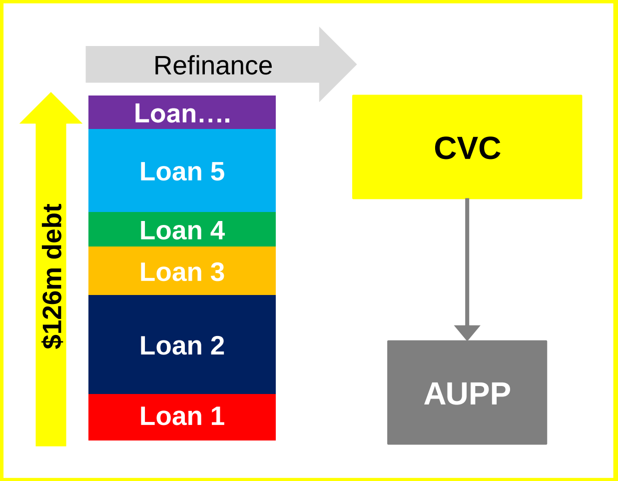
Alternative funding options
Description: AUD private placement

Overview

- Unregistered debt securities that are directly negotiated between an issuer and a limited number of investors in a private and unregistered transaction
- Issuers are typically Australian corporates, however this market would also be suitable for local councils. The Treasury Corporation of Victoria has previously issued debt in the private placement market
- Investors are generally Australian superannuation funds and other institutional investors

Establishment

- The establishment process is bespoke and dependent on the investor's requirements
- Typically requires an agent to broker the transaction or an advisor to assist with self-arranging the deal directly with investors
- Issuers may be required to obtain a credit rating from an external credit rating agency



Structure

- Lending structures are transaction specific, however the most common form is a private, medium to long maturity fixed rate debt instrument similar to a bond
- Self-arranging borrowers can build a direct relationship with providers of capital

Cost	Benefits	Limitations
▸ Pricing TBD ▸ Arranging, credit rating and legal fees ▸ Establishment fees	▸ Long term tenor	▸ Complexity greater than bank debt ▸ Pricing benefits untested ▸ Credit rating may be required ▸ Limited ability to redeem early

Alternative funding options

Description: NSW council collective bond issuance

Overview

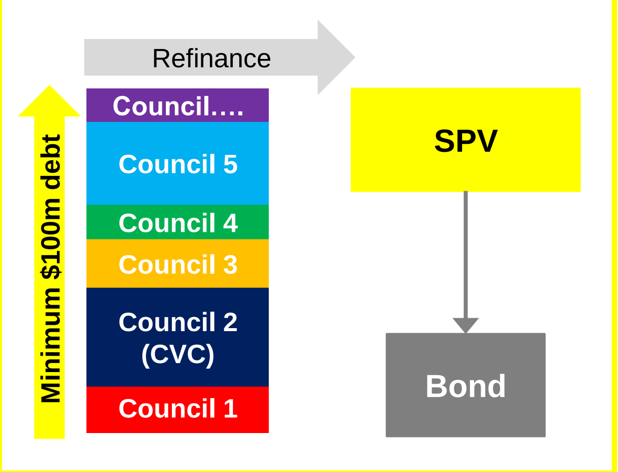
- Collective borrowing vehicle which aggregates council loans to directly access the AUD bond market
- In line with international trend for collective Local Government bonds (e.g. New Zealand, Canada, Europe)
- Victorian councils raised $240m via this debt procurement model in Nov-14

Establishment

- In addition to AUD bond establishment process, broad Council support and coordination is required to achieve:
  - Scale – buy in from councils coordinated via LG NSW and/or financial advisor to councils (e.g. EY can assist in this role)
  - SPV establishment
  - Interim financing facility may be required to align council borrowing timelines

Structure

- Council's borrow through a SPV established by/for the council's in the same way as they would normally borrow from a bank
- The SPV issues bonds into the debt capital markets (bypass the banks) to fund the council loans
- Principal and interest payments are made by councils to the SPV



Cost	Benefits	Limitations
▸ Base rate + 0.75% margin (5 years) ▸ Bank arranger fees (typically 0.05% per year as an upfront fee) ▸ Credit rating fees (upfront and ongoing) ▸ Legal fees ▸ Trust services fees	▸ Potential to provide pricing benefits vs. bank debt estimated at 0.47% to 0.53%	▸ Requires broad Council support and coordination ▸ Minimum transaction size of $100m ▸ No prepayment permitted

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EY

Building a better working world

Clarence Valley Council

Debt Review and Strategy Determination

Council Presentation

17 March 2015

EY
Building a better working world

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Introduction and key findings

Introduction and key findings

EY conducted a comprehensive evaluation of the Council's debt portfolio, which has subsequently been tested on the market to establish a recommended financing strategy for the Council

Evaluation of debt portfolio & financing strategy

Process

- Review of borrowing policy
- Review of $126m debt portfolio
- Credit rating analysis
- Review of debt requirements
- Evaluation of alternative borrowing sources and structures
- Evaluate alternative borrowing formats

Market testing

Process

- Market sounding with existing and potential lenders
- Request feedback on financing appetite to achieve
  - i. Revised borrowing philosophy
  - ii. Interest savings
  - iii. Other tactical refinements

Evaluation of responses

Process

- Pricing analysis
- Assess refinancing considerations (e.g. break costs)
- Transitional options analysis

Key Findings

There is merit in CVC considering:

1) A revised borrowing philosophy, focused on a sustainable target debt level which incorporates a transition to interest only ("I/O") debt
2) A debt refinance to take advantage of favourable market conditions which will drive interest savings

Key Findings

- Partial transition to new borrowing philosophy being a combination of I/O on both fixed and floating rate basis for new debt may provide the following key benefits
  - i. Asset / liability matching
  - ii. Surplus cash
  - iii. Flexibility
  - iv. Access to other debt sources and structures
  - v. Operational efficiency
- Partial refinance of existing debt may achieve interest savings
  - i. Refinancing existing NAB loans may save CVC ~$214k p.a.
  - ii. Refinance of other loans may be limited by break costs which would increase debt levels (to be further investigated)

CVC's financing objectives as basis of evaluation

In accordance with our Engagement Agreement, we have utilised CVC's key funding objectives as a basis of evaluation to determine our recommendations as per the methodology detailed herein. The Council's key stated objectives are as follows:

CVC Objectives

Cost savings

- Value for money of existing bank debt funding
- EY has undertaken a review of the current bank debt funding to determine whether alternative sources and structures of finance are available to provide interest cost savings

Borrowing format

- Appropriateness of existing borrowing format
- EY has considered factors such as debt sizing, tenor, fixed vs. variable interest rates, repayment profile, number of loans and principal and interest ("P&I") vs. I/O

Probity

- Efficiency and transparency of the bank debt procurement model
- EY has undertaken a review of the debt procurement model and evaluated this against best practice principles

Flexibility

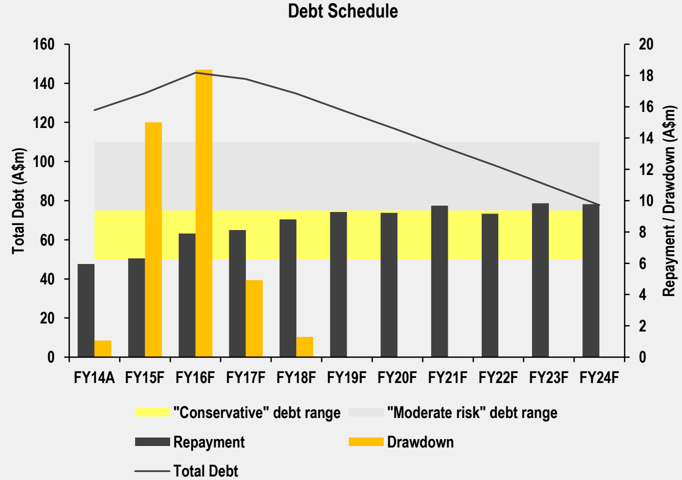
- Ability to provide flexibility to the Council to accommodate changes in cash flow requirements
- EY has considered factors such as the ability to repay early (i.e. break costs) and amendments to the existing debt repayment profiles

Summary of findings

EY's analysis and subsequent market feedback has highlighted two key recommendations for CVC to consider

	Observations	Recommendation	Evaluation

BORROWING PHILOSOPHY



1. Consider new borrowing philosophy:
- Sustainable target debt range approach
- Transition to I/O debt

Evaluation	
Cost Savings	N/A
Borrowing Format	✓
Probity	✓
Flexibility	✓

A. HIGH DEBT

Suggested by:
- Credit metrics
- Market feedback

B. INEFFICIENT DEBT PORTFOLIO

- 34 P&I loans
- Asset specific loans may not reflect asset / liability match

Transition to…
- Determine availability of capital for investment
- Allocated by council in line with strategic objectives

Delivers…
- Best practice corporate finance principles
- Intergenerational equity principles

REFINANCE

C. FAVOURABLE MARKET CONDITIONS

- Competitive bank market

2. Consider refinance to drive interest savings

Evaluation	
Cost Savings	✓
Borrowing Format	N/A
Probity	N/A
Flexibility	N/A

EY

Recommendation 1: Consider changing Borrowing policy

Borrowing policy recommendations

Revised borrowing philosophy, focussed on sustainable target debt level

Recommendations	Assessment against objectives				Next steps
	Cost Savings	Borrowing Format	Probity	Flexibility	
► Consider amending CVC's borrowing philosophy to be a rolling core debt requirement in line with target debt range, annual budget and strategic objectives rather than individual P&I loans for each capital works program (amortisation profile may be determined by a financier rather than borrower) ► Target debt range to be determined utilising a broader range of debt sizing metrics compared to the existing DSR KPI within loan borrowing policy	→	↑	↑	↑	► Changes to borrowing philosophy to be incorporated into loan borrowing policy, with relevant approvals sought ► Once borrowing policy is agreed, changes to underlying debt portfolio to be achieved through either a partial or full transition

Key benefits

1) Asset / liability match
   - ► Asset portfolio (and revenue stability) can likely support debt into perpetuity (i.e. no requirement to fully repay debt)
   - ► Aligning debt levels with a sustainable target debt range empowers CVC to balance capital investment decisions with prudent financial management
   - ► Provides intergenerational benefits
2) Flexibility:
   - ► Free up cash flow currently allocated to debt amortisation for other purposes (if required) where CVC is within the target debt range
3) Access to other debt sources and structures (given minimum transaction sizes for some markets):
   - ► Potential pricing benefits
   - ► Diversification of funding source
   - ► Transparency of wholesale market tender process
4) Operational efficiency:
   - ► Reduced administrative burden of a large loan portfolio

We assess the sustainable debt level for CVC as follows:

- ► $50 - $75m “Conservative” debt range
- ► $75 - $110m “Moderate risk” debt range

We have evaluated key debt service metrics used by CVC, OLG and Moody’s in determining CVC’s sustainable debt level above

Description:

↑	High potential to achieve outcomes which satisfy the objective
→	Moderate potential to achieve outcomes which satisfy the objective
↓	Minimal potential to achieve outcomes which satisfy the objective

Borrowing policy recommendations

We assess CVC's sustainable debt level as up to $110m

Overview

- We have undertaken a sustainable debt evaluation for CVC which assists to:
  - Determine a target debt range; and
  - Inform future capital decisions
- A sustainable debt level for a local council is one which the council can comfortably service both its current and future debt service obligations while maintaining an acceptable level of asset maintenance and service provision to support economic growth

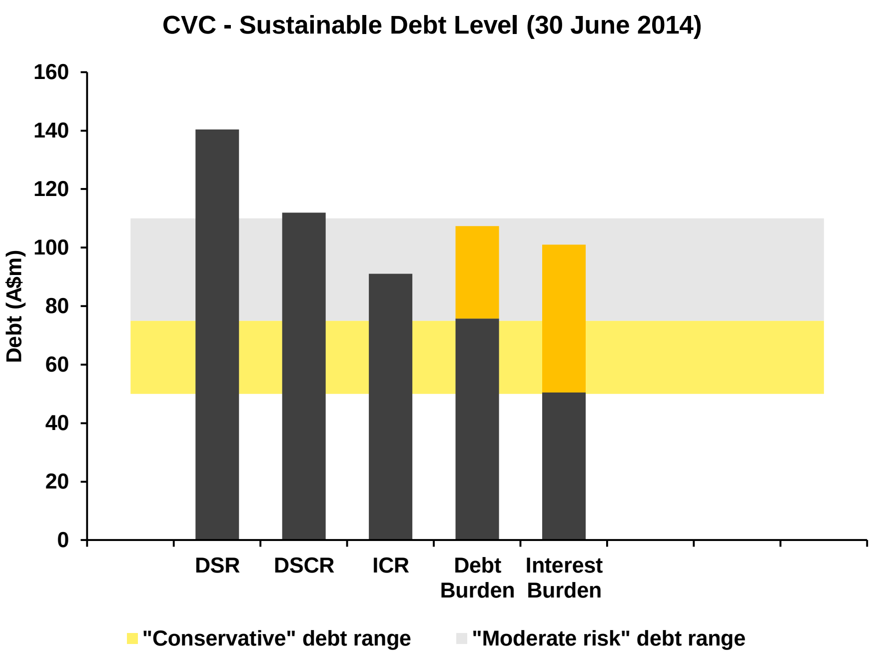
Methodology

- In determining CVC's sustainable debt level we have evaluated key debt service metrics used by CVC, OLG and Moody's
- We have assessed the debt level CVC can support (as at 30 June 2014) whilst maintaining the following target benchmarks:

	Metric	Benchmark	Debt level
CVC loan policy ***(current KPI)***	DSR	< 20%[1]	$140.3m
OLG metrics ***(suggested KPI)***	DSCR	> 2.0x	$111.9m
	ICR	> 4.0x	$91.1m
Moody's metrics ***(suggested KPI / Independent industry benchmark)***	Debt Burden	< 100%	$75.7m / $107.3m
	Interest Burden	< 5.0%	$50.5m / $101m

Key findings

- As highlighted above, the Moody's median metrics constrain the debt level to $50-75m. This is considered a "Conservative" debt range given these lower debt levels drive a one notch improvement to the already strong investment grade shadow credit rating of Aa3
- A higher debt range of $75-$110m has also been considered which results in debt levels more closely aligned with the OLG metrics and supports a shadow credit rating of Aa3 (orange bars below). Accordingly, the "Moderate risk" debt range is currently assessed as $75-$110m
- Higher debt levels may be justified in the short term to support essential capital works given CVC's strong credit profile, however it is suggested that where this is the case a clear plan be implemented to reduce debt levels back to within the target range benchmark.



***Notes:* (1)** *DSR has been excluded from the assessment of sustainable debt level given it is to be discontinued as an OLG measure and the results are an outlier compared to the other metrics.*

Borrowing policy recommendations

Key decision points

Key points for discussion	Proposal	Considerations
Borrowing philosophy	Move to a portfolio approach, focused on: ► Transition from P&I to I/O ► Sustainable target debt range determined through revised KPI's	<u>Benefits:</u> ► Asset / liability match ► Flexibility ► Access to alternative borrowing sources and structures ► Operational efficiency ► Releases cash <u>Limitations:</u> ► With reduced scheduled amortisation, proactive debt reduction is required to achieve target debt range <u>Other considerations:</u> ► Best practice corporate finance principles ► Intergenerational equity principles
Interest rate - fixed vs. variable	Consider a combination of fixed interest and variable interest rates on a case by case basis	<u>Benefits:</u> ► Balances certainty of repayment profile with increased flexibility (i.e. ability to repay early) ► No break costs on variable interest rate loans <u>Limitations:</u> ► Break costs may be payable on variable rate loans in prepayment / refinance scenario ► Variable interest rate loans reduce certainty of repayment profile (due to interest rate changes) <u>Other considerations:</u> ► Interest rates are currently at a multi-decade low point ► Issues with break costs and a lack of flexibility (due to CVC's current fixed interest rate portfolio) may be reduced in future by the addition of variable interest rate loans to CVC's portfolio

EY

Recommendation 2: Refinancing

Refinancing

Debt refinance to take advantage of favourable market conditions

Recommendation	Assessment against objectives				Next steps
	Cost Savings	Borrowing Format	Probity	Flexibility	
▶ Consider refinancing CVC's existing debt portfolio via a bank and/or other debt market refinancing to achieve interest savings	↑	→	→	→	▶ Agree borrowing philosophy / format ▶ Determine most appropriate source(s) / debt market ▶ Consider break cost quotes from existing banks ▶ Prepare Request for Tender (“RFT”) for bank and/or other debt market refinancing

Key benefits

1) Cost savings:
   - Current market conditions (bank, Collective Bond and Australian Dollar (“AUD”) Bond markets) are favourable for a refinance with CVC well positioned to access cheaper funding which may drive interest savings estimated at up to ~0.50% p.a.

Based on initial findings, the following process was then adopted:

Market testing

- Market sounding with existing and potential lenders
- Request feedback on financing appetite / break costs to achieve
  1. Revised borrowing philosophy
  2. Interest savings
  3. Other tactical refinements

Evaluation of responses

- Pricing analysis
- Assess refinancing considerations (e.g. break costs)
- Transitional options analysis

Refinancing

Market testing and evaluation of responses - The following table provides a summary of the Bank appetite to refinance CVC's existing loans and fund a new Council capital works program

	CBA	NAB	ANZ	Westpac	Dexia
Loans Outstanding	$1,093,420.88	$42,649,358	$0	$6,180,703.74	$71,266,862.74
Break Costs	$36,288	$6,660,621	N/A	$817,867.35	$23,400,575
Appetite:					
P&I	✓	✓	✓	✗	✗
I/O	✓	✓	✗	✗	✗
Blend & Extend ("B&E") – Own	✓	✓	✗	✗	✗
B&E - Others	✗[1]	✓	✗	✗	✗
Evaluation	Supportive of key financing objectives	Supportive of key financing objectives	Only showing appetite to fund P&I up to $15m	No interest in refinancing / restructuring	Dexia is in run-off and is unable to provide new finance
Supportive of new philosophy	✓	✓	✗	✗	✗
Refinance Savings	✗	✓	✗	✗	✗

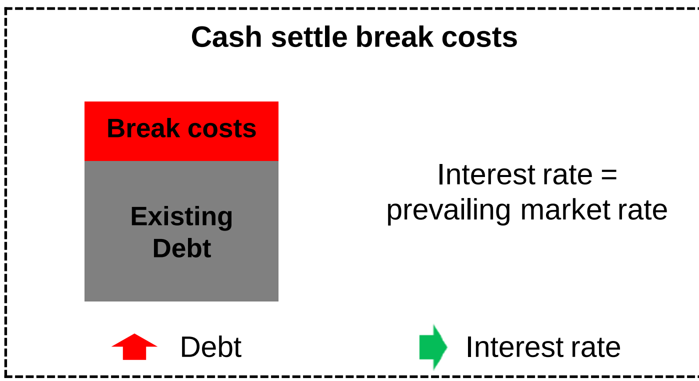
- **Key takeaways:**
  - **Supportive** – the responses suggest sufficient appetite for at least a partial refinance of CVC's existing debt held with NAB & CBA
  - **Unsupportive** – Westpac and Dexia have no appetite to refinance the debt, however an opportunity may exist to refinance their debt with another bank (e.g. CBA or NAB). Refinance of other loans may be limited by break costs which would increase debt levels (to be further investigated)
  - **Pricing** – improved financing margins available noting break cost restrictions

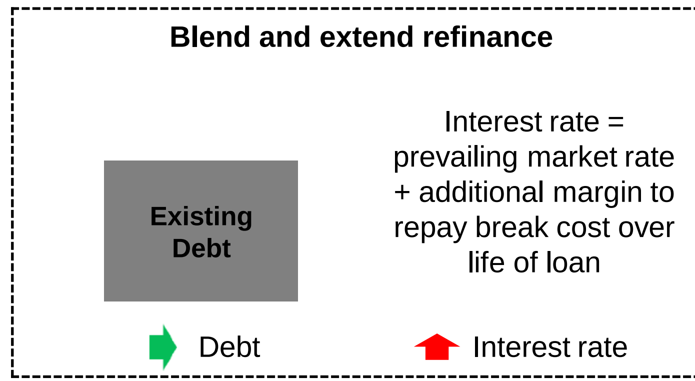
Notes: (1) *Will consider with additional debt or derivative contract solution*

Refinance

Comparison of cash settling break costs vs. blend and extend refinance

	Observation	Considerations
Break costs overview	Break costs will likely be payable should CVC decide to refinance or repay loans early given interest rates are lower than when the loans were originally sought	▶ Break costs from banks include: ▶ Fixed rate loan break costs ▶ Other early repayment fees ▶ Despite break costs being potentially payable, CVC may be better off given current market pricing: ▶ Bank margins have reduced / wholesale markets offer cheaper pricing ▶ Interest savings may offset break costs over the life of the existing bank loans

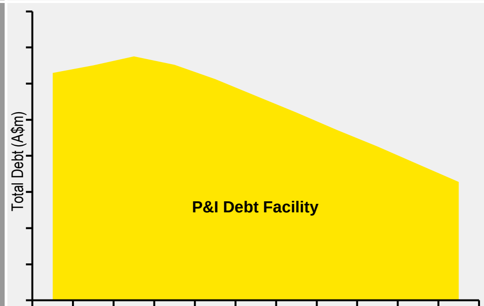
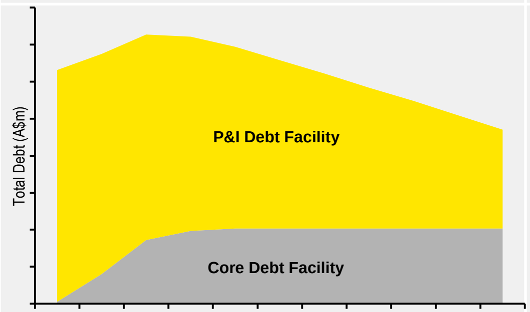
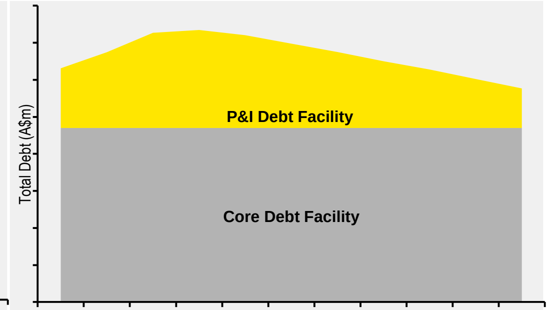




- **A "blend and extend" refinance with the banks rolls forward the potential break costs into the new loan as follows:**
  - **No cash break costs payable**
  - **Break cost rolled forward into the new loan in the form of a higher interest rate**
  - **Effectively the weighted average interest rate of existing loans adjusted for tenor differences, less the improvement in bank margins based on current market dynamics**

Transition options – post borrowing policy agreement

Transition options identified

	Option 1	Option 2	Option 3
Description	▶ Refinance of existing loans on identical basis (tenor, P&I repayment profile and fixed interest rate)	▶ Future debt requirements funded by new “core debt” facility with no scheduled amortisation	▶ Full debt refinance into sustainable “core debt” facility with no scheduled amortisation, plus P&I loan for remaining debt and future borrowing requirements
Repayment Profile			
Refinance	▶ Partial or full refinance	▶ Partial or full refinance	▶ Full refinance
Benefits vs. existing	▶ Interest savings ▶ Accelerated amortisation ▶ Total debt reduced more quickly	▶ Interest savings ▶ Increased flexibility given cash savings ▶ Option to apply excess cash to amortisation ▶ Partial transition to asset / liability matching	▶ Interest savings ▶ Increased flexibility given cash savings ▶ Option to apply excess cash to amortisation ▶ Once debt is within target range more free cash available for capital allocation ▶ Full transition to asset / liability matching
Limitations	▶ No improvements in flexibility	▶ Higher debt / delay in achieving target debt level ▶ Higher interest over life of loan due to no amortisation	▶ Higher debt / delay in achieving target debt level ▶ Higher interest over life of loan due to no amortisation

Next steps

- Based on the results of the market sounding, there is merit in CVC considering:
  - Partial transition to new borrowing philosophy (option 2 below); and/or
  - Partial refinance of existing debt which may achieve interest savings (option 1 below)

<table>
<tr><th>Options</th><th>Description</th><th>Next Steps</th></tr>
<tr><td>Option 1</td><td>▶ Refinancing existing NAB loans (~$42.6m) with NAB on a P&I basis may save CVC:
▶ ~$214k p.a.
▶ ~$1.5m over the life of loan
▶ Refinance of other loans may be limited by break costs which would increase debt levels (to be further investigated) however noting economic benefits identified by NAB</td><td rowspan="3">1) Agree proposed changes to borrowing policy
2) Seek credit appetite from NAB
3) Receive and consider Dexia feedback on break costs
4) Re-engage with other Banks regarding potential to refinance other loans (and determine economics of further B&E refinance of other financiers loans)
5) Formal RFT to Banks to request credit approved commitments (ensures probity)
6) Documentation and financial close.</td></tr>
<tr><td>Option 2</td><td>▶ CBA and NAB have indicated support for new money I/O lending
▶ CBA pricing and tenor more favourable than NAB
▶ Achieving benefits of option 1 above</td></tr>
<tr><td>Option 3</td><td>▶ Not an option based on market feedback and significant incurrence of break costs</td></tr>
</table>

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Summary Analysis - Refinance existing NAB Loans - $42M

Date	20-Mar-16	20-Mar-17	20-Mar-18	20-Mar-19	20-Mar-20	20-Mar-21	20-Mar-22	20-Mar-23	20-Mar-24	20-Mar-25	20-Mar-26	20-Mar-27	20-Mar-28	20-Mar-29	20-Mar-30	20-Mar-31	20-Mar-32	20-Mar-33	20-Mar-34	20-Mar-35	
Summary Interest Saving																					**Total**
5 year refinance	$67,690	-$270,516	-$632,242	-$1,015,139	-$1,418,272	-$1,901,586	-$1,718,173	-$1,523,149	-$1,314,540	-$1,048,197	-$850,380	-$679,234	-$490,243	-$375,713	-$302,765	-$232,493	-$157,556	-$17,017	$0	$0	**-$13,879,526**
10 year refinance	-$243,650	-$267,163	-$291,037	-$311,234	-$325,012	-$390,374	-$474,136	-$562,772	-$655,325	-$708,725	-$850,380	-$679,234	-$490,243	-$375,713	-$302,765	-$232,493	-$157,556	-$17,017	$0	$0	**-$7,334,831**
13 year refinance	-$213,796	-$178,038	-$139,082	-$92,676	-$35,851	-$26,370	-$30,795	-$35,331	-$38,734	$2,368	-$39,113	-$122,195	-$203,297	-$375,713	-$302,765	-$232,493	-$157,556	-$17,017	$0	$0	**-$2,238,456**
15 year refinance	-$213,796	-$151,516	-$84,384	-$8,043	$80,586	$123,854	$155,325	$188,925	$226,037	$310,182	$314,432	$279,932	$250,445	$132,864	-$40,783	-$232,493	-$157,556	-$17,017	$0	$0	**$1,156,993**
20 year refinance	-$239,385	-$135,118	-$23,336	$100,486	$239,605	$336,566	$425,132	$519,448	$621,125	$773,929	$851,188	$894,327	$947,400	$917,612	$837,323	$744,888	$647,064	$604,163	$426,406	$219,593	**$9,708,415**
5+15 year refinance	-$303,360	-$128,816	$57,585	$260,637	$483,884	$670,170	$743,346	$821,485	$906,161	$1,041,098	$1,099,584	$1,122,999	$1,155,350	$1,103,795	$1,000,643	$884,196	$761,156	$691,778	$486,221	$250,226	**$13,108,140**
Difference in amortisation profile (principal only)																					**Check**
5 year refinance	$4,836,464	$5,174,669	$5,536,396	$5,964,623	$6,747,616	-$2,716,169	-$2,834,883	-$3,029,907	-$3,238,516	-$3,322,214	-$2,652,968	-$2,527,677	-$1,983,743	-$1,393,976	-$1,058,309	-$1,128,580	-$1,203,518	-$1,169,307	$0	$0	**-$0**
10 year refinance	$615,301	$638,813	$662,687	$728,214	$1,121,852	$1,614,062	$1,762,523	$1,851,158	$1,943,712	$2,179,757	-$2,652,968	-$2,527,677	-$1,983,743	-$1,393,976	-$1,058,309	-$1,128,580	-$1,203,518	-$1,169,307	$0	$0	**$0**
13 year refinance	-$370,550	-$406,308	-$445,264	-$446,340	-$123,306	$294,062	$363,186	$367,721	$371,125	$512,668	$1,421,211	$1,800,730	$2,614,757	-$1,393,976	-$1,058,309	-$1,128,580	-$1,203,518	-$1,169,307	$0	$0	**$0**
15 year refinance	-$795,580	-$857,859	-$924,992	-$956,003	-$664,772	-$281,192	-$247,964	-$281,565	-$318,676	-$220,176	$642,637	$973,573	$1,735,985	$2,557,863	$3,140,126	-$1,128,580	-$1,203,518	-$1,169,307	$0	$0	**-$0**
20 year refinance	-$1,457,523	-$1,561,790	-$1,673,573	-$1,752,064	-$1,511,324	-$1,181,437	-$1,205,305	-$1,299,621	-$1,401,297	-$1,371,456	-$581,652	-$328,355	$351,498	$1,085,582	$1,574,486	$1,666,921	$1,764,746	$1,982,395	$3,346,478	$3,553,290	**$0**
5+15 year refinance	-$2,594,676	-$2,769,219	-$2,955,621	-$3,113,343	-$2,956,730	-$888,017	-$896,494	-$974,634	-$1,059,309	-$1,011,601	-$203,025	$69,997	$770,571	$1,526,423	$2,038,191	$2,154,638	$2,277,678	$2,521,805	$3,913,686	$4,149,682	**-$0**
Difference in total cashflow (P&I)																					**Check**
5 year refinance	$4,904,154	$4,904,154	$4,904,154	$4,949,483	$5,329,343	-$4,617,755	-$4,553,056	-$4,553,056	-$4,553,056	-$4,370,411	-$3,503,348	-$3,206,911	-$2,473,986	-$1,769,690	-$1,361,074	-$1,361,074	-$1,361,074	-$1,186,325	$0	$0	**-$13,879,526**
10 year refinance	$371,650	$371,650	$371,650	$416,980	$796,840	$1,223,688	$1,288,386	$1,288,386	$1,288,386	$1,471,032	-$3,503,348	-$3,206,911	-$2,473,986	-$1,769,690	-$1,361,074	-$1,361,074	-$1,361,074	-$1,186,325	$0	$0	**-$7,334,831**
13 year refinance	-$584,346	-$584,346	-$584,346	-$539,016	-$159,156	$267,692	$332,390	$332,390	$332,390	$515,036	$1,382,098	$1,678,535	$2,411,460	-$1,769,690	-$1,361,074	-$1,361,074	-$1,361,074	-$1,186,325	$0	$0	**-$2,238,456**
15 year refinance	-$1,009,375	-$1,009,375	-$1,009,375	-$964,046	-$584,186	-$157,338	-$92,640	-$92,640	-$92,640	$90,006	$957,069	$1,253,506	$1,986,431	$2,690,727	$3,099,343	-$1,361,074	-$1,361,074	-$1,186,325	$0	$0	**$1,156,993**
20 year refinance	-$1,696,908	-$1,696,908	-$1,696,908	-$1,651,579	-$1,271,719	-$844,871	-$780,173	-$780,173	-$780,173	-$597,527	$269,536	$565,972	$1,298,898	$2,003,194	$2,411,810	$2,411,810	$2,411,810	$2,586,559	$3,772,884	$3,772,884	**$9,708,415**
5+15 year refinance	-$2,898,036	-$2,898,036	-$2,898,036	-$2,852,706	-$2,472,846	-$217,847	-$153,149	-$153,149	-$153,149	$29,497	$896,560	$1,192,997	$1,925,922	$2,630,218	$3,038,834	$3,038,834	$3,038,834	$3,213,583	$4,399,908	$4,399,908	**$13,108,140**

Proposed NAB Offer

Our community plan

2015-2024

Adopted June, 24, 2014

clarence
VALLEY COUNCIL

INSIDE

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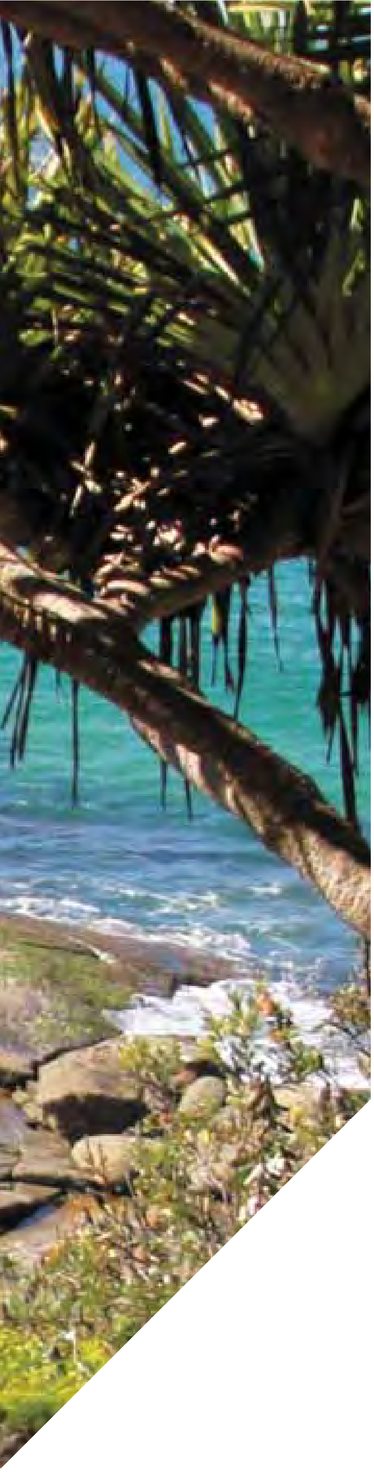
clarence VALLEY COUNCIL

+MESSAGE FROM THE MAYOR

RICHIE WILLIAMSON

"All of us who live, work and play in the Clarence Valley know what a wonderful place it is. With arguably the best beaches in the world, the magnificence of the Clarence River and the rugged hills and mountains to the west, we have a lot to be grateful for. But it is the people who make the society we live in, and it is the people of the Clarence Valley we have turned to for their input in Our Community Plan."



WELCOME

Each council in NSW is required to develop a community strategic plan – a plan that identifies the community's priorities and aspirations, and sets out a strategy for achieving those goals.

In the Clarence Valley, that journey started in 2008 when Council adopted the 'Valley Vision 2020' strategic plan. In 2013, after the introduction of a new State Government Integrated Planning and Reporting Framework, Council adopted the 'Interim Valley Vision 2024'. This interim document provided time for broad community consultation and organisational reviews to take place. This informed the development of the new Community Strategic Plan.

One of the key documents developed in order to move Council forward is the 'Strategic Organisational Action Plan 2012/17', which was adopted by Council in April 2012 and provides a clear roadmap in terms of changing the way Council operates in order to become a sustainable organisation. Many actions identified in this document have been put in place, in particular a new organisation structure and the development of robust Asset Management Plans.

In order to formulate the community's vision for the Clarence Valley, Council undertook an extensive community consultation process between December 2013 and March 2014. This involved a series of workshops, community listening posts and web forums. In addition, a comprehensive telephone-based survey was undertaken, covering a broad section of the community. As well as loving the laid back lifestyle of the Clarence, one of the clear messages coming from the community is that Council needs to ensure our infrastructure is maintained and renewed to a reasonable standard to ensure the quality of life in the Clarence is preserved for the next generation. In addition to roads, the surveys indicated we need to focus on providing services and facilities for our youth, strong economic development and promotion of tourism to the region. Good governance and communication were also seen as important.

As a result of the consultation process five major themes emerged; Society, Infrastructure, Economy, Environment and Leadership. The Plan sets out a range of objectives and strategies in order to address these overarching themes. Specific actions and projects are detailed in the associated four-year Delivery Program and Operational Plan, which are reviewed each year.

On behalf of my fellow Councillors I commend "Our Community Plan 2015-2024" to the Clarence Valley community, a document which is central to us ensuring that our Valley remains a great place to live, work and play.

- Richie Williamson

OVERVIEW

+OVERVIEW

The Council leads community engagement to identify long term objectives of the community, strategies to achieve these objectives and the levels of service the community expects.

It is the role of councils across New South Wales to consider the needs and aspirations of their residents. Councils are servants of the public and their policies need to reflect the views of the communities they serve.

That can only be done when the council has a clear idea of what their community wants.

In the Clarence Valley we have gone through an exhaustive process of community consultation to get the clearest picture possible of what it is you, the residents, want the Council to achieve.
This document is the end result of that process.

It sets the principles that will guide Council decision making over the next 10 years. To complement this document, we will produce a Delivery Program that sets out what is to be achieved over four years, and a third is an annual Operational Plan that details projects to be completed each year.

HOW IT WAS DONE

Council started its We're Listening strategy in late 2013 with an independent and random phone survey. More than 600 people completed the 15-minute survey. The phone survey was followed up with community listening posts, which were conducted in late January and early February, 2014, at Grafton Shoppingworld, and in the Maclean and Yamba central business districts. In February, 2014, an external moderator facilitated six workshops throughout the Clarence Valley. These were held in Grafton, Maclean, Yamba, Coutts Crossing and Copmanhurst. A purpose-built community engagement website was also developed to provide an avenue for those who could not get to venues at the designated times with the opportunity to comment. In addition, an online forum was conducted between January 28 and February 12, 2014. The Council also distributed 22,000 reply paid postcards with rates notices in mid January that included a short survey of residents about what they want for the future of the Clarence Valley. And from March 20 to March 25, 2014, a further six public forums were conducted across the Council area. In all, the Council received 1,498 inputs from a wide geographical footprint and broad cross section of the community.

COUNCIL'S ROLE

THE COUNCIL HAS MULTIPLE ROLES TO MEET ITS RESPONSIBILITIES TO THE COMMUNITY IT SERVES.

These include being:

- a leader to plan and provide direction through policy and practices
- a provider of physical infrastructure and essential services
- a regulator of development, community health and safety, and the environment
- a partner with the community, private and government organisations
- a supporter to advocate for the community it represents, and
- a promoter of the Clarence Valley as a place to live, work, visit and invest

ABOUT THE CLARENCE VALLEY

+SNAPSHOT

POPULATION

The population of Clarence Valley in 2012 was 51,346 persons. Projections to the year 2031 show the population of Clarence Valley is expected to increase by 2,554 persons, or 0.3% per annum, to a level of approximately 53,900 persons.

GROSS REGIONAL PRODUCT

The Gross Regional Product (GRP) for Clarence Valley was $2.4 billion in 2012/13. Clarence Valley contributed 17.5% and 0.5%, respectively, to the gross regional / state products of the Northern Rivers region ($13.6 billion) and New South Wales ($476.4 billion) in 2012/13.

LABOUR MARKET

The estimated number of employed persons in Clarence Valley was 21,379 in the September Quarter 2013, which represented an annual increase of 110 persons, or 0.5%. The unemployment rate in Clarence Valley was 7.5% in the September Quarter 2013. Major employers include the service industries, retail trade, tourism, plus property and business services, health and community services, education, agriculture, forestry and fishing.

BUSINESS AND INDUSTRY

ABS Australian Business Register indicated there were an estimated 3,996 businesses.

AVERAGE WAGE & SALARY INCOME

Clarence Valley $39,155

MEDIAN PROPERTY SALES PRICES

The median sales price for all dwellings in Clarence Valley was $289,000 in the September Quarter 2013.

THE CLARENCE LOCAL GOVERNMENT AREA COVERS 10,550 KM2, OR APPROXIMATELY 51% OF THE NORTHERN RIVERS REGION IN TOTAL LAND MASS."

MEDIAN WEEKLY RESIDENTIAL RENTALS

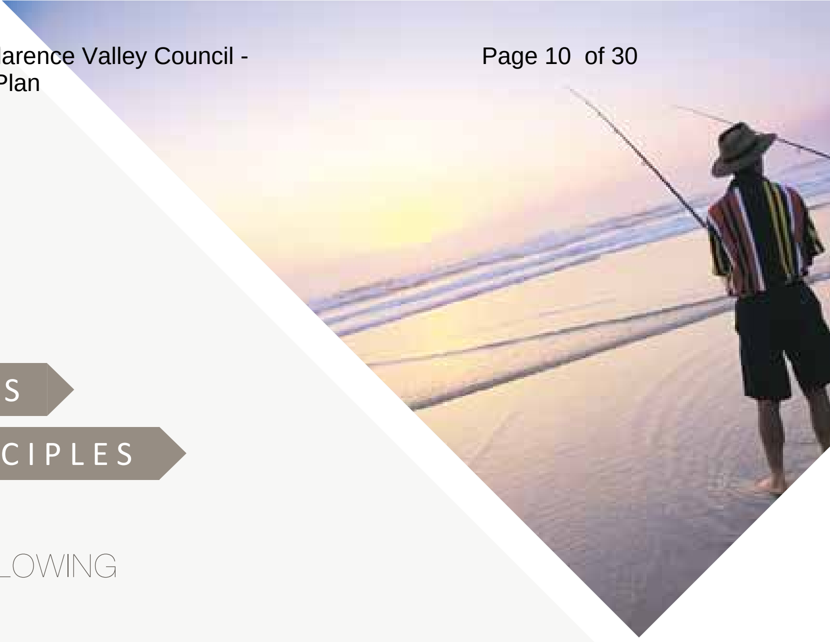
Three bedroom separate houses $290

INFRASTRUCTURE

- Two hospitals
- 29 primary schools
- 6 secondary schools
- 2 TAFE Campus
- Grafton Regional Airport
- Port of Yamba
- University outreach centre at Sir Earle Page Library
- Secure water supply Shannon Creek Water Storage ($180m)

clarence VALLEY COUNCIL

ABOUT THE CLARENCE VALLEY



OUR VISION

+OUR VALUES

OUR CORPORATE VALUES AND PUBLIC DUTY PRINCIPLES

COUNCIL HAS ADOPTED THE FOLLOWING CORPORATE VALUES:

- integrity in making decisions and carrying out works and services;
- working together as a team and, as a team, accepting accountability for the outcomes of our actions;
- respect for each other, for all in our organisation and our communities, both now and in the future;
- continually seeking to improve the way we do things;
- always considering the long term effects of decisions and actions.

COUNCIL HAS ALSO ADOPTED THE FOLLOWING KEY PRINCIPLES AS AN INTRODUCTION TO ITS CODE OF CONDUCT:

- **serving public above private interests (selflessness)** - making decisions because they benefit the public, not because they benefit the decision maker
- **integrity** – not to be influenced by any financial or other obligation in the performance of duty
- **openness** - giving and revealing reasons for decisions, revealing other avenues available to the client or business; when authorised, offering all information; communicating clearly
- **honesty** – obeying the law; following the letter and spirit of policies and procedures; observing codes of conduct; fully disclosing actual or potential conflicts of interests
- **accountability** – recording reasons for decisions; submitting to scrutiny; keeping proper records; establishing audit trails
- **objectivity** – fairness to all; impartial assessment; merit selection in recruitment and in purchase and sale of Council's resources; considering only relevant matters
- **courage** – having the courage to uphold these principles; reporting suspected wrongdoing; embracing necessary change; giving advice fearlessly and frankly
- **leadership** - promoting public duty to others in the Council and outside by their own ethical behaviour.

The corporate values and the public duty principles let the community, staff, customers and other stakeholders know how the Council will make its decisions. Staff and contractors will also be guided in the manner in which they implement Council decisions and carry on their daily work.

+OUR VISION

"LIFE IN THE CLARENCE VALLEY, NOW AND IN THE FUTURE, IS BASED ON A CULTURE OF LIVING SUSTAINABLY THAT PROTECTS AND CAREFULLY UTILISES THE NATURAL ENVIRONMENT, ITS BEAUTY AND RESOURCES, OUR CULTURAL HERITAGE AND UNIQUE IDENTITY OF OUR VALLEY AND ITS COMMUNITIES."

MISSION

WE CO-OPERATIVELY PLAN FOR AND ACHIEVE:

- **protection of ecological systems**
- **positive social and community development**
- **cultural diversity, expression and creativity**
- **economic prosperity and efficient resource use**
- **quality human habitat and essential services**
- **protection of our valuable natural and cultural heritage**
- **through supportive, accountable and participatory decision-making management and action that actively involves the wider community.**

OUR VALUES

+SOCIETY

THE SITUATION

> THE QUALITY OF OUR COMMUNITY LIFE IS DETERMINED BY THE PEOPLE WHO MAKE UP OUR COMMUNITY AND THE PLACES IN WHICH WE LIVE.

When we live in harmonious communities we feel safe and welcome, trust and respect each other, volunteer more and work cooperatively towards common community goals. We want to live in well serviced neighbourhoods that provide access and equity to even our most vulnerable community members. A changing demographic profile, increasing community expectation, limited resources and competing priorities have all put pressure on existing community networks and Council services. The challenge is how we adapt to the changing requirements of our evolving community while providing essential social services in an equitable and affordable manner.

WHAT COUNCIL PROVIDES

Previous Council plans, including Valley Vision, showed residents of the Clarence Valley wanted their Council to provide the leadership and direction required to help them to create a healthy, safe, accessible and inclusive place where people are engaged with their community and involved in the community groups that play a pivotal role in maintaining and invigorating the vibrant and diverse place in which we live.

SOCIAL SERVICES COUNCIL PROVIDES INCLUDE:

- children and youth services
- aged services
- disability and access services
- sporting facilities
- parks and open spaces
- community centres and halls
- aquatic facilities
- community care services
- community development
- community health and safety
- cultural development
- libraries and a regional gallery
- local events and entertainment

clarence
VALLEY COUNCIL

SOCIETY

COMMUNITY – WHAT YOU CAN DO

- attend and participate in festivals and events
- use local facilities and services
- participate in local healthy lifestyle activities
- participate in a community or sporting group
- be aware of your safety and look out for the safety of others
- report crimes and anti-social behaviour to the police

YOU TOLD US YOU WANTED

Proud and inviting communities (Objective 1.1) that:

1.1.1	provide vibrant and welcoming town centres, streets and meeting places
1.1.2	embellish riverfronts with parks, paths, cycleways, facilities and meeting places
1.1.3	respect the heritage of the region and highlight and enhance our unique characteristics
1.1.4	support, encourage and celebrate community participation and volunteerism
1.1.5	support community organisations
1.1.6	encourage greater awareness of our earliest communities and inhabitants in partnership with local Aboriginal and Torres Strait Islander communities

A safe, active and healthy region (Objective 1.2) that:

1.2.1	provides and maintains accessible quality sport and recreation facilities and encourages participation
1.2.2	partners health agencies and community organisations in promoting healthy lifestyles and better health outcomes

SOCIETY

YOU TOLD US YOU WANTED

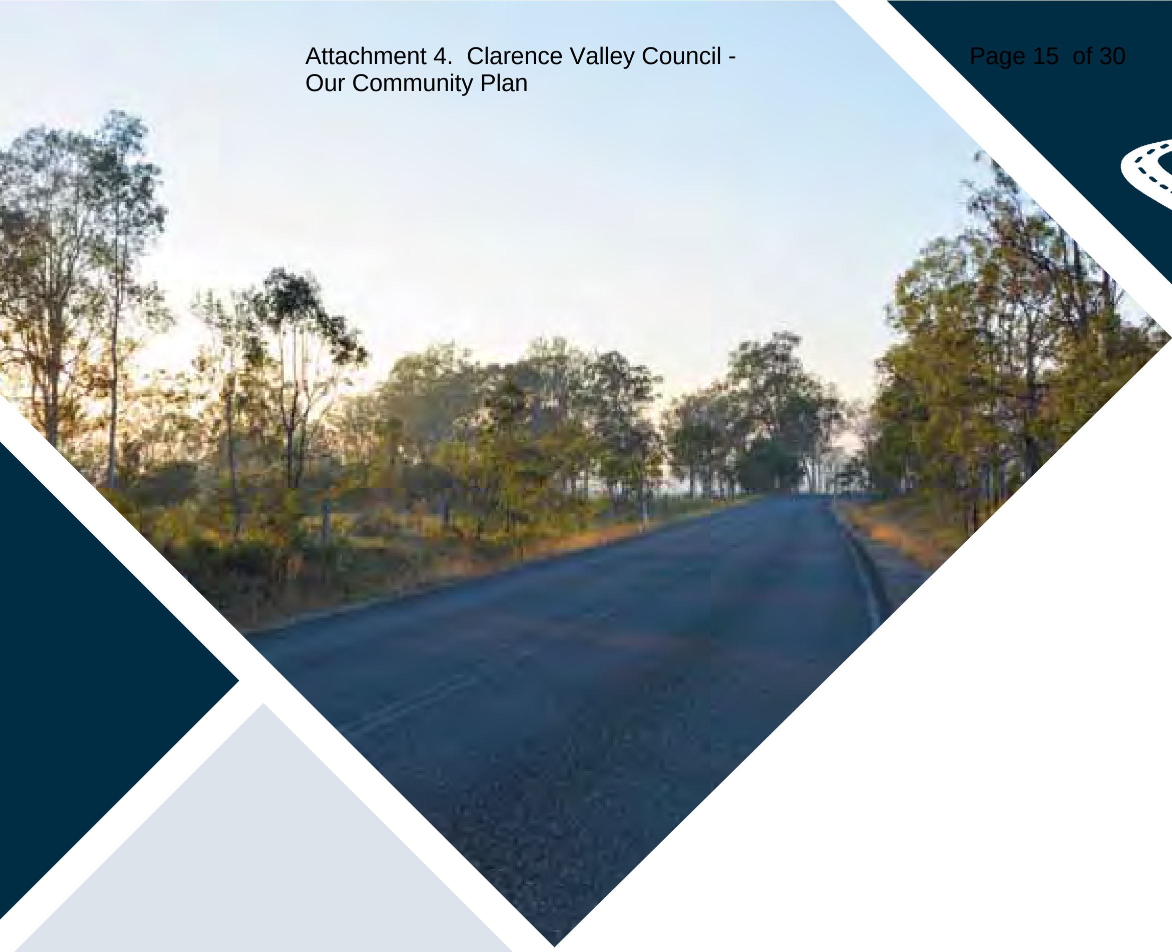
1.2.3	works with key partners and the community to lobby for adequate health services in our region
1.2.4	encourages community involvement and fosters interconnected and supportive communities
1.2.5	provides, maintains and develops children's play and recreational facilities to encourage active participation
1.2.6	provides, maintains and develops passive recreational facilities and large parklands to encourage greater utilisation and active participation
1.2.7	partners with police, community organisations and the community to address crime, anti social behaviour and improves community safety
1.2.8	provides effective regulatory, compliance and enforcement services for the community

A diverse and creative culture (Objective 1.3) that:

1.3.1	provides innovative and enhanced library services that supports and encourages lifelong learning
1.3.2	works with the community and other partners to develop major cultural and community events and festivals
1.3.3	promotes opportunities for further use, functionality and accessibility of existing cultural and community facilities and spaces
1.3.4	provides quality arts facilities and supports and encourages arts and cultural programs
1.3.5	lobbies to secure funding for cultural and creative expression fields from government, companies and other individuals
1.3.6	supports a diverse and rich local Aboriginal and Torres Strait Islander culture and community

To have access and equity of services (Objective 1.4) to:

1.4.1	work with community and other partners to lobby and facilitate increased education and training opportunities in the region
1.4.2	provide quality Community Care, Ageing and Disability services
1.4.3	create a better understanding within the community of the services and facilities Council provides
1.4.4	lobby for the provision of adequate and cost effective public transport
1.4.5	remove any impediments to, and encourage the supply of affordable housing
1.4.6	provide opportunities for residents to enjoy access to the arts, festivals, sporting activities, recreation, community and cultural activities
1.4.7	work with the community and partners to inform, develop and maintain an inclusive and equitable community



+INFRASTRUCTURE

THE SITUATION

THE CLARENCE VALLEY COUNCIL HAS ASSETS WORTH MORE THAN $1.8 BILLION THAT DEPRECIATE AT A RATE OF MORE THAN $35 MILLION A YEAR. MAINTAINING AND REPLACING THESE ASSETS IS A MAJOR RESPONSIBILITY FOR COUNCIL AND A CORE COMMUNITY EXPECTATION.

The community expects Council to provide inter-generational equity to future generations by providing assets of at least equal standard to those we have now. Providing the funds required for maintenance and renewal of assets to a desired level is a significant challenge. This, coupled with a significant backlog of asset replacement works, currently poses the single most significant and expensive challenge for our community.

INFRASTRUCTURE

WHAT COUNCIL PROVIDES

Previous Council plans showed Clarence Valley residents wanted Council to provide quality essential infrastructure that allowed the most efficient and effective provision of transport, essential services and public amenities in a manner that ensured the assets were sustainable well into the future. This infrastructure should facilitate access to services, facilities, to each other and connect us with the region, state and nation.

ESSENTIAL INFRASTRUCTURE COUNCIL PROVIDES INCLUDES:

- sealed roads (1,443kms)
- unsealed roads (989kms)
- bridges (149 concrete, 136 timber)
- water supply network
- Shannon Creek Regional Water facility
- sewerage service network
- sewerage treatment plants (5)
- footpaths and cycleway networks
- car-parking facilities (public)
- kerb and guttering
- stormwater network
- flood levee network
- public amenities
- bus stops and transport facilities
- street lighting and street signage
- street furniture and guardrail

COMMUNITY – WHAT YOU CAN DO

- report safety and maintenance issues to Council regarding infrastructure
- obey load limits on roads and bridges
- drive to the conditions of the road
- report vandalism or loitering around public amenities

YOU TOLD US YOU WANTED

A safe and efficient network of arterial roads and supporting infrastructure (Objective 2.1) that:

2.1.1	provides an effective road network that balances asset conditions with available resources and asset utilisation
2.1.2	improves road safety, including the widening of regional roads

INFRASTRUCTURE

YOU TOLD US YOU WANTED

2.1.3	maintains, renews and replaces Council bridges and culverts
2.1.4	ensures road network supporting assets (signs, posts, lighting, guardrails etc) are maintained adequately and renewed
2.1.5	continues to lobby the State and Federal Governments for the upgrade of the Pacific Highway to be completed
2.1.6	continues to lobby the State Government for the construction of the new Grafton Bridge to be completed

Town streets, footpaths and cycleways that are adequate, interconnected and maintained (Objective 2.2) while:

2.2.1	providing a network of town and village streets that balances asset conditions with available resources and asset utilisation
2.2.2	maintaining and renewing existing walking and cycling networks across the region
2.2.3	facilitating the enhancement and expansion of accessible walking and cycling networks where strategically identified and interconnecting them with other transport and recreation
2.2.4	implementing and maintaining developer contribution plans that require appropriate contributions towards the developments' holistic impact on infrastructure
2.2.5	providing required public transport infrastructure and working with key partners to expand the provision of cost-effective public transport
2.2.6	ensuring adequate stormwater, kerb and gutter infrastructure is provided, maintained and renewed

Communities that are well serviced with essential infrastructure (Objective 2.3) while:

2.3.1	maintaining and renewing water network infrastructure to ensure provision of a secure, quality and reliable drinking water supply
2.3.2	maintaining and renewing the sewerage network infrastructure to ensure provision of an efficient and environmentally-sound sewerage service
2.3.3	ensuring adequate flood management and evacuation systems are in place to mitigate against the impact of flooding and to protect human life
2.3.4	developing a strategically-located network of quality, accessible and safe public amenities that are adequately maintained and renewed
2.3.5	implementing Council's strategic asset management plans and continuing to develop asset systems, plans and practices for infrastructure assets
2.3.6	providing the infrastructure to embellish public domain areas and riverfront recreation and parkland areas
2.3.7	developing, managing and maintaining the Clarence Valley Regional Airport as a key element of the regional transport network and Clarence Valley economy

+ECONOMY

THE SITUATION

> OUR LOCAL ECONOMY NEEDS TO BE STRONG AND DIVERSIFIED IN ORDER TO PROVIDE A BROAD RANGE OF SERVICES TO OUR COMMUNITY, EMPLOYMENT OPPORTUNITIES FOR OUR RESIDENTS AND RESILIENCE AGAINST SHOCKS OR DOWNTURNS IN ANY ONE SECTOR OF THE CLARENCE VALLEY, AUSTRALIAN OR WORLD ECONOMIES.

Economic development is a complex issue and we need to work collaboratively with the private sector and key government agencies to establish economic priorities and commit resources to achieve them. Council's primary roles in fostering economic growth and diversity are: providing supporting infrastructure; planning land use that generates employment; and promoting business and investment. The availability of employment is vital to our community being able to retain its youth, to attract skilled workers and their families to the area and reduce overall unemployment with a resultant increase in community well-being.

Council is a major employer and contributor to the local economy, with almost 600 staff and a total annual expenditure of over $100 million. Council is also the operator of a number of business facilities including the Regional Livestock Selling Centre, five holiday parks and the Grafton Airport.

ECONOMY

WHAT COUNCIL PROVIDES

ECONOMIC SERVICES THAT COUNCIL CURRENTLY PROVIDES INCLUDE:

- economic development
- major events
- tourism, promotion and visitor facilities
- land use planning
- development control planning
- regional livestock saleyards
- holiday park facilities (5)
- airport facilities

Previous Council plans showed the Clarence Valley community wanted its council to provide the leadership and direction to help them to grow and diversify our economy in order to provide an expanding array of goods and services locally, and for residents to have the opportunity to obtain meaningful employment, now and into the future.

COMMUNITY – WHAT YOU CAN DO

- shop locally to support our economy
- utilise the Grafton Airport when you fly
- create opportunities for traineeships, work experience and apprenticeships

ECONOMY

YOU TOLD US YOU WANTED

To have an attractive environment for business, tourism and industry (Objective 3.1) that:

3.1.1	promotes the Clarence region as a wonderful place to live, work, visit and invest
3.1.2	promotes the Clarence region to business and industry and increase recognition of the areas strategic advantages
3.1.3	facilitates government-funded infrastructure and services to match business and industry development in the region (education, transport, health)
3.1.4	facilitates the retention of existing business and industry and promotes the role they play in providing a resilient local economy
3.1.5	identifies tools to simplify development processes and encourage quality commercial and residential development
3.1.6	promotes and develops the skills of business to maximise utilisation of improving broadband and telecommunications networks
3.1.7	provides adequate car, bike and other vehicle public parking in business, tourism and event areas

To have growing and diversified employment, education and tourism opportunities (Objective 3.2) that:

3.2.1	provides land use planning that facilitates employment creation
3.2.2	supports and encourages existing business and industry to develop and grow
3.2.3	supports the attraction of a diverse range of new businesses, including innovative and sustainable employment generating projects
3.2.4	encourages the development of a skilled and flexible workforce to match the requirements of business and industry
3.2.5	builds strong linkages with institutions providing education, training and employment pathways in the region
3.2.6	works with key partners to expand the tertiary education facilities in the region
3.2.7	markets the unique natural characteristics and diverse tourism opportunities available within the Clarence Region
3.2.8	develops an airport master plan to assess the optimal future usage of the facility

To have major events driving economic activity (Objective 3.3) that:

3.3.1	attracts and facilitates major social and cultural events to encourage people to live and work in the region while also attracting revenue into the area
3.3.2	attracts and supports major sporting events and carnivals to the region
3.3.3	identifies partnerships and innovative funding approaches to provide for new and upgraded infrastructure for major event hosting
3.3.4	works with the existing major events organisers to help grow the events and maximise activity

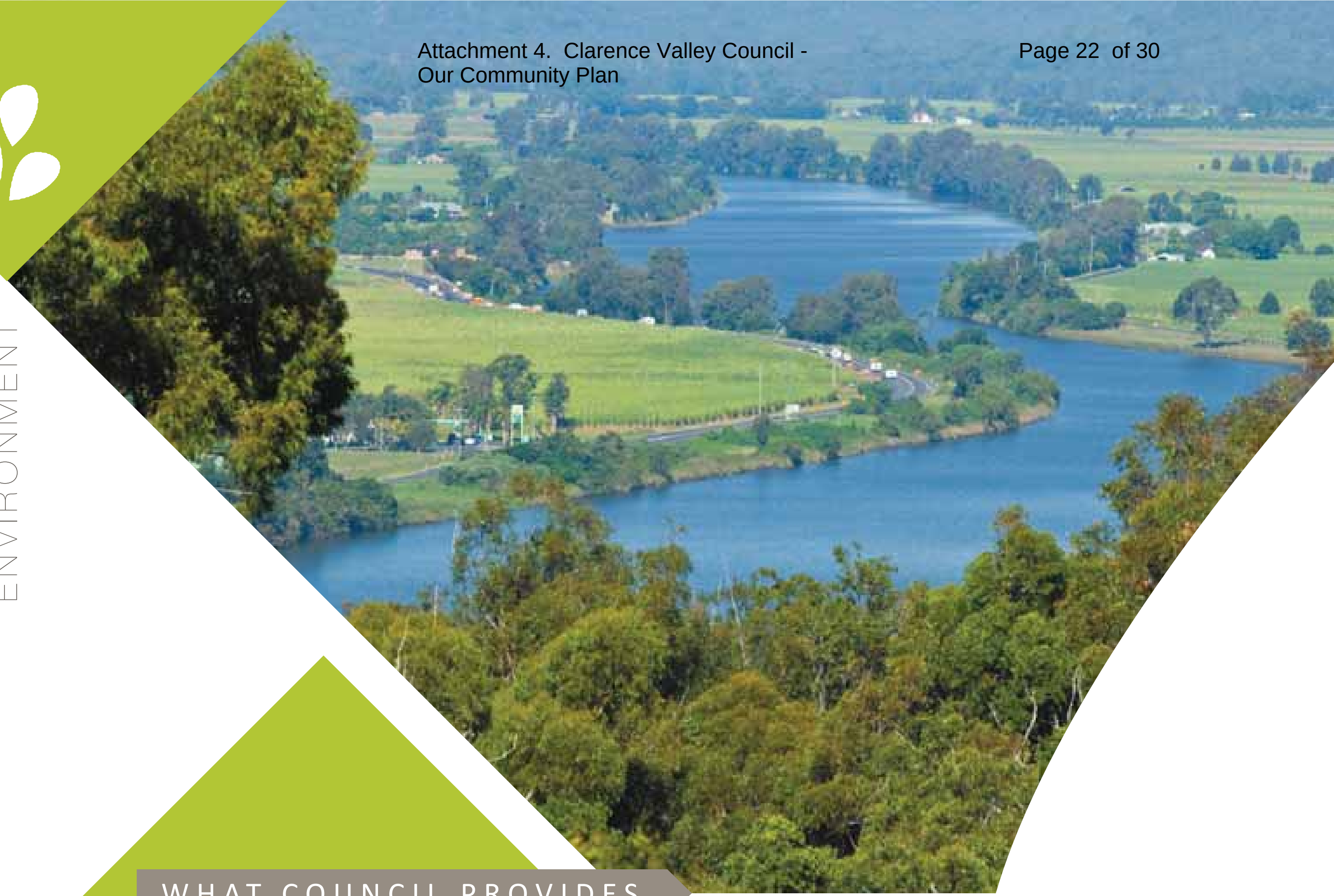
+ENVIRONMENT

THE SITUATION

"THE LANDSCAPES, SEASCAPES, WATERWAYS AND WILDLIFE OF THE CLARENCE VALLEY ARE INTRINSIC TO ITS CULTURE AND CHARACTER AND ARE THE BASIS FOR MUCH OF ITS ECONOMIC AND RECREATIONAL ACTIVITY. THE QUALITY OF THE REGION'S AIR, WATER, FLORA AND SOILS ARE INEXTRICABLY LINKED TO THE HEALTH AND WELL-BEING OF RESIDENTS."

The natural environment of the Clarence is as diverse as it is beautiful; including scenic mountain ranges, diverse grazing land and rural hinterland, ideal rainforest and national parks, extensive river networks and expansive floodplain and vast beaches and coastline. The natural environment, with its many unique forms, is the defining characteristic of the Valley's city, towns and villages and is a way in which its communities are commonly identified by others and how residents identify themselves.

ENVIRONMENT



WHAT COUNCIL PROVIDES

Previous Council plans showed residents of the Clarence Valley wanted their council to provide the leadership and direction to help them to maintain a healthy natural environment and minimise the community's environmental footprint. They wanted to see natural surrounds beautified to enhance the aesthetic appearance of the community for residents and visitors alike.

ENVIRONMENTAL SERVICES COUNCIL PROVIDES INCLUDE:

- waste management and recycling
- natural resource management
- environmental planning
- development control planning
- coast and estuary management
- reserves and open spaces
- noxious weeds control
- floodplain management
- support for Landcare/Dunecare groups
- stormwater management

COMMUNITY – WHAT YOU CAN DO

- reduce consumption of fossil fuels, water and consider alternative resources
- join a local Landcare or Dunecare group
- install energy efficient fixtures and appliances at your home
- participate in recycling and minimise your waste going to landfill
- plant and or retain vegetation and trees on private property
- consider alternative transport options, particularly for short distances

ENVIRONMENT

YOU TOLD US YOU WANTED

To preserve the beautiful natural features of the Clarence Region (Objective 4.1) by:

4.1.1	recording and promoting the region's natural heritage in partnership with the community, particularly the Aboriginal groups in the region
4.1.2	beautifying our parks, gardens, open spaces and town entrances
4.1.3	enhancing our riverfronts, streetscapes and highlighting our beautiful trees
4.1.4	celebrating the Clarence River and identifying the major role it played in the early development of our region
4.1.5	protecting and maintaining the region's historic buildings, recognising their value to the community

To protect and enhance our natural environment (Objective 4.2) by:

4.2.1	protecting and maintaining our waterways, catchments and floodplains
4.2.2	managing our coastline and balancing utilisation with conservation
4.2.3	conserving our natural flora and fauna and their habitats
4.2.4	raising community awareness of environmental and biodiversity issues
4.2.5	promoting and encouraging sustainable and innovative agricultural practices
4.2.6	controlling invasive plant and animal species

To establish a healthy balance between development and the environment (Objective 4.3) by:

4.3.1	retaining open space and greenbelts that are accessible to everyone
4.3.2	investigating and promoting incentives for reductions in energy and water consumption in developments
4.3.3	educating the community about sustainable practices in the home, at work and in public places
4.3.4	ensuring the Clarence Valley is sufficiently prepared to deal with natural disasters

To reuse, recycle and reduce wastage (Objective 4.4) by:

4.4.1	promoting recycling, reusing and providing regular and efficient waste and recycling services
4.4.2	providing education to the community on ways to minimise the waste produced by households
4.4.3	implementing initiatives to reduce illegal dumping and providing community education to prevent rubbish entering our waterways
4.4.4	identifying and implementing water conservation and sustainable water usage practices in Council operations
4.4.5	identifying technologies in Council's facilities, infrastructure and service delivery to reduce our ecological footprint

LEADERSHIP

+LEADERSHIP

THE SITUATION

COMMUNITY LEADERS ARE REQUIRED TO PURSUE THE OVERALL DIRECTION AND LONG-TERM GOALS FOR THE CLARENCE VALLEY AREA IN ACCORDANCE WITH THE VISION AND ASPIRATIONS OF THE COMMUNITY.

Effective civic leadership requires responsible and transparent decision making, which includes engaging with the community and implementing the objectives of Our Community Plan. Councillors are required to provide leadership to the broad community and direction to an organisation that will be relied upon to deliver quality services and infrastructure within Council's resources and in-line with established service levels.

WHAT COUNCIL PROVIDES

Previous Council plans showed Clarence Valley residents wanted their council to provide the vision, direction, leadership and governance to help them to create and maintain a Clarence Valley that has: a vibrant and active community; quality essential infrastructure; a strong and resilient economy; and beautiful natural surrounds.

LEADERSHIP AND GOVERNANCE SERVICES COUNCIL PROVIDES INCLUDE:

- integrated strategic planning
- civic services and representation
- governance
- customer services
- community engagement
- financial services
- human resource management
- information services
- performance management
- risk management
- regulation and enforcement

COMMUNITY – WHAT YOU CAN DO

- stand for election to Council and represent your region
- participate on a Council committee
- regularly visit Council's website and read/listen to local media to keep up-to-date with Council's activities
- contribute to community engagement programs run by Council
- provide feedback to Council regarding services and customer service
- volunteer and take part in community groups

LEADERSHIP

YOU TOLD US YOU WANTED

To have a strong, accountable and representative government (Objective 5.1) that:

5.1.1	provides a clear direction for the community through the Community Plan, Delivery Program and Operational Plan
5.1.2	creates awareness of Council's roles and responsibilities and the services Council provides
5.1.3	engages with the community and uses community input to inform decision making
5.1.4	provides open, accountable and transparent decision making for the community
5.1.5	provides strong representation for the community at regional, state and federal levels
5.1.6	makes prioritised decisions in the long-term interest of the broad community and has regard to financial and infrastructure sustainability
5.1.7	establishes a strategic rating structure that is equitable across the region
5.1.8	undertakes the civic duties of Council with the highest degree of ethics

We will have an effective and efficient organisation (Objective 5.2) that:

5.2.1	provides services that meet benchmarks determined by the community, having regard to quality and cost
5.2.2	operates in a financially responsible and sustainable manner
5.2.3	ensures existing and future infrastructure is affordable, funded, managed and maintained to ensure inter-generational equity and sustainability
5.2.4	ensures financial sustainability and the community's capacity to pay inform adopted community service levels
5.2.5	establishes Council as an employer of choice that trains, recruits and retains talented staff and facilitates a diverse workforce
5.2.6	provides customer service excellence
5.2.7	pursues excellence in service delivery by fostering innovation and a continuous improvement environment
5.2.8	identifies and manages risk associated with all Council activities and ensures a safe and healthy work environment
5.2.9	ensures Council operations are supported by the most effective internal service provision and governance structures
5.2.10	provides education and support so the Clarence Valley is sufficiently prepared to deal with natural disasters and emergencies
5.2.11	ensures compliance with regulatory and statutory requirements

To have the objectives of this plan delivered (Objective 5.3) by:

5.3.1	resourcing the organisation of Council adequately to provide the services and support functions to deliver the objectives of this plan
5.3.2	implementing a performance management framework to enable proactive reporting on progress against milestones and key indicators

+PLANNING

PLANNING

INTEGRATED PLANNING AND REPORTING FRAMEWORK

MONITORING AND REVIEW PROCESS

To assess the implementation and effectiveness of Council's actions in achieving its long-term goals, each outgoing Council must prepare a report to the community detailing achievements over its four-year term. The 2014/2024 Our Community Plan will be formally reviewed each four years by each incoming Council and the community will have the opportunity to revisit the priorities and objectives set by the incoming council to ensure they reflect the community's needs and aspirations.

All New South Wales councils are required to develop a community strategic plan that sets out the community's visions and goals over a 10-year period. They sit alongside a new State Government integrated planning and reporting framework.

The community 2014-2024 Our Community Plan is comprised of three documents:

- the first (this document) sets out the overall vision and sets the framework for the 10-year strategy and is developed in consultation with the community, State Government agencies and other stakeholders.
- the second is a four-year Delivery Program that sets the parameters of what is to be achieved over four years.
- the third is an annual Operational Plan that details projects to be completed each year. It includes income and expenditure estimates for the year.

How community assets will be used and how Council's workforce will be managed to meet the goals of Our Community Plan must be outlined in a resourcing strategy.

The resourcing strategy must include:

- a 10-year financial plan that establishes funding to support the long-term goals of the 2014/2024 Our Community Plan.
- a 10-year Asset Management Strategy that accounts for all existing assets under ownership and control of the Council.
- a four-year Workforce Management Plan that addresses the labour and skills requirements needed to meet the goals of the 2014/2024 Our Community Plan.

HOW WILL WE MEASURE OUR SUCCESS?

THE STRATEGIES AND OBJECTIVES OUTLINED IN THE PLAN WILL NEED TO BE ACHIEVED THROUGHOUT THE LIFE OF THE PLAN. IN ORDER TO MEET THESE OBJECTIVES, A SUITE OF ACTIONS AND RELATED KEY PERFORMANCE INDICATORS WILL BE DEVELOPED AND REVIEWED EACH YEAR AS PART OF THE ANNUAL PLANNING CYCLE. IN ORDER TO GAUGE WHETHER THE STRATEGIES HAVE BEEN ACHIEVED, A SIMPLE REPORTING FORMAT WILL BE USED TO MEASURE PROGRESS, WITH QUARTERLY UPDATES AND AN ANNUAL SUMMARY. THE REPORTS WILL IDENTIFY PROGRESS AGAINST BRINGING TO LIFE THE STRATEGIC OBJECTIVES AS OUTLINED UNDER EACH THEME. IN ADDITION, AT THE END OF EACH COUNCIL TERM OF FOUR YEARS, THE OUTGOING ELECTED REPRESENTATIVES WILL NEED TO PRESENT AN END OF TERM REPORT TO THE COMMUNITY, OUTLINING THE ACHIEVEMENTS RECORDED DURING THAT PERIOD.

PLANNING

ADDRESSING THE QUADRUPLE BOTTOM LINE

There is requirement for a council's Community Strategic Plan to adequately address social, environmental, economic and civic leadership considerations. This approach is generally referred to as 'the quadruple bottom line'. In some models the fourth element is described as 'governance'. In the new planning framework, the term 'civic leadership' has been chosen to indicate that it relates not only to the way the Council will interact with the Community Strategic Plan, but the way members of the community might become involved in delivering some of the Plan's objectives. The quadruple bottom line approach was chosen to ensure that the Community Strategic Plan would be balanced and take a holistic view, rather than favouring one particular aspect. Our Community Plan has been designed to meet the quadruple bottom line requirements through the themes of Society, Environment , Economy and Leadership.

LINKAGE TO NSW STATE GOVERNMENT PLANS

Under the Framework councils are required to give due regard to the State Plan and other regional plans. Whilst state and local government have different roles and responsibilities, there are specific actions taken by both tiers of government that address common planning goals

The "NSW 2021" state government 10 year plan sets clear priorities and goals for government action and is based on the following five strategies:

- Rebuild the Economy
- Return quality services
- Renovate infrastructure
- Strengthen our Local Environment and Communities
- Restore Accountability to Government

The Northern Rivers Regional Action Plan is aligned with the NSW 2021 Plan and sets out a list of priorites and actions for the region of NSW stretching from the Clarence Valley to the Tweed.

The regional priorities are as follows:

- improve access to public transport and improve road safety
- support industry and grow local jobs
- improve education and training opportunities
- reduce crime and anti social behaviour
- build service capacity and support vulnerable groups in the community
- age proof the region and improve access to health services
- balance land use while protecting the natural environment
- improve housing affordabilty

clarence VALLEY COUNCIL

THE FOLLOWING TABLE SHOWS HOW COUNCIL'S OUR COMMUNITY PLAN CONTRIBUTES TOWARDS THESE STATE PLANS:

NSW 2021	CLARENCE VALLEY OUR COMMUNITY PLAN THEMES				
	Society	Infrastructure	Economy	Environment	Leadership
Rebuild the Economy			■		
Return quality services	■	■			■
Renovate infrastructure	■	■			
Strengthen our Local Environment and Communities	■	■	■	■	■
Restore Accountability to Government					■

NORTHERN RIVERS REGIONAL ACTION PLAN	CLARENCE VALLEY OUR COMMUNITY PLAN THEMES				
	Society	Infrastructure	Economy	Environment	Leadership
Improve access to public transport and improve road safety	■	■			
Support industry and grow local jobs			■		
Improve education and training opportunities	■		■		
Reduce crime and anti social behaviour	■				
Build service capacity and support vulnerable groups in the community	■			■	■
Age proof the region and improve access to health services	■				
Balance land use while protecting the natural environment				■	
Improve housing affordabilty	■				

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VALLEY COUNCIL

Clarence Valley Council — TBL Sewerage Performance — 2013-14

SEWERAGE SYSTEM - Clarence Valley Council serves a population of 30,400 (14,640 connected properties) and has 6 sewage treatment works providing advanced secondary, tertiary and advanced tertiary treatment. The system comprises 48,500 EP treatment capacity (Intermittent Extended Aeration (Activated Sludge) and Trickling Filter), 93 pumping stations, 125 km of rising mains and 284 km of gravity trunk mains and reticulation. 7% of effluent was recycled (Indicator 27) and the treated effluent is discharged to river.

PERFORMANCE - Residential growth for 2013-14 was 5.7% which is higher than the statewide median. Clarence Valley Council achieved 100% implementation of the NSW BPM requirements. The 2014-15 typical residential bill was $988 which was well above the statewide median of $669 (Indicator 12). The economic real rate of return was 2.3% which was greater than the statewide median (Indicator 46). The operating cost per property (OMA) was $495 which was above the statewide median of $430 (Indicator 50). Sewage odour complaints were above the statewide median of 1 (Indicator 21). Clarence Valley Council reported no public health incidents. Council did not comply with the SS, N, Ammonia requirements of the environmental regulator for effluent discharge. The current replacement cost of system assets was $290M ($18,600 per assessment), cash and investments were $23M, debt was $67M and revenue was $15.9M (excluding capital works grants).

IMPLEMENTATION OF REQUIREMENTS OF NSW BEST-PRACTICE MANAGEMENT (BPM) FRAMEWORK

(1) Complete current strategic business plan & financial plan	YES 11	**(2e) Pricing** - DSP with commercial developer charges	Yes
(2) **(2a) Pricing** - Full Cost Recovery without significant cross subsidies	Yes	**(2f) Pricing** - Liquid trade waste approvals & policy	Yes
(2b) Pricing - Appropriate Residential Charges	Yes	**(3) Complete performance reporting** (by 15 September)	YES
(2c) Pricing - Appropriate Non-Residential Charges	Yes	**(4) Integrated water cycle management strategy**	YESC 11
(2d) Pricing - Appropriate Trade Waste Fees and Charges	Yes	**IMPLEMENTATION OF ALL REQUIREMENTS**	100%

TRIPLE BOTTOM LINE (TBL) PERFORMANCE INDICATORS

		NWI	No.	Indicator	Unit	LWU RESULT Col 1	RANKING >10,000 properties Note 1 Col 2	RANKING All LWUs Note 2 Col 3	MEDIANS Statewide Note 3 Col 4	MEDIANS National Note 4 Col 5
UTILITY	CHARACTERISTICS	C5	1	**Population served: 30,400**						
		C8	2	**Number of connected properties: 14,640** Number of assessments: 15,570						
		C6	3	**Number of residential connected properties: 13,590**						
			4	**New residences connected to sewerage** (%)	%	5.7	1	1	1.0	
		A6	5	**Properties served per kilometre of main**	Prop/km	36			38	41
		W18	6	**Volume of sewage collected** (ML)	ML	2,525			4,600	5,723
			7	**Renewals expenditure** (% of current replacement cost of system assets)	%	0.1	5	5	0.5	
			8	**Employees per 1000 properties**	per 1,000 prop	2.1	5	4	1.6	
SOCIAL	CHARGES & BILLS	P4		**Description of residential tariff structure:** access charge/prop; independent of land value						
		P4.1	11a	**Residential access charge for 2013-14 ($/assessment)**	$ 2013-14	907	5	5	625	573
			11	**Residential access charge for 2014-15 ($/assessment)**	$ 2014-15	988	5	5	669	
		P6	12a	**Typical residential bill for 2013-14 ($/assessment)**	$ 2013-14	907	5	5	625	683
			12	**Typical residential bill for 2014-15 ($/assessment)**	$ 2014-15	988	5	5	669	
			13	**Typical developer charge for 2014-15 ($/equivalent tenement)**	$ 2014-15	7,670	3	1	5,100	
			14	**Non-residential sewer usage charge** (c/kL)	c/kL	299	1	1	136	
		F6	15	**Revenue per property** - Sge ($)	$	1090	2	1	846	938
	HEALTH		16	**Sewerage Coverage** (% of Urban Population with Reticulated Sge Service)	%	94.2	5	3	97.9	
		E3	17	**Percent of sewage treated to a tertiary level** (%)	%	100	1	2	98	91
		E4	18	**Percent of sewage volume treated that was compliant** (%)	%	73	5	4	100	100
		E5	19	**Number of sewage treatment works compliant at all times**		0 of 6				
	SERVICE LEVELS		21	**Odour complaints per 1000 properties**	per 1,000 prop	1.6	4	5	1.0	
		C11	22	**Service complaints - sewerage per 1000 properties**	per 1,000 prop	19	4	4	8	1
		C16	23a	**Average sewerage interruption** (minutes)	min	120	3	4	109	105
			25	**Total days lost** (%)	%	0.0	1	3	2.9	
ENVIRONMENTAL	NATURAL RESOURCE MANAGEMENT	W19	26	**Volume of sewage collected per property** (kL)	kL	172	1	2	221	204
		W26	26a	**Total recycled water supplied** (ML)	ML	180	5	3	630	1,638
		W27	27	**Recycled water** (% of effluent recycled)	%	7	4	4	12	17
		E8	28	**Biosolids reuse** (%)	%	58	4	2	100	100
			30	**Energy consumption - sewerage** (kWh/ML)	kWh	1,020	4	5	770	
			31	**Renewable energy consumption** (% of total energy consumption)	%	10	1	1	0	
		E12	32	**Net greenhouse gas emissions - WS & Sge** (net tonnes CO2 equivalents per 1000 properties)		110	1	1	370	390
	ENVIRONMENTAL PERFORMANCE		33	**90th Percentile licence limits for effluent discharge:** BOD 15 mg/L; SS 20 mg/L; Total N 15 mg/L; Total P 1 mg/L						
			34	**Compliance with BOD in licence** (%)	%	100	1	1	100	
			35	**Compliance with SS in licence** (%)	%	94	5	4	100	
		A14	36	**Sewer main breaks and chokes** (per 100 km of main)	per 100km main	45	3	4	37	20
			37a	**Sewer overflows** (per 100 km of main)	per 100km main	17	3	4	13	
		E13	37b	**Sewer overflows reported to environmental regulator** (per 100km of main)		0.0	1	1	0.8	0.4
			39	**Non res & trade waste % of total sge volume**	%	10	5	4	21	
ECONOMIC	FINANCE		43	**Revenue from non-residential plus trade waste charges** (% of total revenue)	%	17	3	3	18	
			44	**Revenue from trade waste charges** (% of total revenue)	%	1.3	4	3	2.0	
		F18	46	**Economic real rate of return** - Sge (%)	%	2.3	2	2	1.5	2.6
			46a	**Return on assets** - Sge (%)	%	0.6	4	4	1.3	
			48a	**Loan payment per property** - Sge ($)	$	488	1	1	90	
		F24	48b	**Net profit after tax** - WS & Sge ($'000)	$'000	1,710	3	2	1180	5,345
	EFFICIENCY		49	**Operating cost (OMA) per 100 km of main** ($'000)	$'000	1,780	3	4	1,730	
		F12	50	**Operating cost (OMA) per property ($) (Note 9)**	$	495	4	4	430	405
			51	**Operating cost (OMA) per kL** (cents)	c/kL	287	5	5	206	
			52	**Management cost per property** ($)	$	171	3	4	161	
			53	**Treatment cost per property** ($)	$	196	4	5	155	
			54	**Pumping cost per property** ($)	$	70	4	4	68	
			55	**Energy cost per property** ($)	$	53	4	5	42	
			56	**Sewer main cost per property** ($)	$	47	3	3	47	
		F29	57	**Capital Expenditure per property** - Sewerage ($)	$	590	1	1	193	227

NOTES :

1 Col 2 rankings are on a % of LWUs basis - best reveals performance compared to similar sized LWUs (ie. Col 1 is compared with LWUs with >10,000 properties).

2 Col 3 rankings are on a % of LWUs basis - best reveals performance compared to all LWUs (ie. Col 1 is compared with all LWUs). - see attachment.

3 Col 4 (Statewide Median) is on a % of connected properties basis- best reveals statewide performance (gives due weight to larger LWUs & reduces effect of smaller LWUs).

4 Col 5 (National Median) is the median value for the 66 utilities reporting sewerage performance in the National Performance Report 2013-14 (www.bom.gov.au).

5 LWUs are required to annually review key projections & actions in the later of their IWCM Strategy and financial plan and their Strategic Business Plan and to annually 'roll forward', review and update their 30-year total asset management plan (TAMP) and 30-year financial plan.

6 Non-residential access charge - $571, proportional to square of size of service connection. Sewer usage charge - 299 c/kL.

7 Non-residential and trade waste volume was 10% of total sewage collected.
Non-residential revenue was 17% of revenue from access, usage & trade waste charges, indicating fair pricing of services between the residential and non-residential sectors.

8 Compliance with Total N in Licence was 92%. Compliance with Total P in Licence was 100%.

9 Operating cost (OMA)/property was $495. Components were: management ($171), operation ($92), maintenance ($122), energy ($53), chemical ($23) & effluent/biosolids ($35).

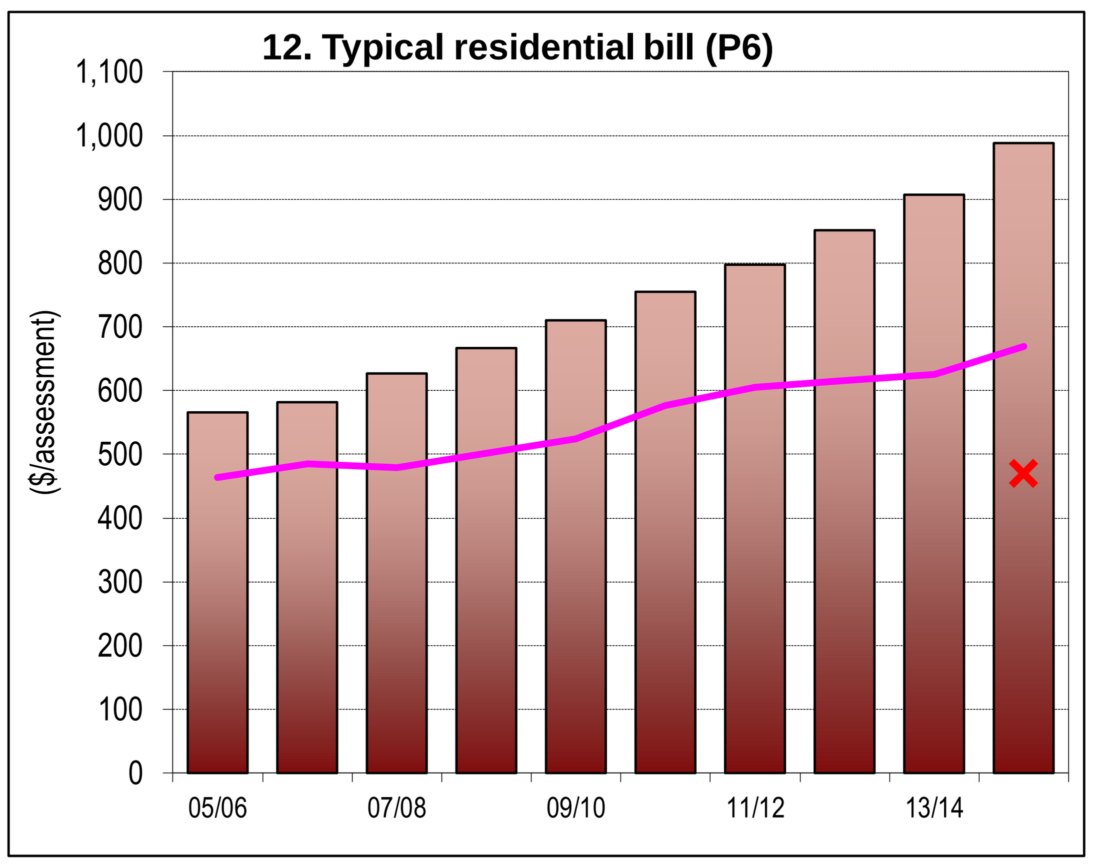
10 Clarence Valley Council rehabilitations included 0.2% of its sewerage mains and 0.2% of its service connections. Renewals expenditure was $94,000/100km of main.

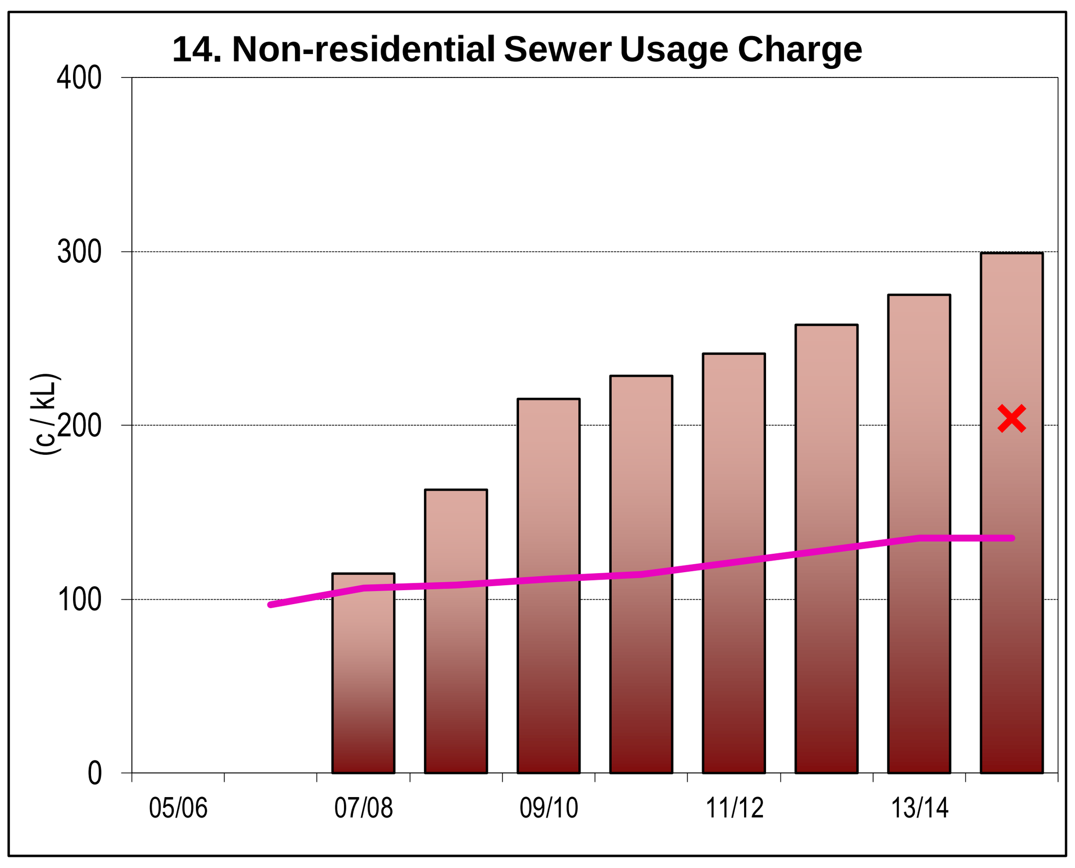
11 As Council's IWCM Strategy is over 6 years old, it will need to prepare a new 30-year IWCM Strategy, financial plan and report in accordance with the July 2014 IWCM Check List (www.water.nsw.gov.au).

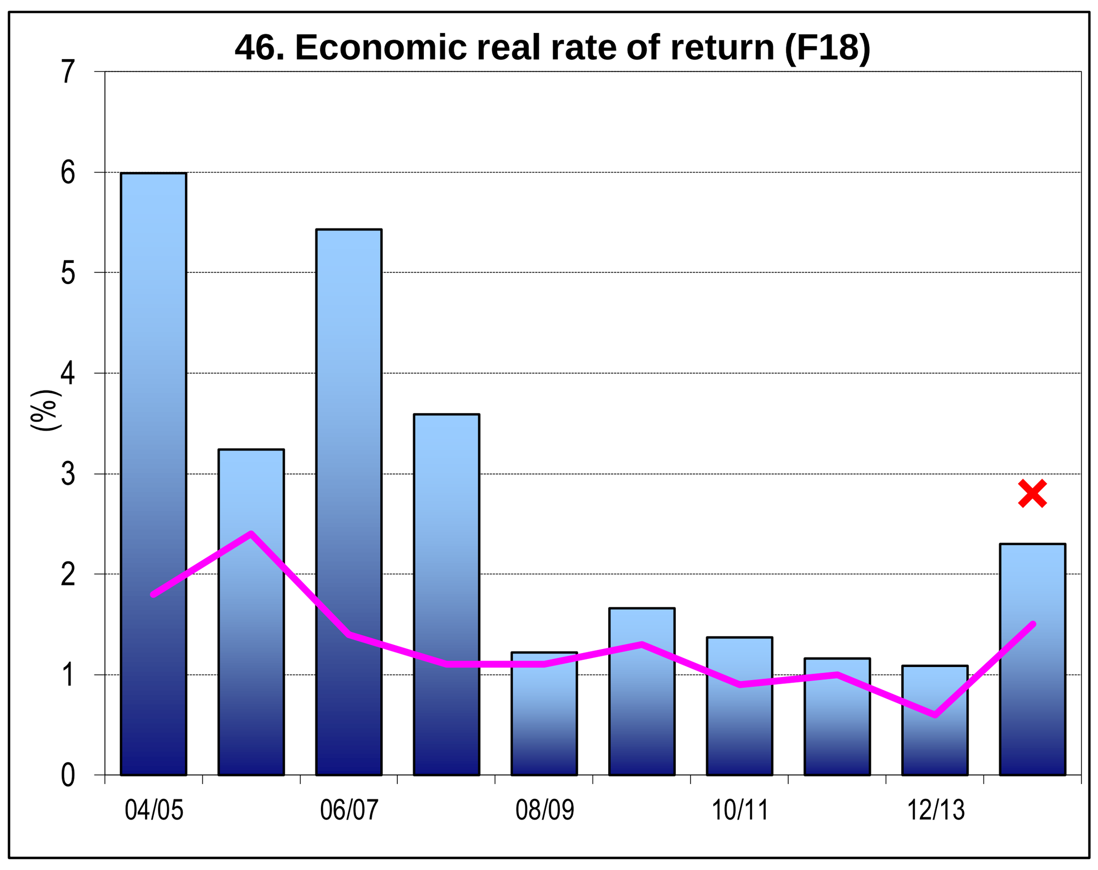
Clarence Valley Council TBL Sewerage Performance (page 2) 2013-14

(Results shown for 10 years together with 2013-14 Statewide Median and Top 20%)

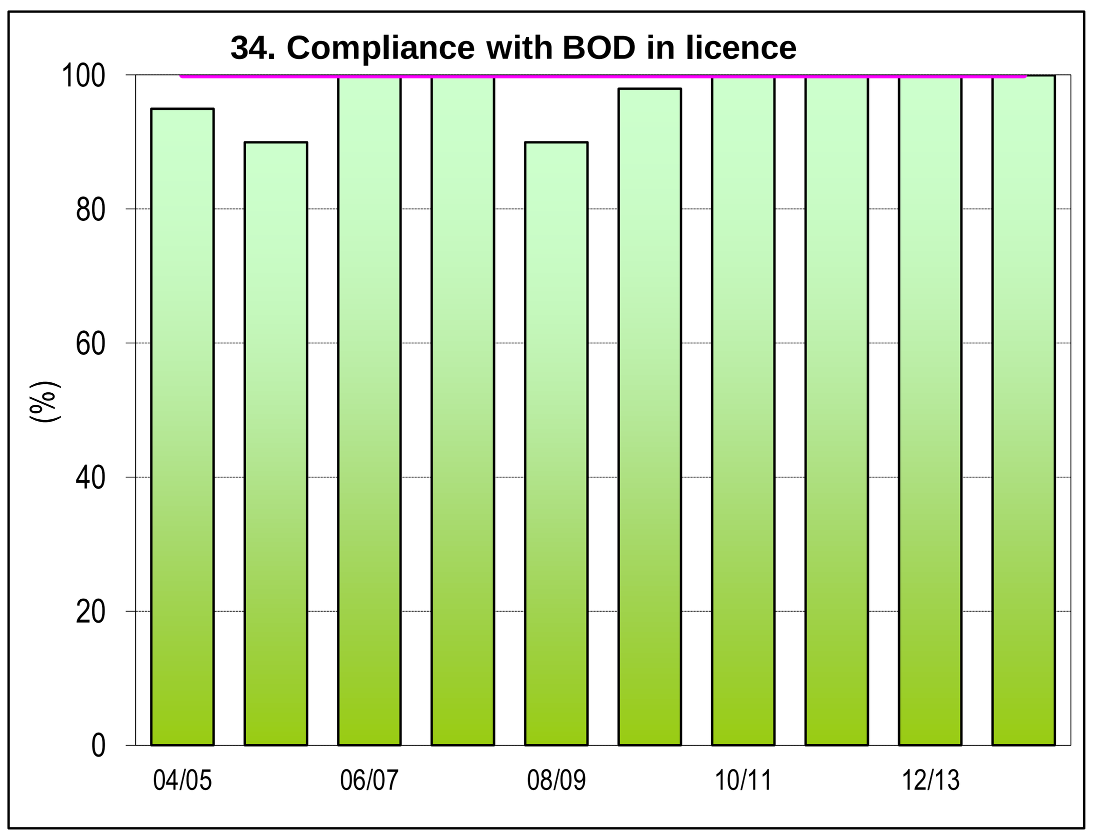
COST RECOVERY

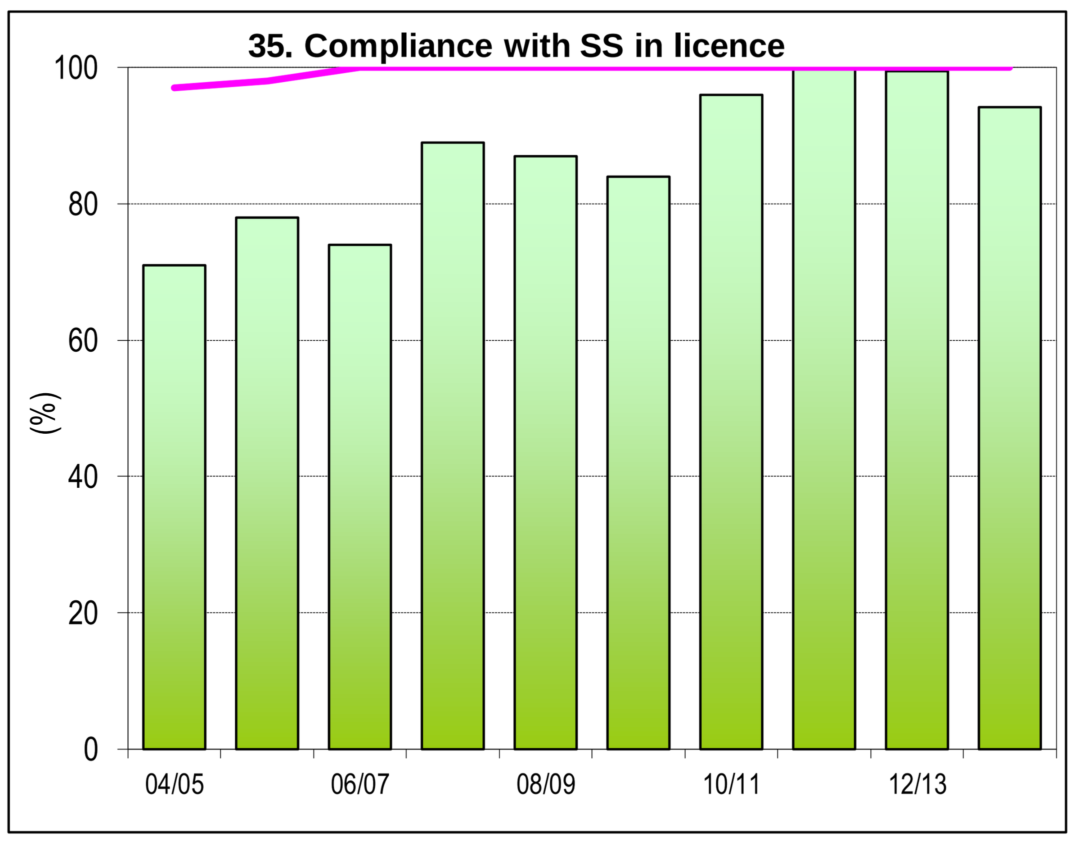


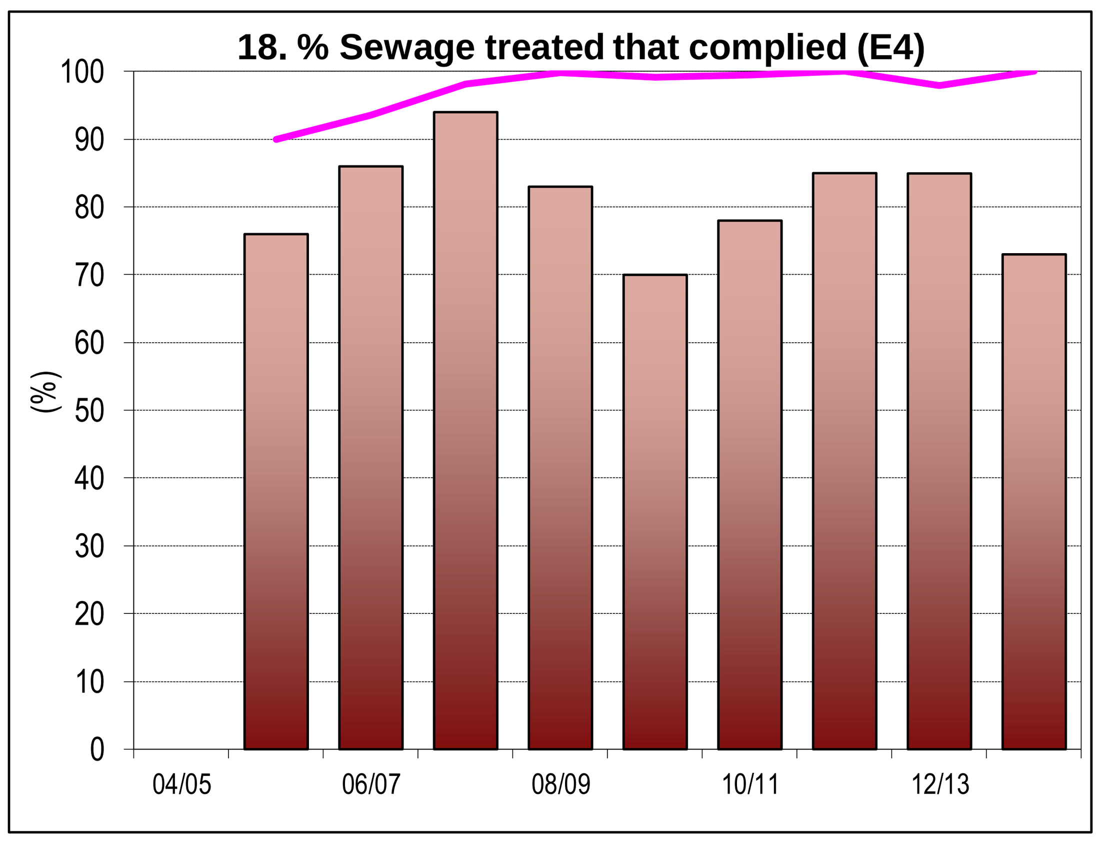




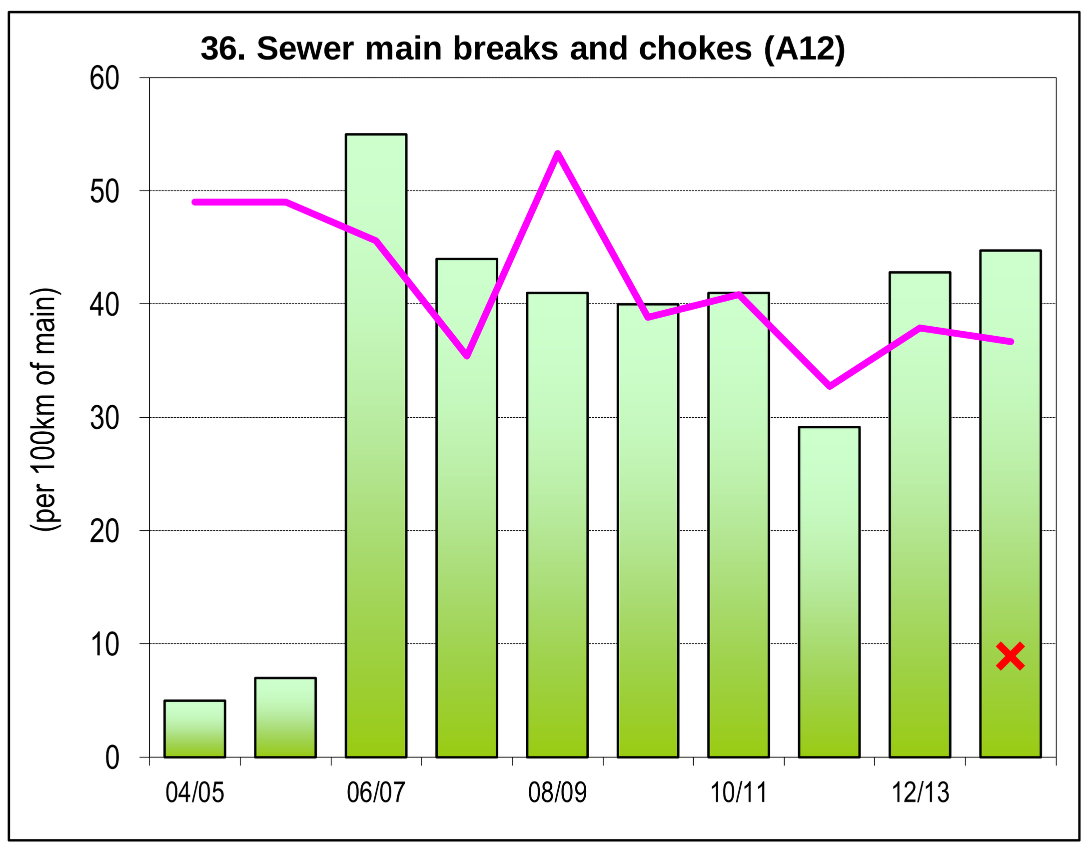
COMPLIANCE

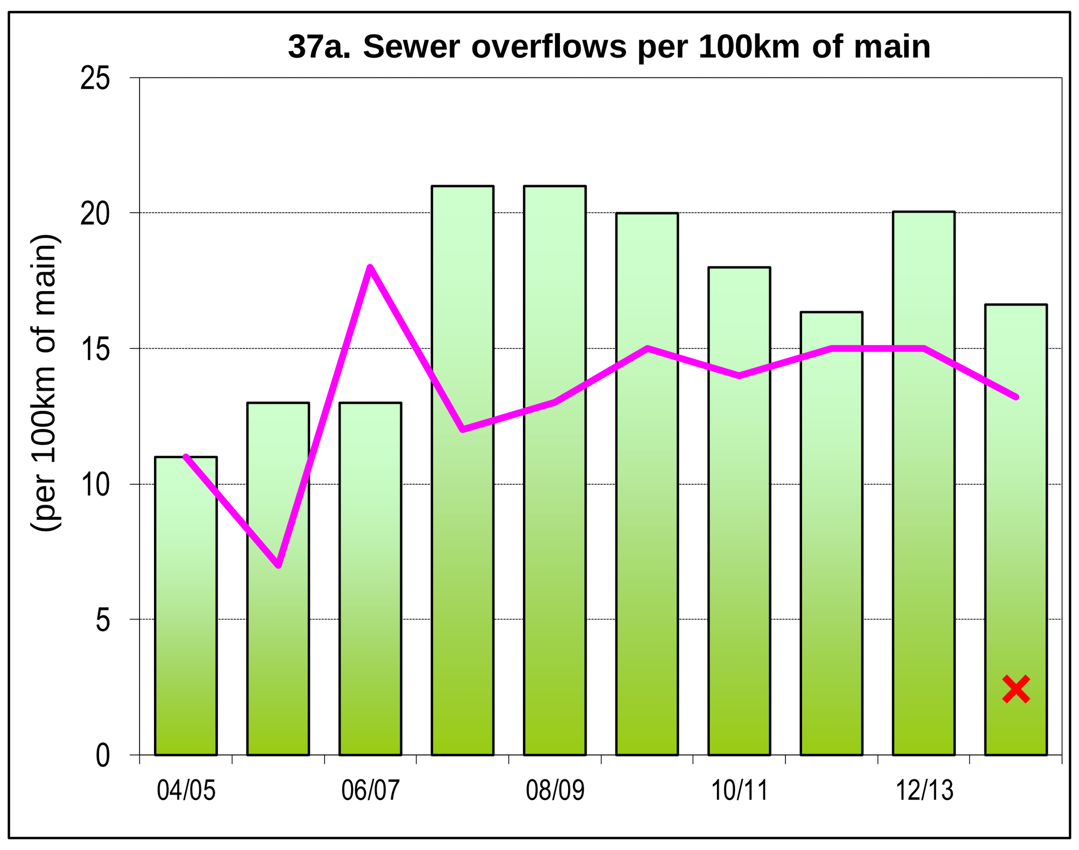


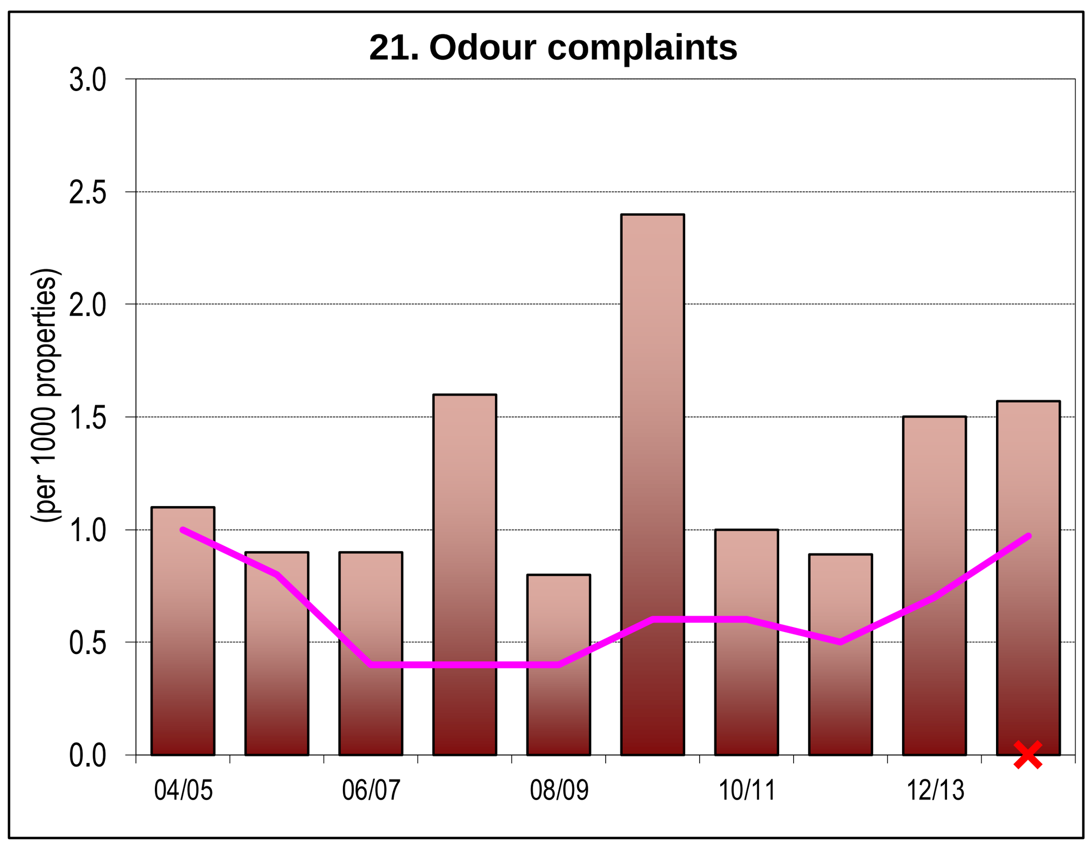




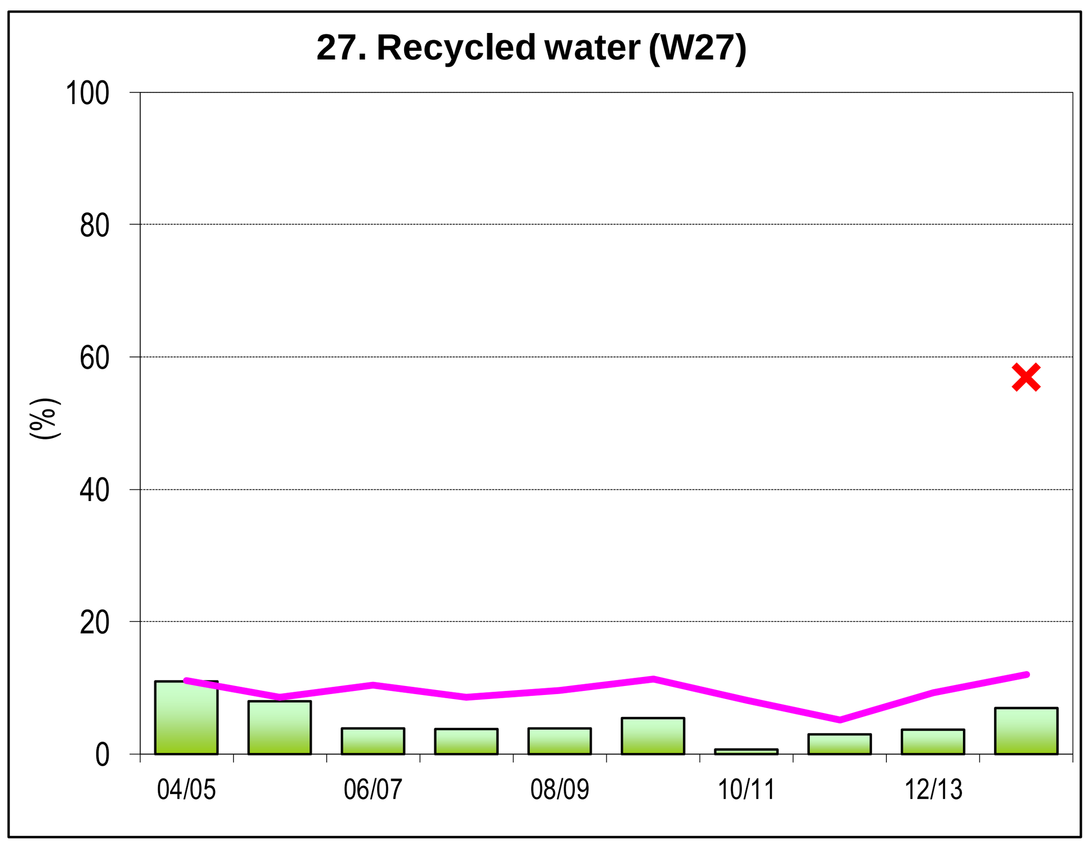
CUSTOMER SERVICE/RELIABILITY

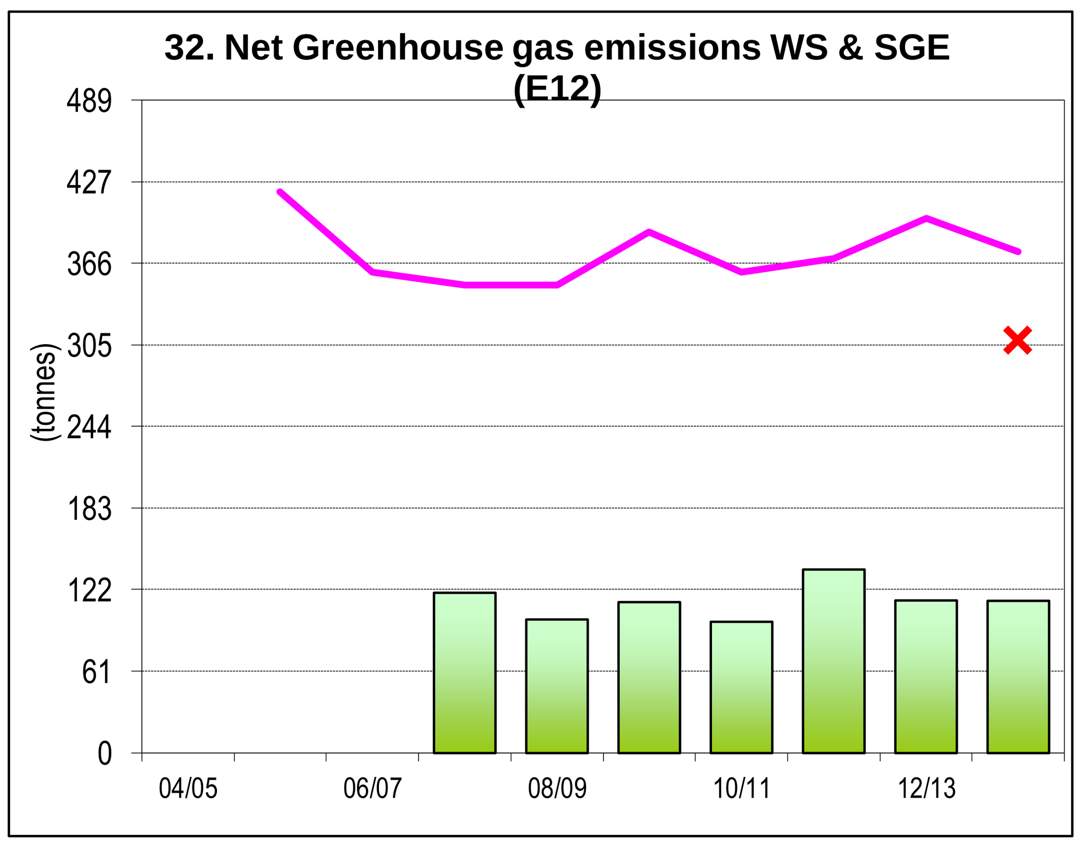


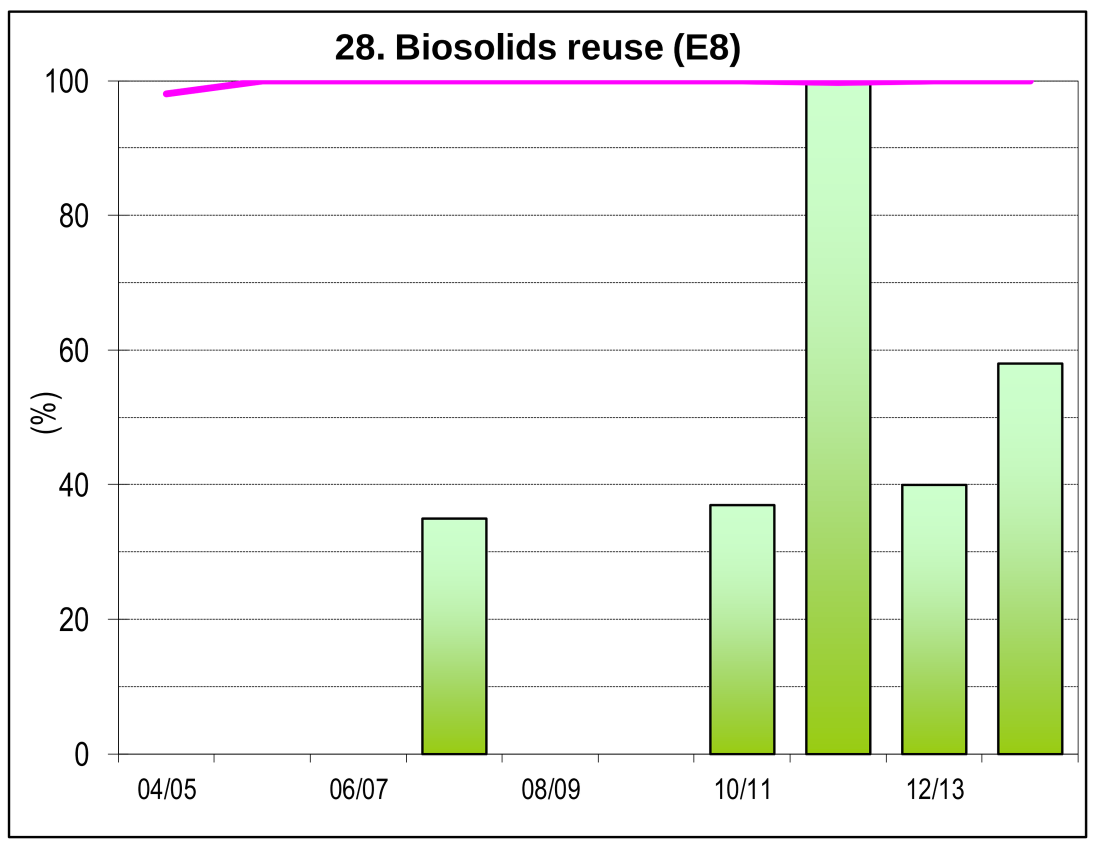




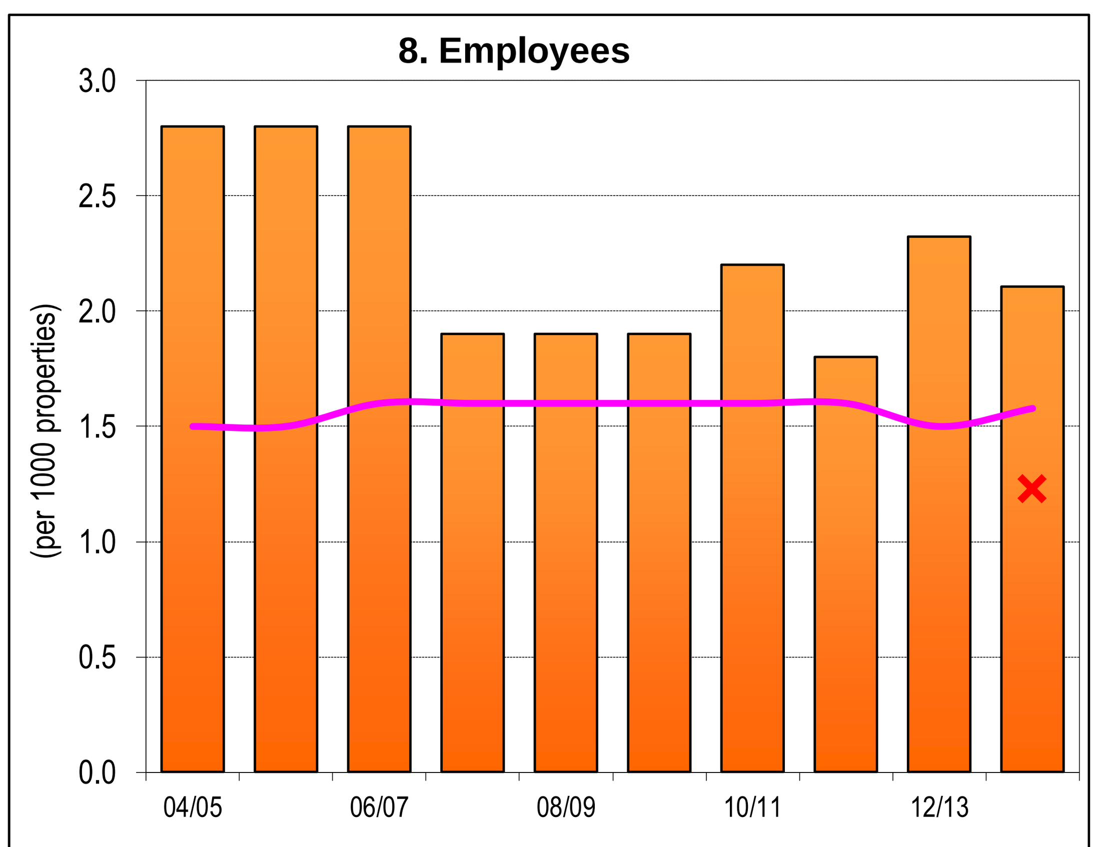
ENVIRONMENT

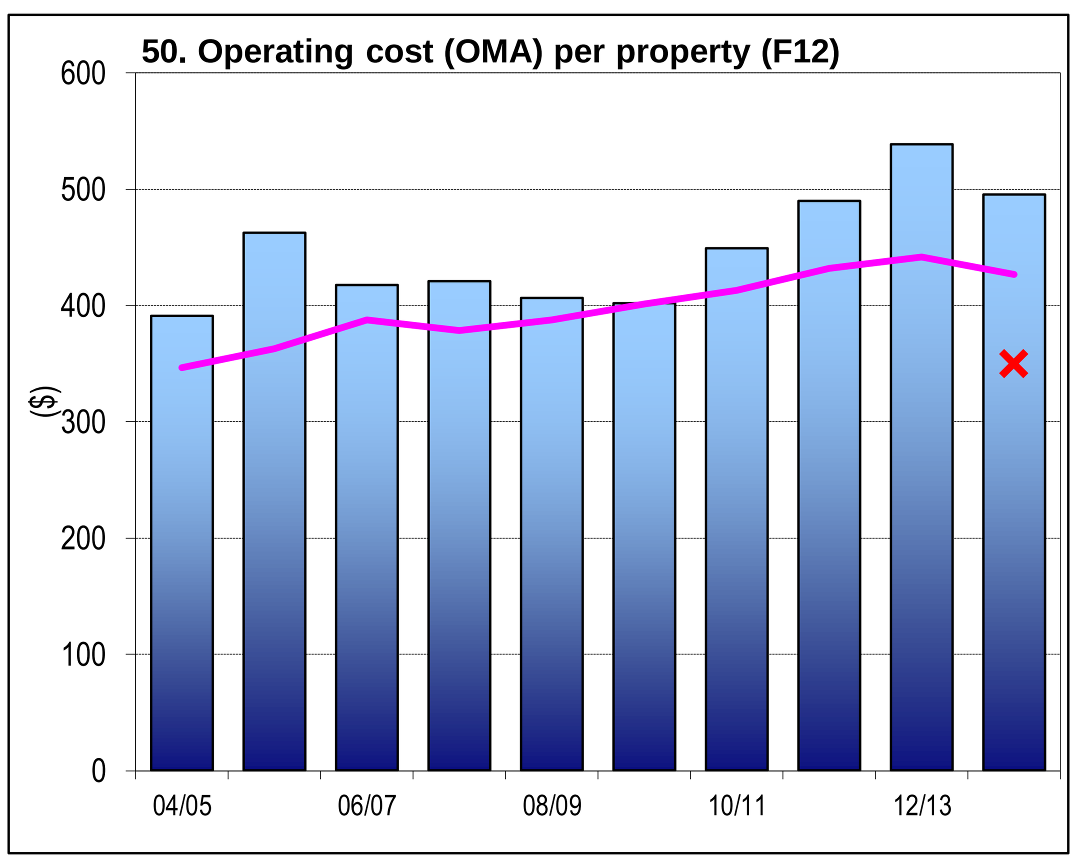


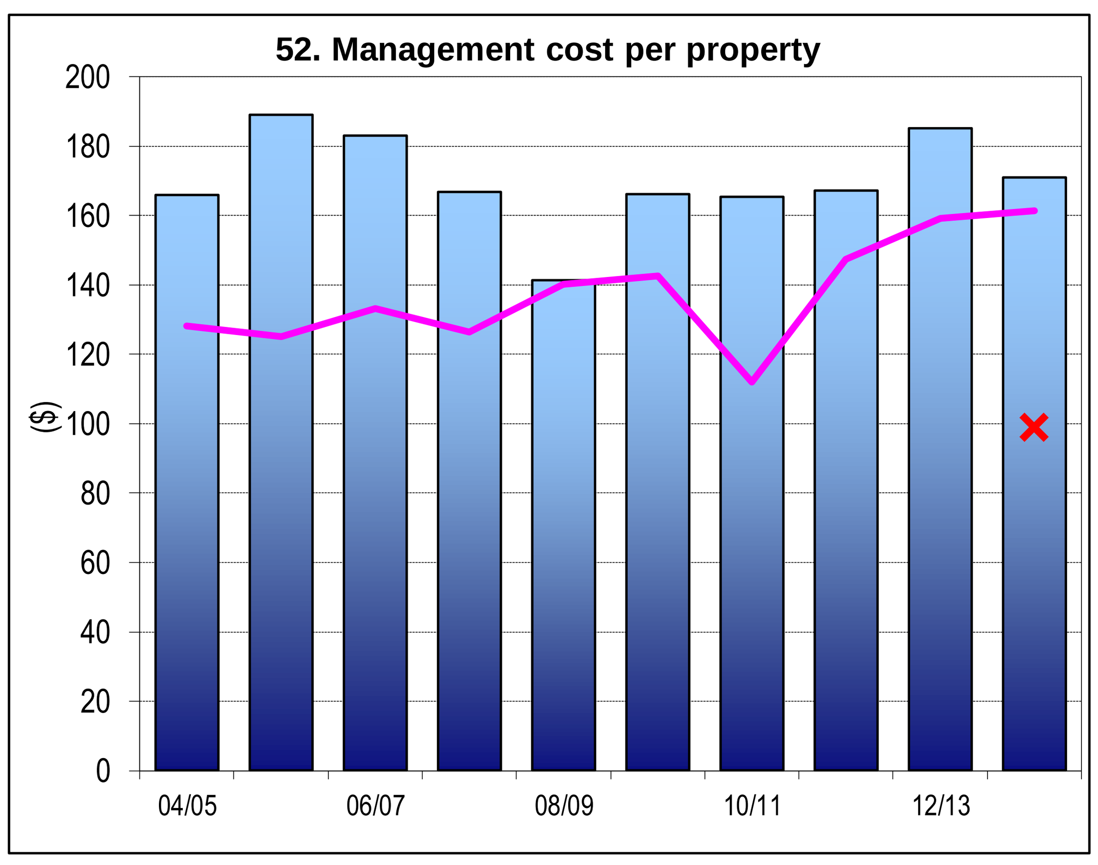




EFFICIENCY







NOTES:

1. Costs are in Jan 2014$ except for graphs 12 and 14, which are in Jan 2015$.

LEGEND
State Median for all years
Top 20% for 2013-14

Clarence Valley Council — TBL Water Supply Performance — 2013-14

WATER SUPPLY SYSTEM - Clarence Valley Council serves a population of 45,700 (21,410 connected properties). Council has 1 dam (Shannon Creek dam 30,000ML) which also provides a bulk supply to Coffs Harbour City Council. Water is drawn from Nymboida River to supply Grafton, Maclean, Yamba, Iluka, Junction Hill, Ulmarra, Glenreagh, Coutts Crossing and Waterview Heights; and from Lake Minnie Water and Lake Hiawatha to supply Minnie Waters and Wooli.The water supply network comprises 1 chlorination/fluoridation station (70 ML/d), 4 chlorination stations, 31 service reservoirs (201 ML), 19 pumping stations, 75 ML/d delivery capacity into the distribution system, 287 km of transfer and trunk mains and 935 km of reticulation. The water supply is unfiltered (chlorinated).

PERFORMANCE - Clarence Valley Council achieved 90% implementation of the NSW BPM requirements. The 2014-15 typical residential bill was $438 which was less than the statewide median of $582 (Indicator 14). The economic real rate of return was 0.7% which was less than the statewide median (Indicator 43). The operating cost (OMA) per property was $380 which was close to the statewide median of $400 (Indicator 49). Water quality complaints were well above the statewide median of 3 (Indicator 25). Compliance was achieved for microbiological water quality (100% of the population, 6 of 6 zones compliant), chemical water quality and physical water quality. There were no failures of the chlorination system or the treatment system. Clarence Valley Council reported no water supply public health incidents. Current replacement cost of system assets was $445M ($20,400 per assessment). Cash and investments were $12M, debt was $27M and revenue was $14M (excluding capital works grants).

IMPLEMENTATION OF REQUIREMENTS OF NSW BEST-PRACTICE MANAGEMENT (BPM) FRAMEWORK

Requirement		Requirement	
(1) Complete Current Strategic Business Plan & Financial Plan	YES[12]	**(3) Sound water conservation implemented**	YES
(2) **(2a) Pricing** - Full Cost Recovery, without significant cross subsidies	Yes	**(4) Sound drought management implemented**	YES
(2b,2c) Pricing - Appropriate Residential Charges	[13]	**(5) Complete performance reporting (by 15 September)**	YES
(2d) Pricing - Appropriate Non-residential Charges	Yes	**(6) Integrated water cycle management strategy**	YESC[12]
(2e) Pricing - DSP with Commercial Developer Charges	Yes	**IMPLEMENTATION OF ALL REQUIREMENTS**	**90%**

TRIPLE BOTTOM LINE (TBL) PERFORMANCE INDICATORS

Category	NWI	No.	Indicator	Unit	LWU RESULT (Col 1)	RANKING >10,000 properties Note 1 (Col 2)	RANKING All LWUs Note 2 (Col 3)	MEDIANS Statewide Note 3 (Col 4)	MEDIANS National Note 4 (Col 5)
UTILITY – CHARACTERISTICS	C1	1	**Population served:** 45700						
	C4	2	**Number of connected properties:** 21410 — Number of assessments: 21840						
		3	**Residential connected properties** (% of total)	%	88			91	
		4	**New residences connected to water supply** (%)	%	0.6	5	4	0.9	
	A3	5	**Properties served per kilometre of water main**	Prop/km	19			32	35
		6	**Rainfall** (% of median annual rainfall)	%	67	3	4	77	
	W11	7	**Total urban water supplied at master meters** (ML)	ML	6,550			6,800	10,280
		8	**Peak week to average consumption** (%)	%	128	1	1	152	
		9	**Renewals expenditure** (% of current replacement cost of system assets)	%	0.1	5	5	0.5	
		10	**Employees per 1000 properties**	per 1,000 prop	1.4	3	2	1.5	
SOCIAL – CHARGES & BILLS	P1		**Residential tariff structure for 2014-15:** inclining block; independent of land value; access charge $149						
	P1.3	12a	**Residential water usage charge for 2013-14 for usage <450 kL (c/kL)**	c/kL (2013-14)	168	4	3	208	185
		12	**Residential water usage charge for 2014-15 for usage <450 kL (c/kL)**	c/kL (2014-15)	179	4	3	213	
	P3	14a	**Typical residential bill for 2013-14** ($/assessment)	$ (2013-14)	427	1	1	550	567
		14	**Typical residential bill for 2014-15** ($/assessment)	$ (2014-15)	438	1	1	582	
		15	**Typical developer charge for 2014-15** ($/equivalent tenement)	$ (2014-15)	5,100	3	3	5,500	
	F4	16	**Residential revenue from usage charges** (% of residential bills)	%	67	4	3	73	68
	F5	17	**Revenue per property** - water ($/property)	$/prop	670	5	5	795	849
SOCIAL – HEALTH		18	**Water Supply Coverage** (% of Urban Population with reticulated WS)	% of population	99.8	2	1	99.6	
	H6	18a	**Risk based drinking water quality plan?**		Yes				
		19	**Physical compliance achieved? Note 10**		Yes	1	1		
		19a	**Chemical compliance achieved? Note10**		Yes	1	1		
	H4	19b	**% population with chemical compliance**		100	1	1	100	
		20	**Microbiological (E. coli) compliance achieved? Note 10**		Yes	1	1		
	H3	20a	**% population with microbiological compliance**	% of population	100	1	1	100	100
SOCIAL – SERVICE LEVELS	C9	25	**Water quality complaints per 1000 properties**	per 1,000 prop	22	5	5	3	2
	C10	26	**Water service complaints per 1000 properties**	per 1,000 prop	57	5	5	6	1
	C17	27	**Incidence of unplanned interruptions per 1000 properties**	per 1,000 prop				50	96
	C15	28	**Average duration of interruption** (min)	min				150	113
	A8	30	**Number of water main breaks per 100 km of water main**	per 100km	13	4	3	10	13
		31	**Drought water restrictions** (% of time)	% of time	0	1	1	0	
		32	**Total days lost** (%)	%	0.0	2	2	2.9	
ENVIRONMENTAL – NATURAL RESOURCE MANAGEMENT	W12	33	**Average annual residential water supplied - STATEWIDE** (kL/property)	kL/prop	161	2	1	173	185
		33a	**Average annual residential water supplied - COASTAL LWUs** (kL/property)	kL/prop	161	3	3	157	
		33b	**Average annual residential water supplied - INLAND LWUs** (kL/property)	kL/prop				263	
	A10	34	**Real losses** (leakage) (L/service connection/day)	L/connection/day	110	5	4	70	79
		35	**Energy consumption per Megalitre** (kiloWatt hours)	kWh	77	1	1	620	
		36	**Renewable energy consumption** (% of total energy consumption)	%	10	1	1	0	
	E12	36a	**Net greenhouse gas emissions - WS & Sge** (net tonnes CO2 - equivalents per 1000 properties)	t CO2	110	1	1	370	390
ECONOMIC – FINANCE		42	**Current replacement cost per assessment** ($)	$	20,400	1	1	16,500	
	F17	43	**Economic real rate of return** - Water (%)	%	0.7	4	3	1.2	1.9
		44	**Return on assets** - Water (%)	%	0.2	4	4	1.1	
	F22	45	**Net Debt to equity** - WS&Sge (%)	%	10	1	1	1	11
	F23	46	**Interest cover** - WS&Sge		1	3	3	4	2
		47	**Loan payment per property** - Water ($)	$	137	2	1	64	
	F24	47b	**Net profit after tax** - WS & Sge ($'000)	$'000	1,710	3	2	1180	5345
ECONOMIC – EFFICIENCY		48	**Operating cost (OMA) per 100km of main** ($'000)	$'000	711	1	1	1,290	
	F11	49	**Operating cost (OMA) per property ($/prop) Note 8**	$/prop	380	2	1	400	439
		50	**Operating cost (OMA) per kilolitre** (cents)	c/kL	121	3	3	126	
		51	**Management cost** ($/prop)	$/prop	157	4	3	140	
		52	**Treatment cost ($/prop)**	$/prop	28	1	1	58	
		53	**Pumping cost** ($/prop)	$/prop	9	1	1	43	
		54	**Energy cost** ($/prop)	$/prop	4	1	1	25	
		55	**Water main cost** ($/prop)	$/prop	76	3	3	74	
	F28	56	**Capital Expenditure** ($/prop)	$/prop	101	4	4	181	175

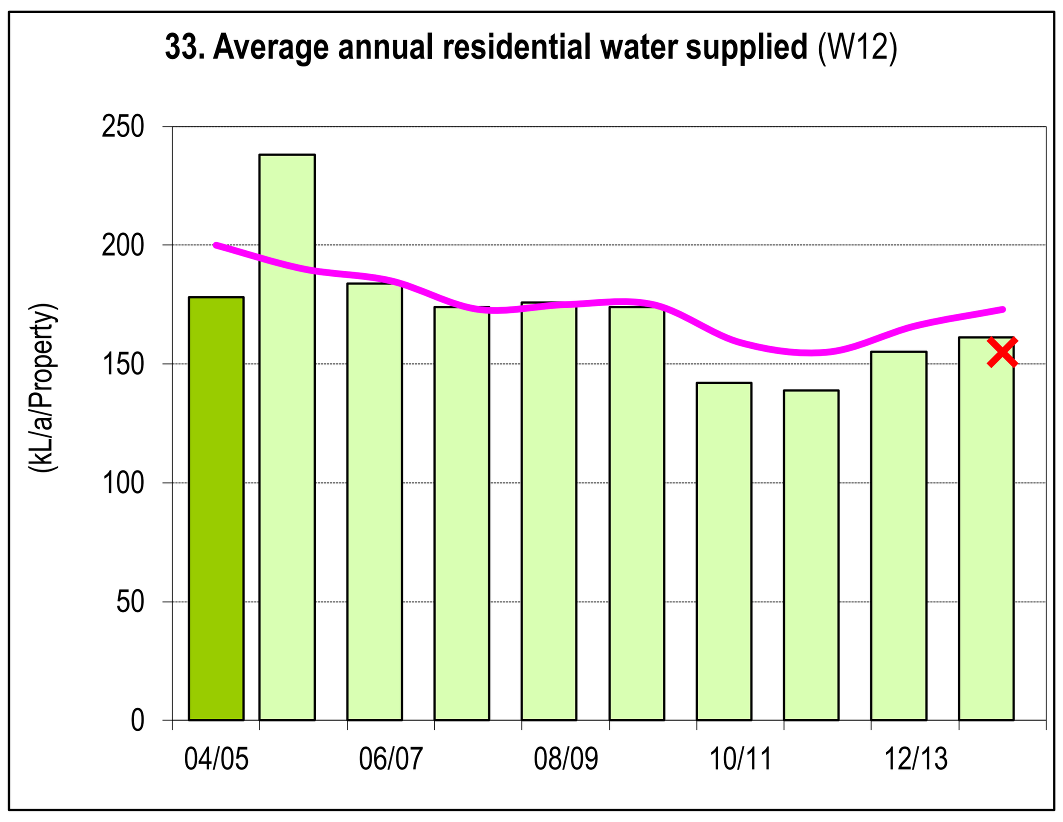
NOTES :

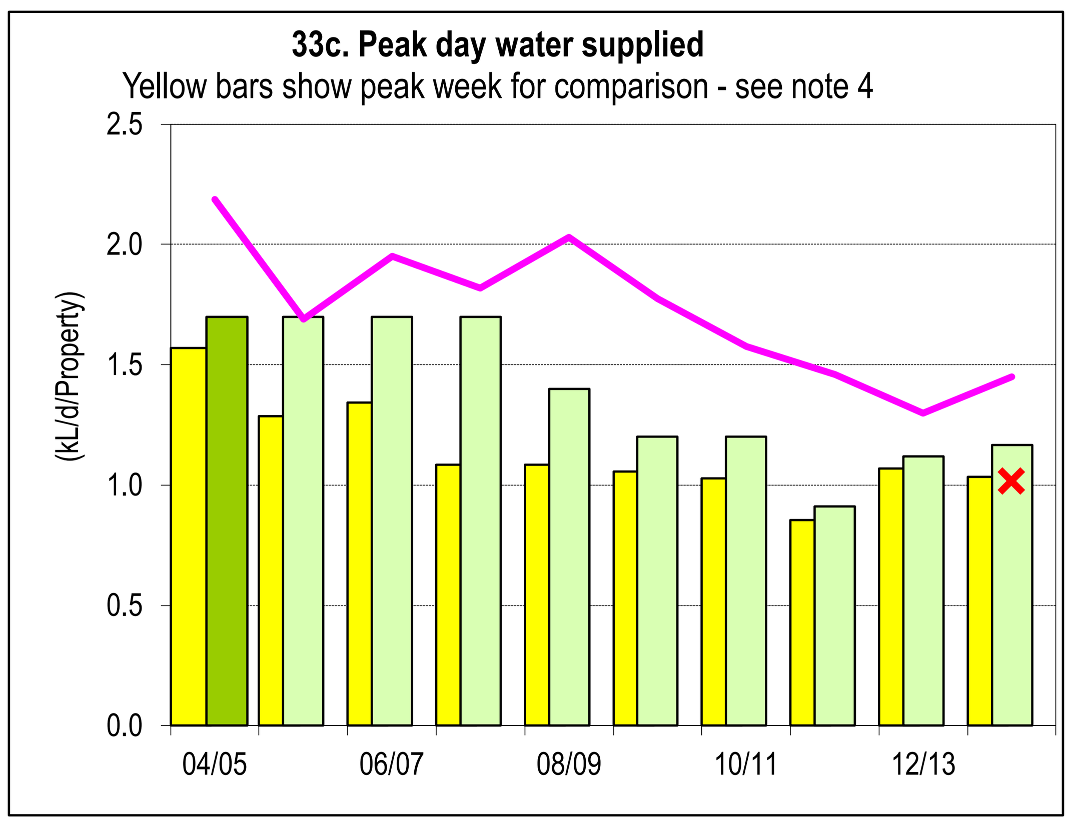
1. Col 2 rankings are on a % of LWUs basis - best reveals performance compared to similar sized LWUs (ie. Col 1 is compared with LWUs with >10,000 properties).
2. Col 3 rankings are on a % of LWUs basis - best reveals performance compared to all LWUs (ie. Col 1 is compared with all LWUs).
3. Col 4 (Statewide Median) is on a % of connected properties basis- best reveals statewide performance (gives due weight to larger LWUs & reduces effect of smaller LWUs).
4. Col 5 (National Median) is the median value for the 67 utilities reporting water supply performance in the National Performance Report 2013-14 (www.bom.gov.au).
5. LWUs are required to annually review key projections & actions in the later of their IWCM Strategy and financial plan and their Strategic Business Plan and to annually 'roll forward', review and update their 30-year total asset management plan (TAMP) and 30-year financial plan.
6. 2014-15 Non-residential Tariff: Access Charge based on Service Connection Size (40mm:$664), Two Part Tariff; Usage Charge 179c/kL.
7. Non-residential water supplied was 38% of potable water supplied excluding non-revenue water.
   Non-residential revenue was 32% of annual rates and charges, indicating fair pricing of services between the residential and non-residential sectors.
8. The operating cost (OMA) per property was $380. Components were: management ($157), operation ($96), maintenance ($99), energy ($4) & chemical ($14).
9. Rehabilitations included 0.2% of water mains, 0.09% of service connections and 3.5% of water meters. Renewals expenditure was $42,000/100km of main.
10. Compliance with ADWG 2011 for drinking water quality is shown as "Yes" if compliance has been achieved (indicators 19, 19a & 20).
11. Clarence Valley Council has 2 fully qualified water treatment operators who meet the requirements of the National Certification Framework.
12. As Council's IWCM Strategy is over 6 years old, it will need to prepare a new 30-year IWCM Strategy, financial plan and report in accordance with the July 2014 IWCM Check List (www.water.nsw.gov.au).
13. BPM Framework - Council needs to implement Appropriate Residential Charges (75% from usage charges) (2c).

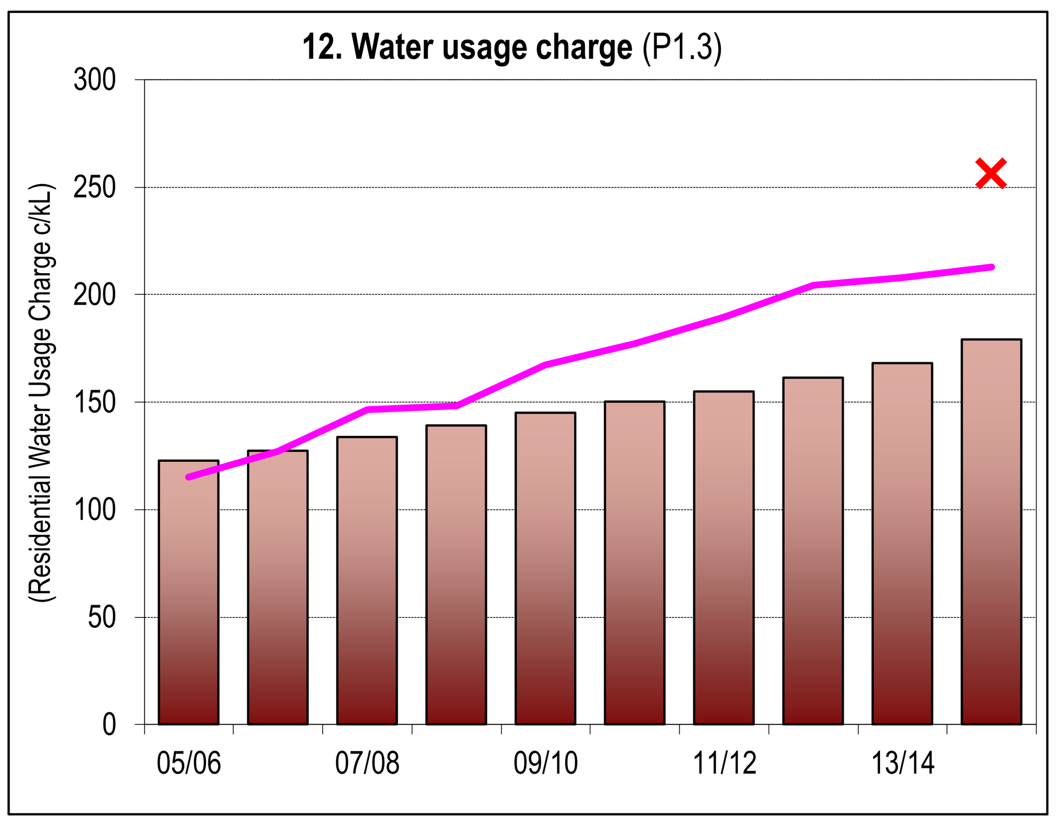
Clarence Valley Council — TBL Water Supply Performance (page 2) — 2013-14

(Results shown for 10 years together with 2013-14 Statewide Median and Top 20%)

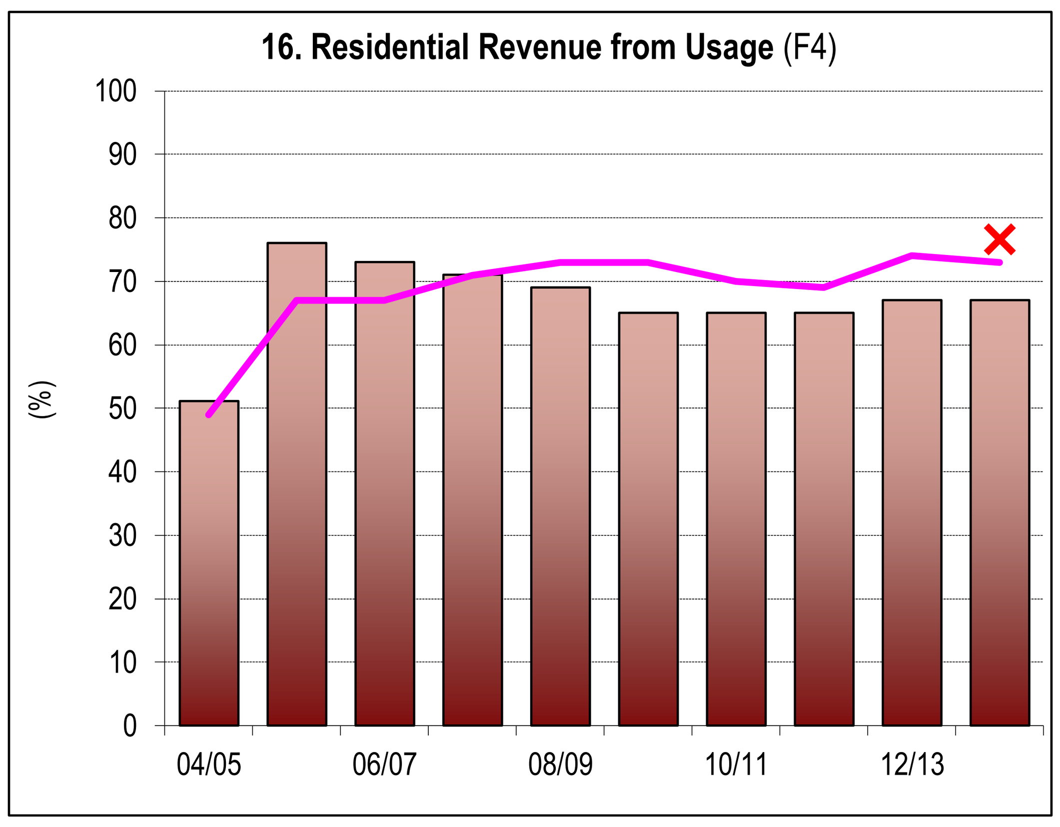
RESIDENTIAL USE/REVENUE FROM USAGE

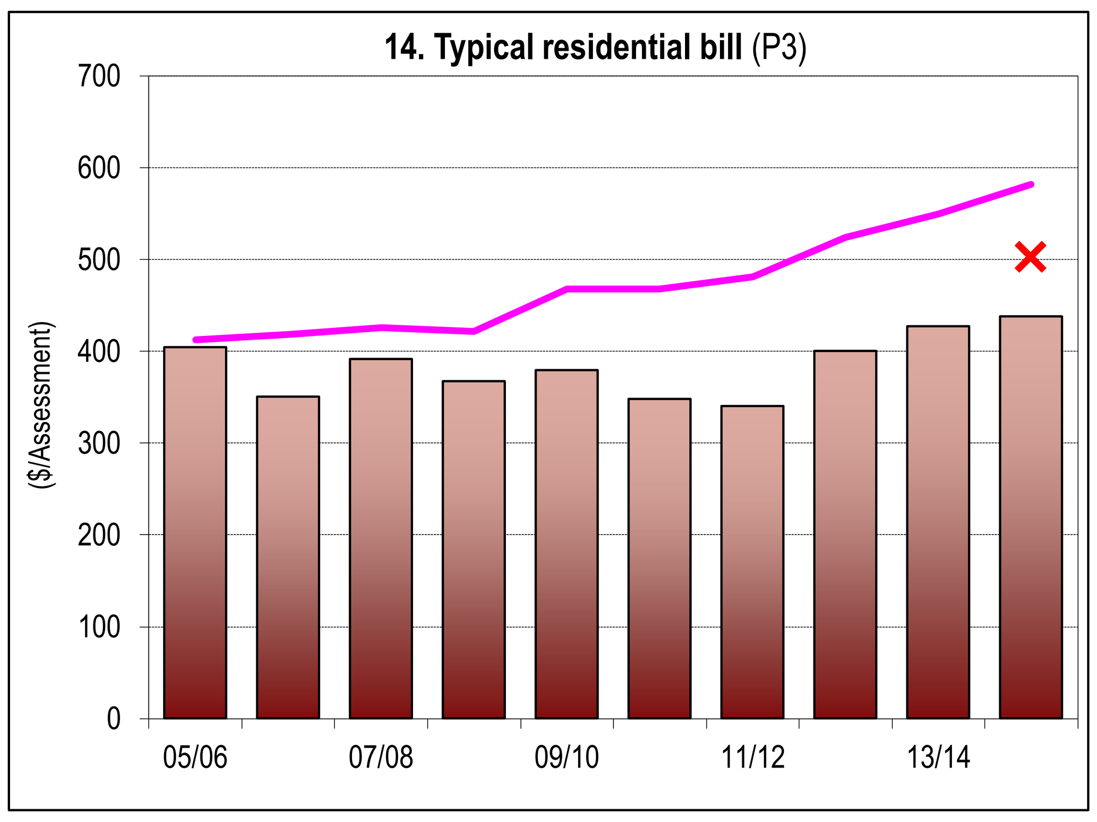


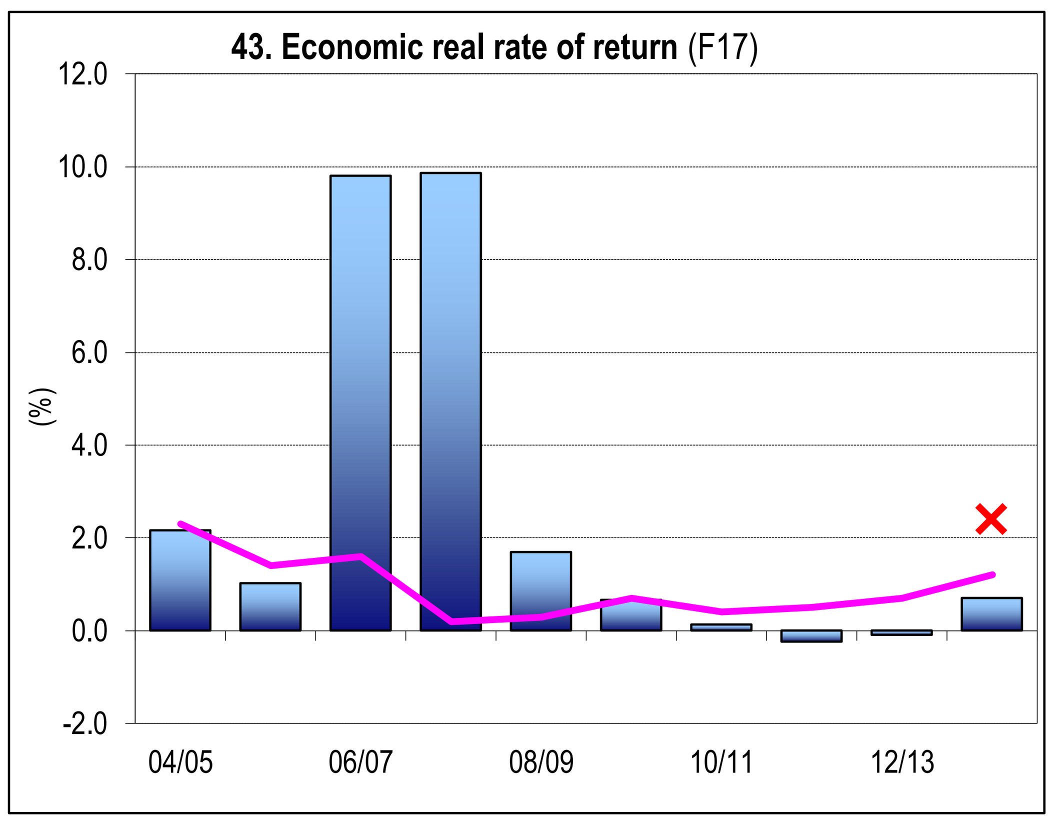




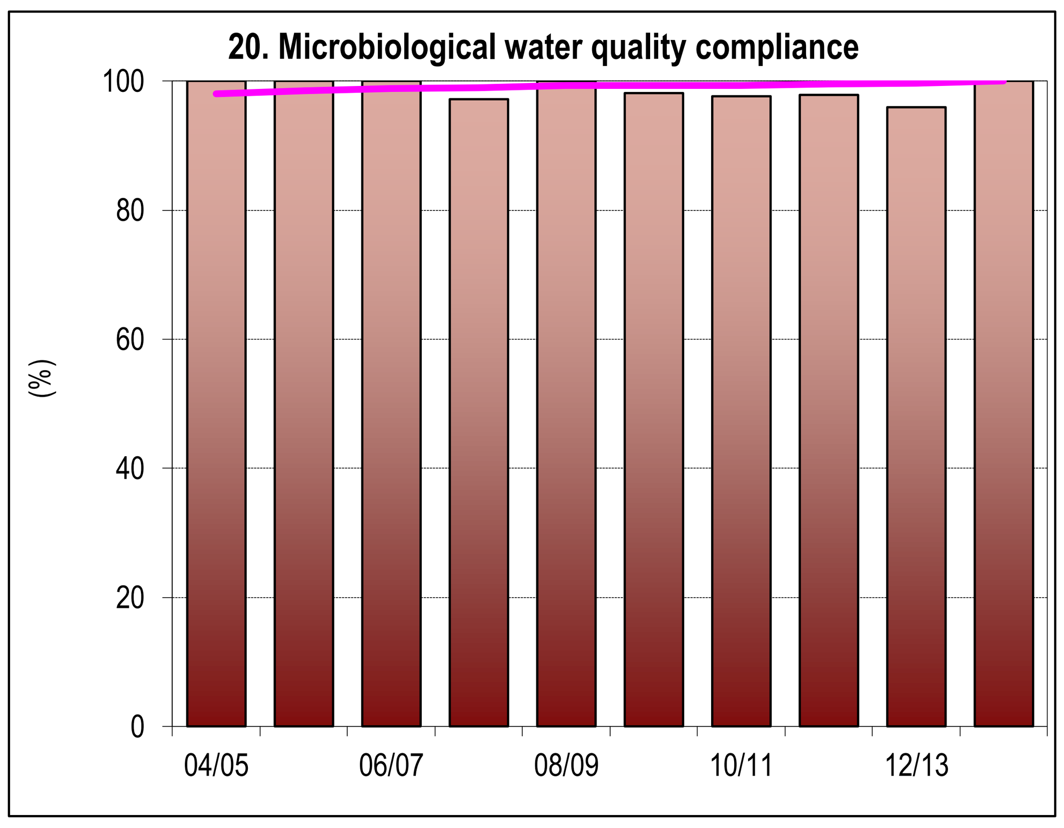
COST RECOVERY

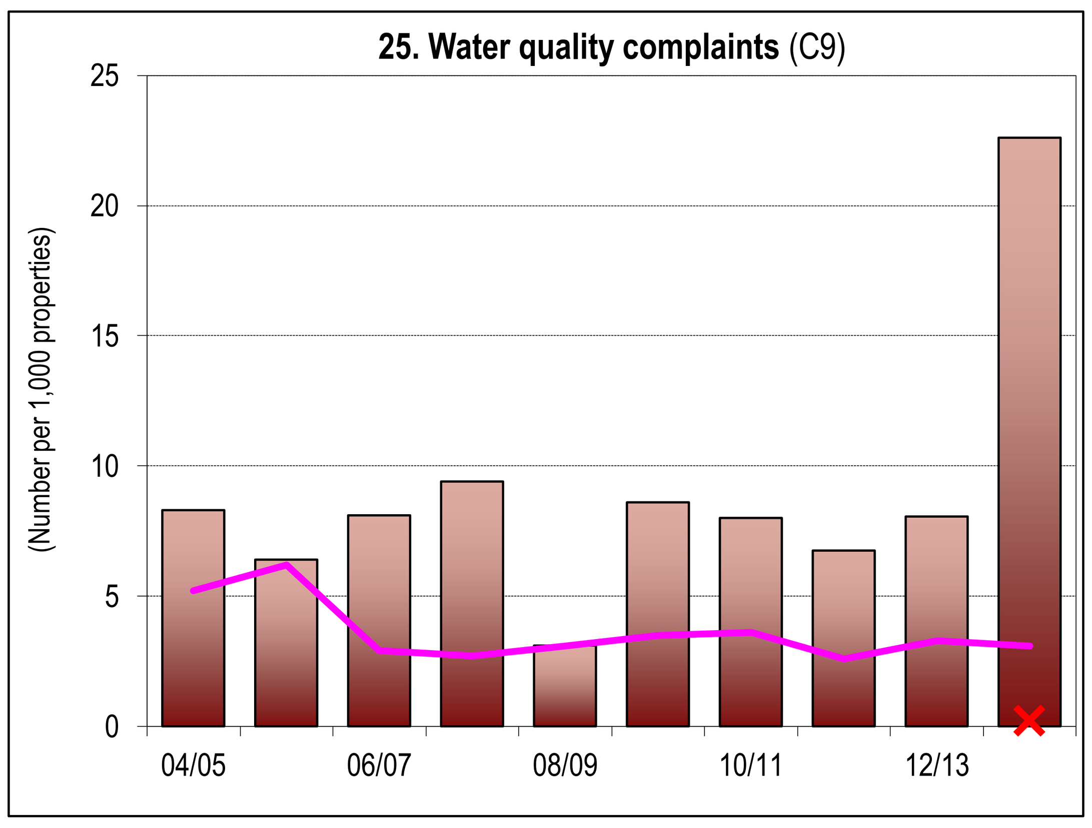


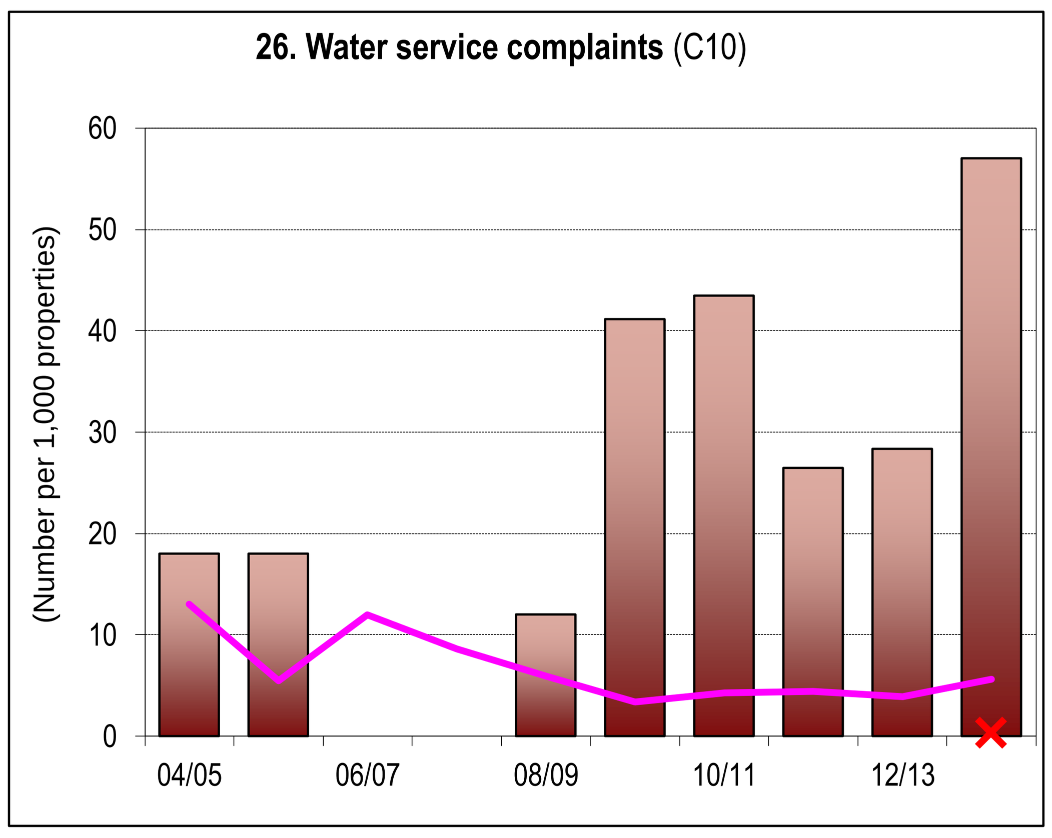




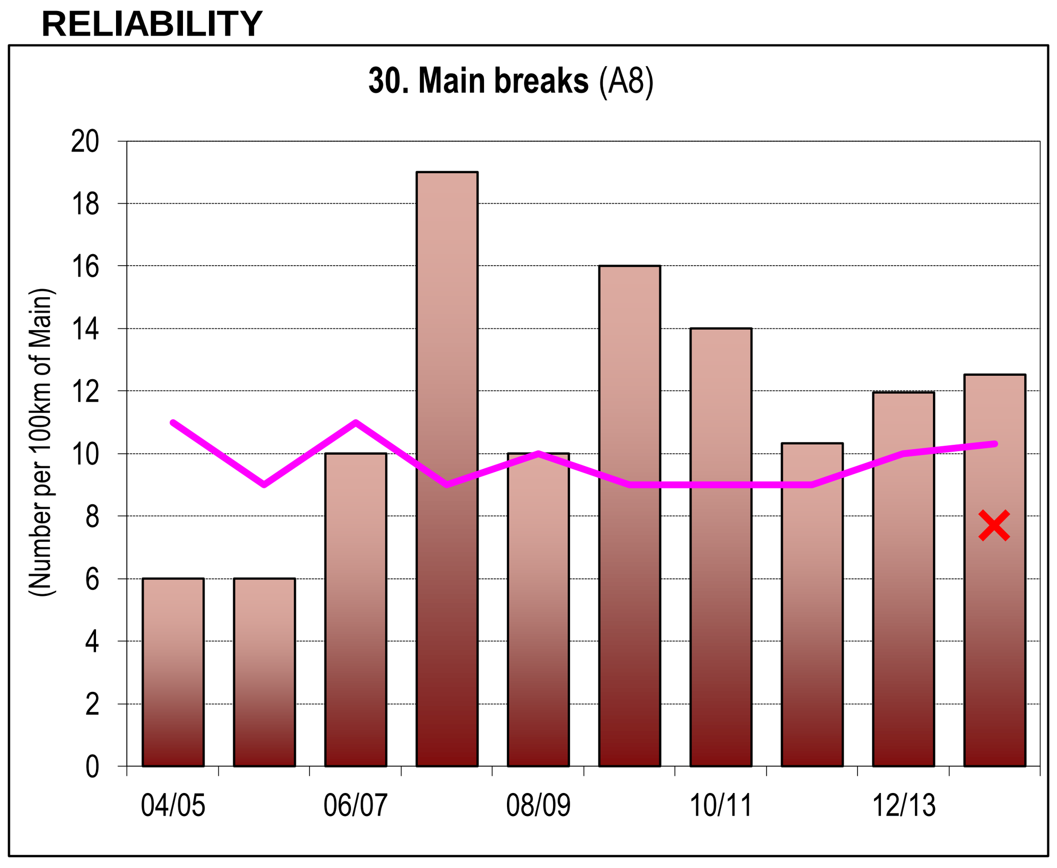
WATER QUALITY/CUSTOMER SERVICE

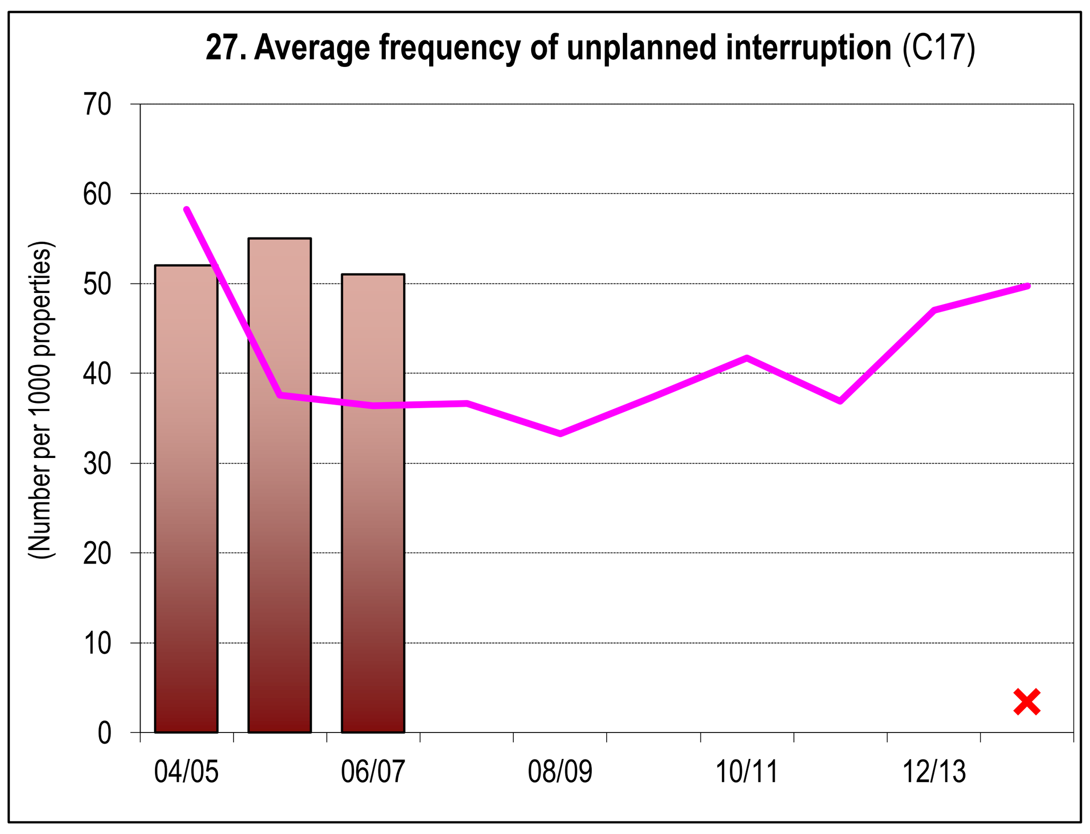


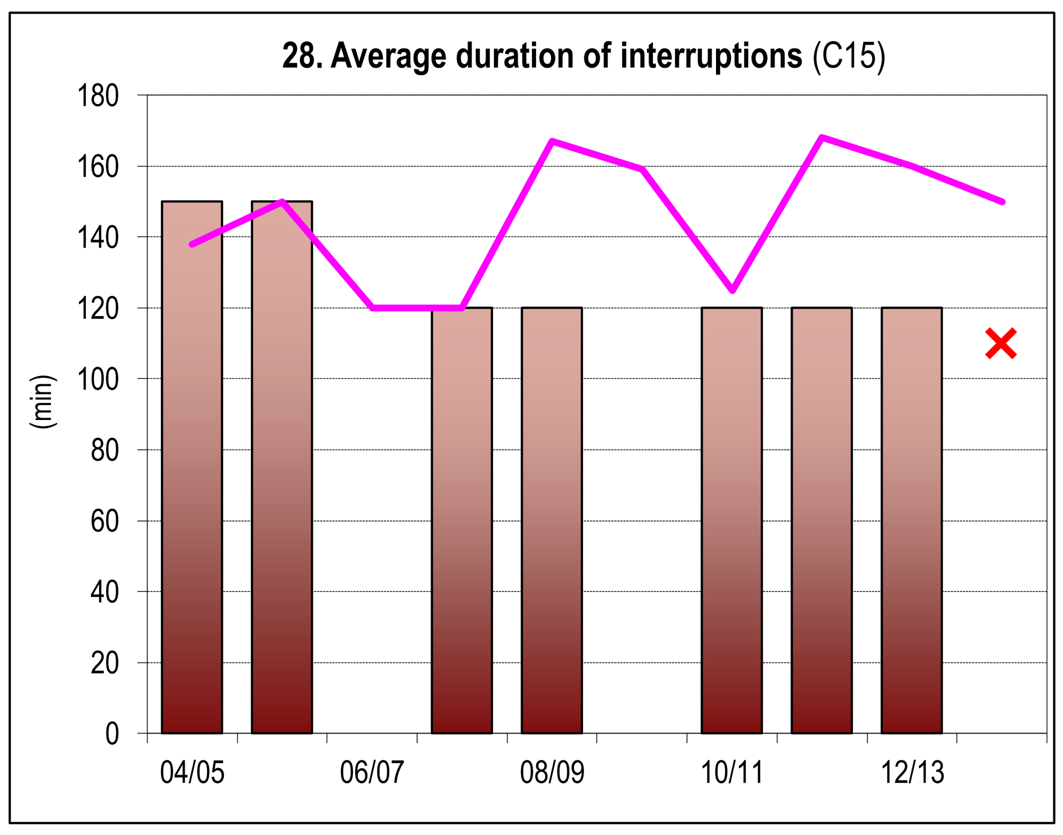




RELIABILITY







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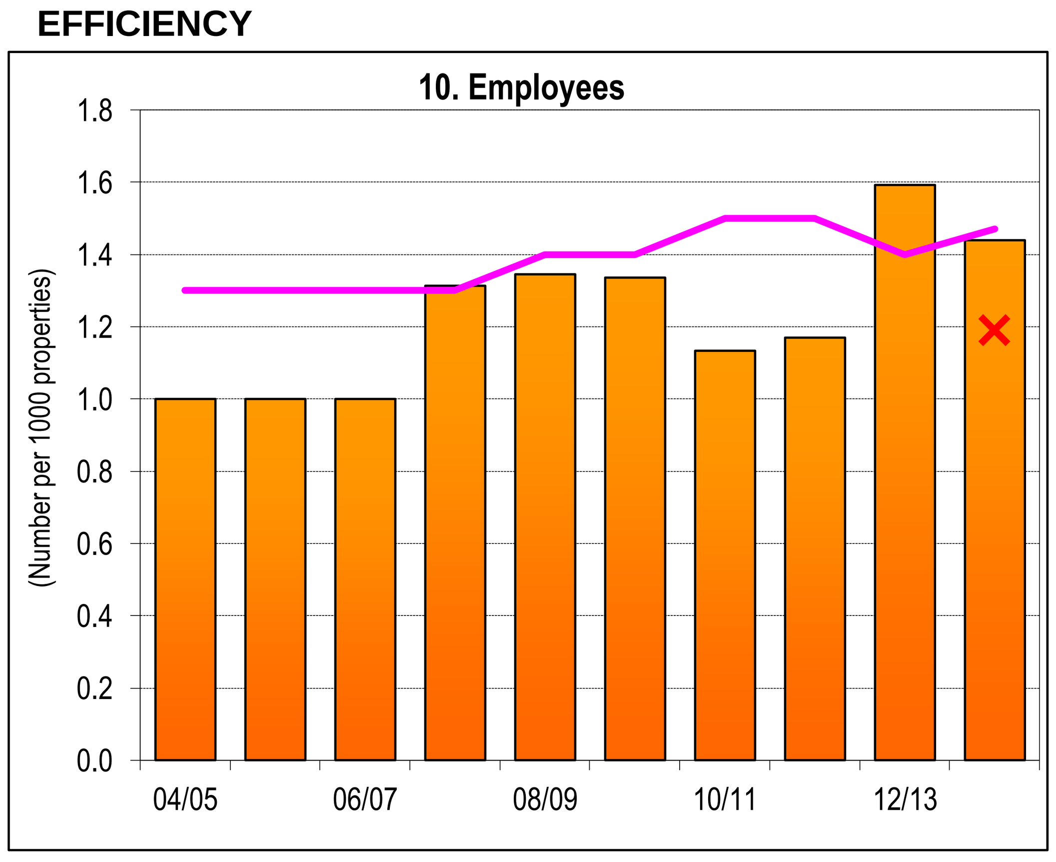
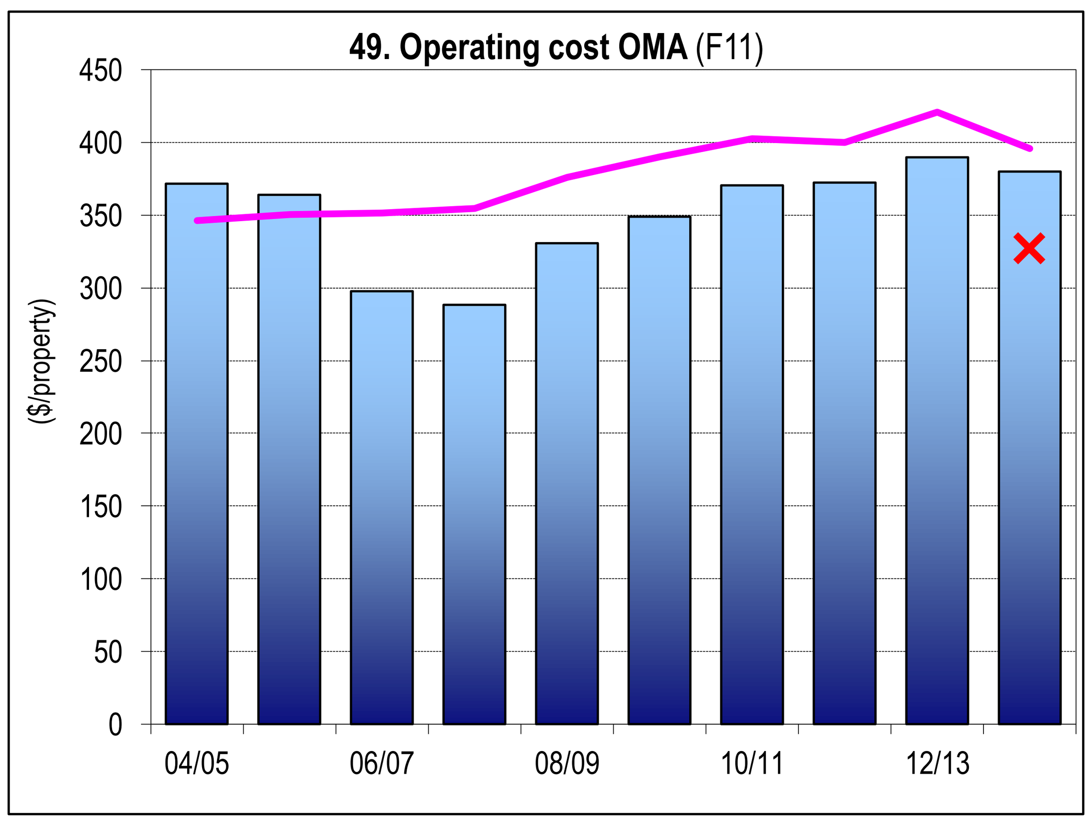
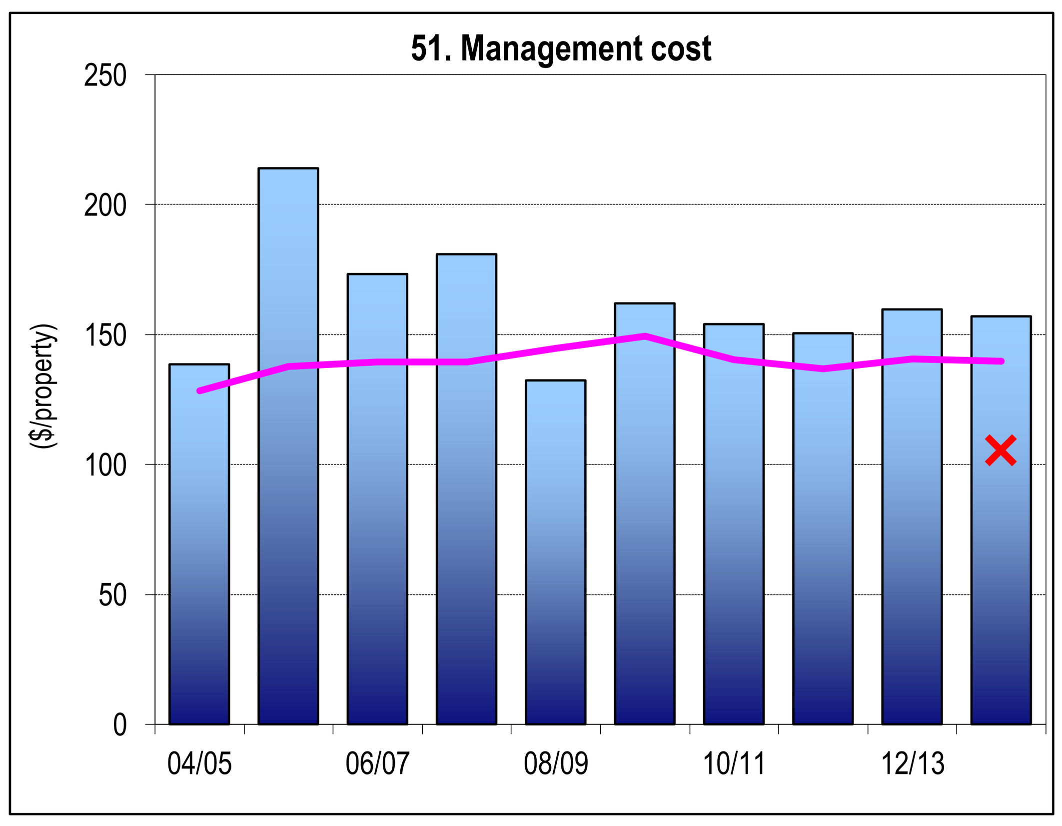






NOTES:

1. Costs are in Jan 2014$ except for graphs 12 and 14, which are in Jan 2015$.
2. Microbiological water quality compliance 1999-00 to 2003-04 was on the basis of 1996 NHMRC/ARMCANZ Australian Drinking Water Guidelines for E. coli; from 2004-05 to 2010-11 compliance was on the basis of the 2004 NHMRC/NRMMC Australian Drinking Water Guidelines (ADWG) and for 2011-12 to 2013-14 compliance was on the basis of the 2011 ADWG.
3. Indicators 33 and 33c - Green shading of bars shows % of time Drought Water Restrictions applied in each year: 0 - 30% 30-50% >50% of time
4. Indicator 33c - Yellow bars show Peak Week Water Supplied for comparison with Peak Day Water Supplied shown in green.

LEGEND

State Median for all years

Top 20% for 2013-14

ITEM 14.161/14 PUBLIC TOILET RATIONALISATION

Meeting	Corporate, Governance & Works	9 December 2014
Directorate	Works & Civil	
Submitted by	Director - Works & Civil (Troy Anderson)	

SUMMARY

This report advises Council that two public toilets at Kent Street on north side of Grafton Bridge and Beresford Park South Grafton have been identified with the adoption of Council's Strategic Asset Management Plan to be disposed of. A public toilet strategy is being developed for Council consideration in 2015 that will include a strategic review of public toilets and their provision, condition and functional capacity.

OFFICER RECOMMENDATION

That Council proceed with the demolition of the toilet blocks located at Kent Street Park, Grafton and Beresford Park, South Grafton.

MOTION

(Cr McKenna)

That

Council defer decision referring the demolition of the toilet blocks at Kent Street Park, Grafton and Beresford Park, South Grafton and Durrington Park, South Grafton until a report is brought to Council regarding decommissioning these toilet blocks and creating a street art facility.

The motion LAPSED for want of a seconder

COUNCIL RESOLUTION – 14.161/14

(Crs Williamson/Baker)

That

Council proceed with the demolition of the toilet blocks located at Kent Street Park, Grafton and Beresford Park, South Grafton.

Voting recorded as follows
For: Councillors Williamson, Baker, Howe, Hughes, Kingsley, McKenna, Simmons and Toms
Against: Nil

LINKAGE TO OUR COMMUNITY PLAN

Theme 2 Our Infrastructure

Objective 2.3 We will have communities that are well serviced with essential infrastructure

Strategy 2.3.4 Develop a strategically located network of quality, accessible and safe public amenities that are adequately maintained and renewed

BACKGROUND

The adopted Strategic Asset Management Plan (SAMP) identified the rationalisation and disposal of a number of public toilets and other buildings. Two of these public toilets at Kent Street Park on the north side of the Grafton Bridge and at Beresford Park, South Grafton have been locked up for the last two years due to ongoing vandalism and social problems.

KEY ISSUES

The 2 toilet blocks in question have been completely locked for the past 2 years. Council's SAMP identifies removal of both buildings to remove Council's maintenance and other liabilities associated with the buildings.

A public toilet strategy is being prepared and will be presented to Council for consideration in 2015. The intent of the strategy will be to provide a framework to inform decision making on the provision of public toilet amenities going forward.

The SAMP identifies removal of another public toilet facility at Durrington Park in South Grafton, however this facility has only been partially closed for the past 2 years and due to a certain level of continued use it is recommended that the disposal of this facility be addressed in conjunction with the public toilet strategy.

COUNCIL IMPLICATIONS

Budget/Financial
The work can be carried out under Public Toilet Rationalisation PJ540092 with a budget of $30,000.

Policy or Regulation
Council's adopted SAMP provides policy direction of disposal of assets in poor condition or those that are not functional (e.g. not all accessible), in poor condition or have limited capacity.

Consultation
These works are identified in the SAMP that was placed on public exhibition with other strategic corporate planning documents. No specific external consultation has been undertaken nor considered necessary. The Public Toilet Strategy will be placed on formal exhibition and community comment sought.

Legal and Risk Management
Both public toilets have been locked and not used for at least two years however it is timely to remove both buildings to reduce on going maintenance liability and risk.

Prepared by staff member:	Peter Birch
Approved/Reviewed by Manager:	Troy Anderson
Section:	Open Spaces & Facilities
Attachment:	N/A

ITEM 14.073/15 PUBLIC TOILET RATIONALISATION

Meeting	Corporate, Governance & Works	14 April 2015
Directorate	Works & Civil	
Submitted by	Director - Works & Civil (Troy Anderson)	

SUMMARY

It is recommended that Council proceed to decommission the toilets at Spring Street, South Grafton adjacent the School of the Arts Building and to demolish the toilets at Durrington Park, South Grafton that have been partly locked for approximately 2 years due to vandalism.

OFFICER RECOMMENDATION

That Council receive and note the report on the decommissioning and demolition of the public toilets at Spring Street and Durrington Park, South Grafton.

COMMITTEE RECOMMENDATION

Toms/Kingsley

That the Officer Recommendation be adopted.

Voting recorded as follows:
For: Williamson, Kingsley, Simmons, Toms
Against: Nil

COUNCIL RESOLUTION – 14.073/15

(Crs Hughes/Toms)

That Council receive and note the report on the decommissioning and demolition of the public toilets at Spring Street and Durrington Park, South Grafton.

Voting recorded as follows:
For: Councillors Williamson, Toms, Baker, Hughes, Kingsley, Lysaught, Simmons, McKenna
Against: Nil

LINKAGE TO OUR COMMUNITY PLAN

Theme	2 Our Infrastructure
Objective	2.3 We will have communities that are well serviced with essential infrastructure
Strategy	2.3.4 Develop a strategically located network of quality, accessible and safe public amenities that are adequately maintained and renewed

BACKGROUND

The adopted Strategic Asset Management Plan (SAMP) identified the rationalisation and disposal of a number of public toilets and other buildings. Council resolved to demolish the public toilets at Kent Street Grafton on the north side of the Grafton bridge and at Beresford Park, South Grafton at its December Ordinary meeting.

The SAMP also identified the following public toilet upgrade projects that have been recently completed –

- In 2013/14 public toilets were upgraded in Charlie Ryan Park and Main Beach Iluka and two older toilets demolished. New toilets at Cameron Park were constructed and old toilets were demolished.
- In 2014/15 the new public toilets at the end of Skinner Street South Grafton (Lane Boulevard) were completed and the old toilets below the levee wall were removed.

The toilets in McLachlan Park, Maclean will also be replaced and upgraded as part of the upgrade work to the park. The SAMP also proposed demolition of the existing toilet near the cricket nets at JJ Lawrence fields on Ryan Street, South Grafton to be replaced by a single all accessible facility for consideration in the 2015/16 budget. This is a popular stopover for tourists, will provide an accessible link to the footway in this area and is used by the sports users and cricketers using the nets.

KEY ISSUES

The recommendation to remove the two public toilets is consistent with Council's adopted SAMP. Both toilets have been consistently vandalised and as a result the Durrington Park toilets have been partly closed for some time.

With the completion of the new toilets at the end of Skinner Street, South Grafton it is no longer necessary to have public toilets in Spring Street adjacent the School of the Arts building. Removal of these toilets will address anti-social behaviour in this area. There is an adjacent bus stop at this location however this is not considered a reason to retain the toilets.

Discussions have been held with the School of the Arts who have indicated that they would be interested in keeping the building for storage purposes if the fixtures were removed and the fence was relocated to the external edge of the building. It is proposed to continue discussions with the School of the Arts on this basis. Should a suitable position not be reached the toilets would then be scheduled for demolition.

COUNCIL IMPLICATIONS

Budget/Financial
The work can be carried out under Public Toilet Rationalisation PJ540092 within a budget of $30,000. Works to remove the toilets at Durrington Park and to decommission the toilets at Spring Street will be within budget.

Asset Management
Council's adopted SAMP provides policy direction of disposal of assets in poor condition or those that are not functional (e.g. not all accessible), in poor condition or have limited capacity. Both these facilities have already been identified for demolition and/or decommissioning, are at the end of their useful life and in poor condition.

Policy or Regulation
The toilets do not meet accessibility requirements and would require rebuild to achieve compliance.

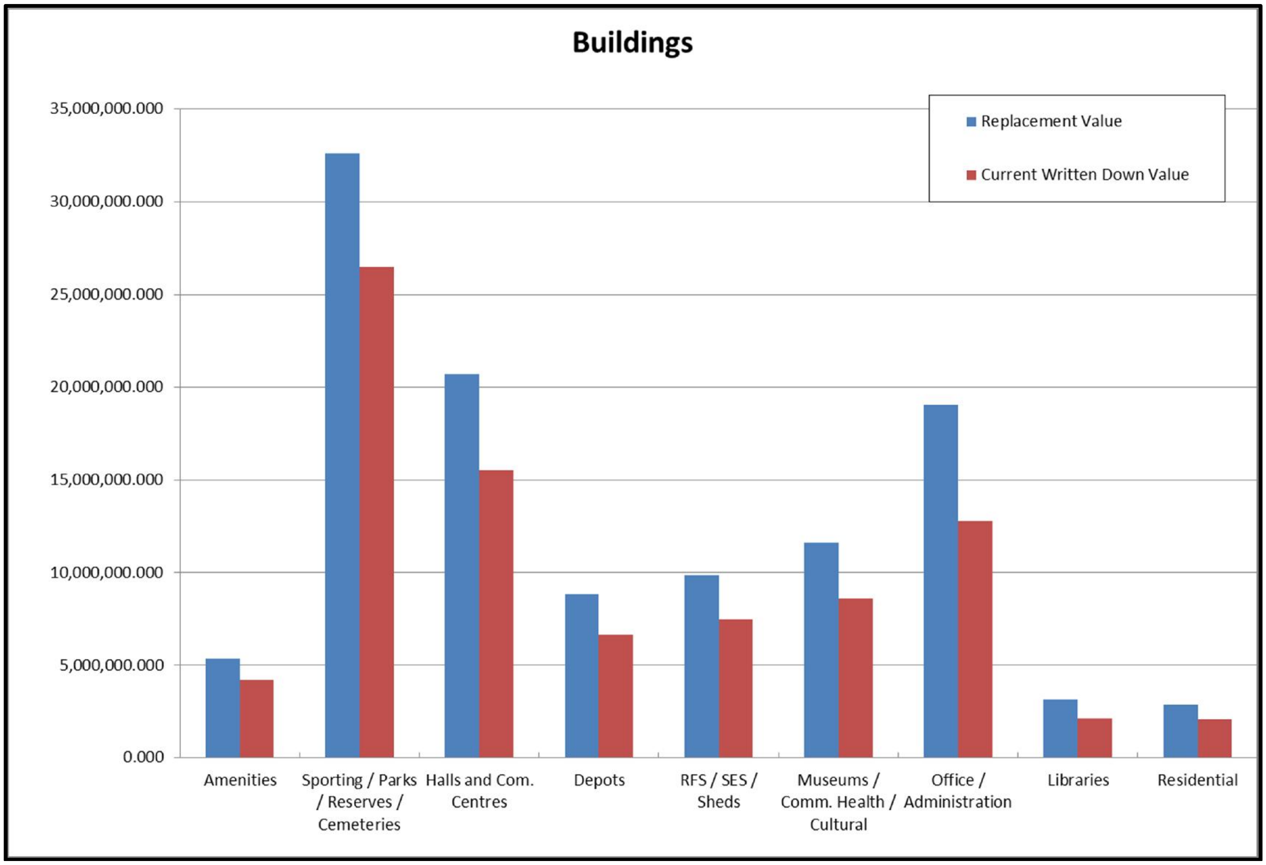
Consultation
These works are identified in the SAMP that was placed on public exhibition with other strategic corporate planning documents. Discussions have been held with the School of the Arts staff who are well aware of anti-social behaviour at this location and were open to using the space for storage if they were decommissioned and the fence was moved out to its external edge rather than demolish the brick structure. No other specific external consultation has been undertaken nor considered necessary.

Legal and Risk Management

Both toilets have been the subject of vandalism to the extent that the Durrington Park toilets have been partly locked for approximately 2 years although one toilet has been made available. The toilets near the School of the Arts building are of poor condition, do not meet any accessibility standards and is a known hot spot for vandalism and anti-social behaviour.

Prepared by staff member:	Peter Birch
Approved/Reviewed by Manager:	Troy Anderson
Section:	Open Spaces & Facilities
Attachment:	Nil

Buildings



<table>
<tr><td rowspan="1">Key Data</td><td colspan="3">• Total value of current holdings $114,017,838
• Current (2014) maintenance $1,146,000
• Current (2014) operations $1,695,000
• Current (2014) renewal budget $245,000
• Funding includes building and facilities within the Clarence Coast Reserve Trust that is separately accounted for from Council’s General Fund.</td></tr>
<tr><td>Last Condition Survey</td><td colspan="3">• Valuation dated – APV Valuers and Asset Management July 2012 - External
• Condition assessment undertaken by APV Valuers and Asset Management and reviewed by Council technical staff</td></tr>
<tr><td rowspan="6">General Assessment of Condition</td><td></td><td>Condition Rating</td><td>% of Asset Value</td></tr>
<tr><td>1</td><td>Excellent condition</td><td>38.6</td></tr>
<tr><td>2</td><td>Good condition</td><td>36.2</td></tr>
<tr><td>3</td><td>Moderate condition</td><td>22.1</td></tr>
<tr><td>4</td><td>Poor condition</td><td>2.1</td></tr>
<tr><td>5</td><td>Very poor condition</td><td>1.0</td></tr>
<tr><td>Main Findings</td><td colspan="3">Detail the main findings on condition assessments, maintenance, renewals, upgrades and new projects.
• The buildings are classified as either specialised or non-specialised buildings being made up of –
<u>Specialised</u>
o Amenities; Cemeteries; Community; Community Halls/Centres; Depots; Parks and Reserves; RFS/SES; Sheds; Sporting.</td></tr>
</table>

	Non-Specialised o Community Health; Cultural; Museums; Office/Administration; Public Libraries; Residential. • Buildings are also found in other Asset Management Plans such as Waste, Holiday Parks Saleyards and Pools. • The current accommodation review to rationalize our building footprint and reduce operations and maintenance during the life of this Plan will have major impact during this Plan period. The need for this arises due to the number of buildings and facilities Council is still carrying from the amalgamation of former Councils. • The Plan includes completion of the new $8M library, preliminary estimate of $900,000 for office rationalization and upgrade work to 2 Prince Street Grafton Administration offices, provision of all accessible access, and conversion of the former library area to office space subject to further design and evaluation/discovery. • The Plan includes disposal of the Pound Street administration offices and Spring Street South Grafton Regional Library. • Victoria Street Grafton offices will be vacated and either disposed/tenanted and other opportunities considered. • A new depot facility for Grafton and surrounds with sufficient capacity will be constructed at a preliminary cost of $3.5 million. Location to be confirmed at time of writing Plan. Funding will be sought from the Sustainable Building reserve. • Depots rationalization has been included that involves - o Disposal of Brickworks Lane Depot (ex Floodplain depot) o Disposal of 74 River Street Maclean Depot (ex Maclean Town Depot) or alternate use subject to review. o Disposal of Weeds Depot at Lilypool Road o Disposal of South Grafton Schwinghammer Street Depot o Disposal of Bruce Street Depot o Continued use of Koolkhan Depot. • Focus during life of Plan is to upgrade existing facilities. Major projects include – o Upgrade to air conditioning systems at 2 Prince Street and Victoria Street offices in 2014/15. o Memorial Park Grafton Amenities in 2014/15 - $150,000 o JJ Lawrence South Grafton Toilet Upgrade in 2014/15 - $70,000 o McLachlan Park Maclean Toilet Upgrade in 2014/15 - $120,000 o Jacaranda Park Toilet Grafton and Shelter Upgrade in 2015/16 - $120,000 o Harold Lloyd Toilets Wooli in 2015/16 - $60,000 o Hawthorne Park Power in 2015/16 - $80,000 o Shannon Park Glenreagh Toilets in 2016/17 - $140,000 o Rushforth Park Canteen and Amenities upgrade in 2017-18 - $750,000 subject to grant funding, o Pippie Beach Toilets in 2019-20 - $171,000 • New projects identified in the Clarence Valley Section 94 Contributions Plan 2011 scheduled to be done during the life of this Plan prior to 2023 are - o Maclean and Surrounds New Community Centre $3,298,923 in 2016-17, o Grafton and Surrounds Community Centre $3,298,923 in 2020-21, and o Local Government Area Art Space project $3,828,000 in 2021-22, o Performing arts centre – $19,600,000 before 2031. These projects are recommended not to proceed during this 10 year Plan given the financial capacity of Council to fund these facilities both in terms of initial capital funding (even with contributed grants) and ongoing operations and maintenance. There are higher priorities with upgrade and renewal works associated with existing building assets that require attention. The only project listed here that is recommended to proceed after the term of the current Plan would be the Maclean and Surrounds Community Centre and only dependent on the rate of new growth in the Gulmarrad - Townsend area within the next 10 years and subject to a financial review of Council LTFP. In consideration of this current 10 year AMP and Council's current LTFP the other new projects listed beyond the life of this Plan, in the Community Services Facilities Section 94 Contributions Plan, are considered aspirational particularly the proposed $19 million performing art centre.

	Consideration needs to be given to the recently renovated heritage listed Saraton theatre in Grafton, funded privately, that already provides a local government area performing arts space or other privately funded community spaces such as various registered clubs, or through performance/ education facilities at schools to meet this need. • A review of the Section 94 Plan is to be undertaken. • Overall buildings are satisfactory however require active and an increase in resources for continued maintenance for the one third of assets in Condition 3. • Focus will be on managing Condition 4 and 5 buildings in the next 5 years with maintenance continuing to condition 3 building asset components. • Asbestos management plans and their implementation for major buildings will be a key action. Priority to manage asbestos and its removal wherever practicable. • Most assets as condition 5 require demolition and disposal and some will be replaced and upgraded. These listed for demolition and disposal and the reasons include – o In 2013/14 the Cameron Park toilets were replaced, Small Park Ulmarra canteen, storage and display sheds were removed, dwelling near RFS headquarters removed, RFS building at Minnie Water was replaced, Iluka Main Beach toilets were replaced, Charlie Ryan Park toilets were replaced, Weeds Depot shed demolished, buildings and demountables demolished at Townsend depot. o Former RFS Building Townsend – asbestos ridden and dilapidated. Remove 2014/15 o Newton Boyd Hall – nil hire and no formal use, maintenance liability. Remove 2014/15 o Kent Street toilets near Grafton bridge – not replaced. Facility has been closed for 2 years due to continued vandalism and social problems. Remove 2014/15 o Beresford Park toilets South Grafton – not replaced. Facility has been closed for 2 years due to continued vandalism and social problems. Remove 2014/15 o Durrington Park toilets South Grafton – not replaced. Facility has been partly closed for 2 years due to continued vandalism and social problems. Remove 2014/15 o Lane Boulevard toilets South Grafton – replaced by new all accessible toilets at South Grafton Plaza at end of Skinner Street in 2014. o Toilets in park near School of Arts Building South Grafton – not replaced due to social problems and vandalism but new toilets at end of Skinner Street available. o JJ Lawrence Fields toilet near cricket net – to be replaced in 2014/15 by single all accessible facility just to west of existing facility and link by footpath extension to nearby toilet. Popular stop for travelers, sewerage upgrade required as is continually choking. o Jacaranda Park toilet Grafton – fair to poor condition, to be replaced in 2015/16 with all accessible facility and shelter upgrade as very popular park with young parents. o Memorial Park Grafton – does not meet functional needs of park events and lacks capacity. Replace in 2014/15 with upgraded all accessible capacity and facility supporting events. o McLachlan Park toilets to be upgraded/demolished and replaced by facility with all accessible capability in 2014/15. o Angourie Point Shelter and Toilets – replaced with upgraded facility as part of point upgrade in 2018/19. o Clarence Lawn cemetery toilets and amenities replaced with all accessible building as structurally unsound. o Brickworks Lane Depot buildings due to depot rationalization within 3 years. o South Grafton, Maclean Town Depot, Koolkhan and Weeds Depot disposal due to depot rationalization within 3 years. o Spring Street Regional Library is to be disposed of. • A review of residential assets will be undertaken particularly – o Chatsworth Island Ferry House an appraisal with a view to be made presentable for sale (up to $50,000 in 2014-15), subdivided and then disposed of. o Swan Creek Dwelling review. • Focus on energy/efficiency for major facilities to reduce operational costs associated with

	power use e.g. major upgrade of air conditioning systems for 2 Prince Street and Victoria Street administration offices. • Focus on providing all accessible access to buildings and facilities due to demographics as population ages.
Budget Implications	• There is a funding shortfall of $3,237,000 on average per year over the life of the 10 Year Plan for maintenance, operations, renewals, and upgrade/new assets. • Funding includes a proportion of Clarence Coast Reserve Trust funding for buildings located within the Reserve Trust managed by Council. • Consideration is be given to the percentage of Councils Buildings which are currently in fair condition 3 and focus on maintenance and renewal. Many of these assets are of poor appearance, are being utilized and would still meet functional needs. • Appropriate funding is required to ensure maintenance programs are implemented so that assets reach end of useful life. • Grant and community support funding is to be sought wherever possible to assist make up the funding shortfall when upgraded/new buildings are to proposed. • Other contributions from grants or other sources has not been considered in the Plan other than the funding received from the Federal Community .Energy Efficient Program for upgrade to air conditioning systems in 2 Prince Street and Victoria Street offices. • Budget includes 2.5% CPI increases over life of plan for maintenance and operations.
Maintenance Programs	• Appropriate maintenance programs are implemented to ensure all assets reach their maximum useful life within budgetary constraints. • Councils regularly inspects buildings and undertakes maintenance programs to ensure as a priority they are safe. • Asbestos management safety is a priority for Council's renewal, upgrade and disposal programs.

Buildings

Objective	**To provide sustainable building services that are in a safe and serviceable condition**
Performance Measures	**Target**
(a) Ensure good governance and administrative support for the Council and organisation	• Annually review of Asset Management Plans to ensure assets remain in a safe and serviceable condition. • Asset conditions to be maintained at condition 3 or above. • Manage assets with Condition 4 or 5 within the next 5 years. • Regularly revalue of property portfolio for market/current value.
(b) Sufficient number, type and location of assets to cater for community needs	• Review property portfolio for replacement/upgrade/disposal of assets • Conduct community surveys to ensure adequate provision of assets and type for the community. • Review Section 94 Contributions Plan 2011 to ensure it is appropriate to new Community Strategic Plan when completed.
(c) Refine, improve and Implement Buildings Asset Management Plan	• Implement Building asset program software e.g. Buildings.*PLUS* • Implement the building capital works program. • Investigate options for expanding the Council's building/renewal program through grant applications. • Manage the Council's property portfolio to maximise returns i.e. financial, community.

Activities	Who	When									
(a)		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
(a) Ensure good governance and administrative support for the Council and organisation	MOS&F*										
Annually review of Asset Management Plans to ensure assets remain in a safe and serviceable condition.		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Asset condition to be maintained at Condition 3 or above		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Manage assets with Condition 4 or 5 within the next 5 years.		✓	✓	✓	✓	✓					
Regularly revalue of property portfolio for market/current value			✓			✓			✓		

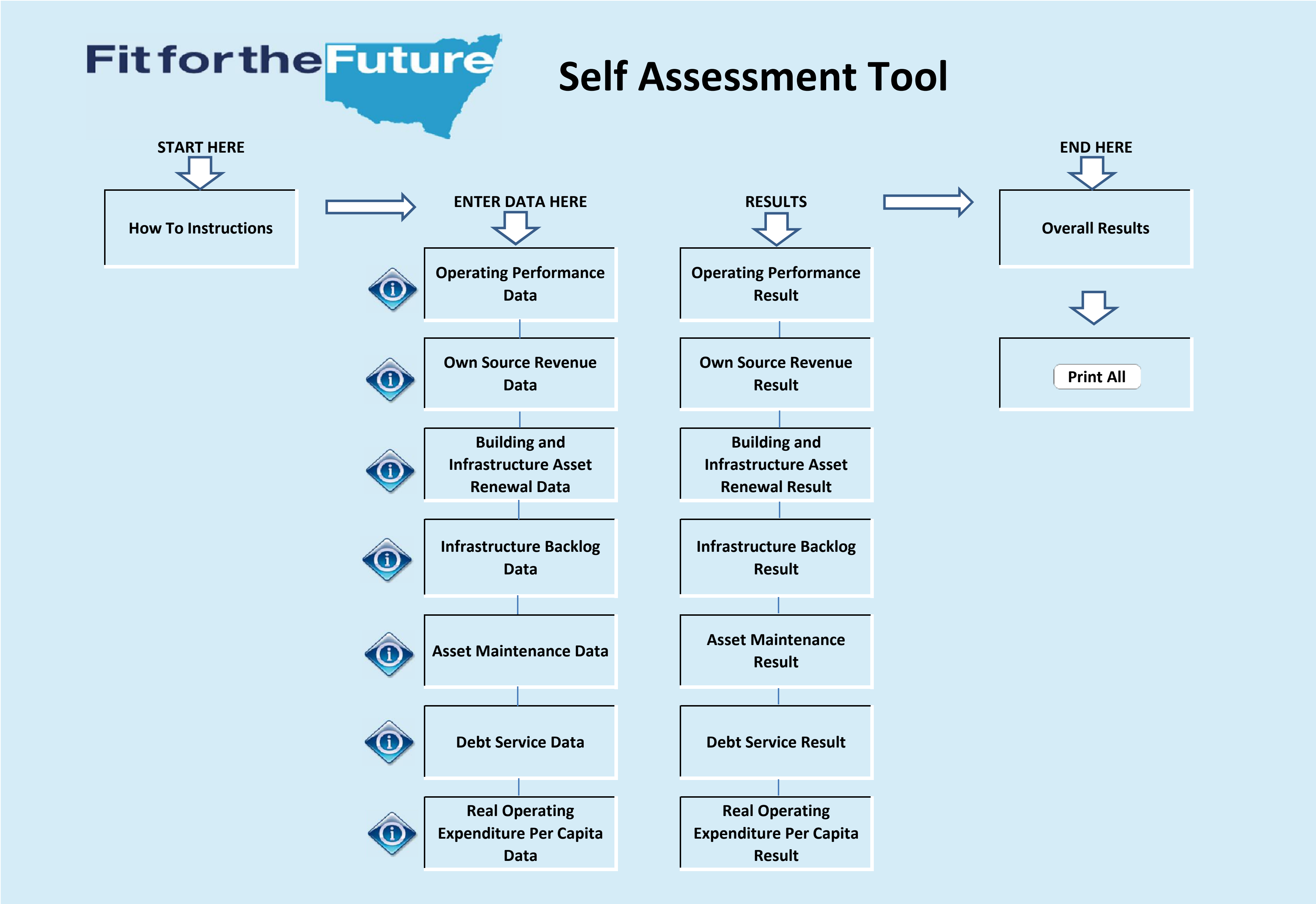
*Manager Open Spaces and Facilities

Activities	Who	When									
(b)		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Sufficient number, type and location of assets to cater for community needs	MOS&F										
Review property portfolio for replacement/ upgrade/ disposal of assets		✓	✓	✓	✓				✓		
Conduct community surveys to ensure adequate provision of assets and type for the community.				✓	✓				✓		

Activities	Who	When									
(c)		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Implement Asset Management Plan	MOS&F										
Implement Building asset program software e.g. Buildings.*PLUS*			✓								
Implement the building capital works program.		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Investigate options for expanding the Council's building/renewal and upgrade/new program through grant applications.		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Manage the Council's property portfolio to maximise returns i.e. financial, community.		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Buildings' – Maintenance Program for Sustainable Assets

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Maintenance	1,695,000	1,737,375	1,780,809	1,825,330	1,870,963	1,917,737	1,965,680	2,014,822	2,065,193
Operations	1,146,000	1,174,650	1,204,016	1,234,117	1,264,970	1,296,594	1,329,009	1,362,234	1,396,290
Asset Renewals	245,000	57,000	57,000	57,000	57,000	57,000	57,000	57,000	57,000
Upgraded Assets	9,142,911	2,381,000	270,000	160,000	760,000	250,000	171,000	50,000	0
New Assets	64,384	0	3,500,000	0	0	0	0	0	0


Fit for the Future
Self Assessment Tool
START HERE
How To Instructions
ENTER DATA HERE
Operating Performance Data
Own Source Revenue Data
Building and Infrastructure Asset Renewal Data
Infrastructure Backlog Data
Asset Maintenance Data
Debt Service Data
Real Operating Expenditure Per Capita Data
RESULTS
Operating Performance Result
Own Source Revenue Result
Building and Infrastructure Asset Renewal Result
Infrastructure Backlog Result
Asset Maintenance Result
Debt Service Result
Real Operating Expenditure Per Capita Result
END HERE
Overall Results
Print All

INSTRUCTIONS

Clarence Valley Council

COUNCILS ARE TO USE ONLY GENERAL FUND DATA FOR THIS PURPOSE

This self-assessment tool has been developed to assist councils in analysing their performance against the following seven Fit for the Future measures and by completing the Fit for the Future (existing structure) template. It may also assist councils that are considering merging or becoming a Rural Council, understand current performance.

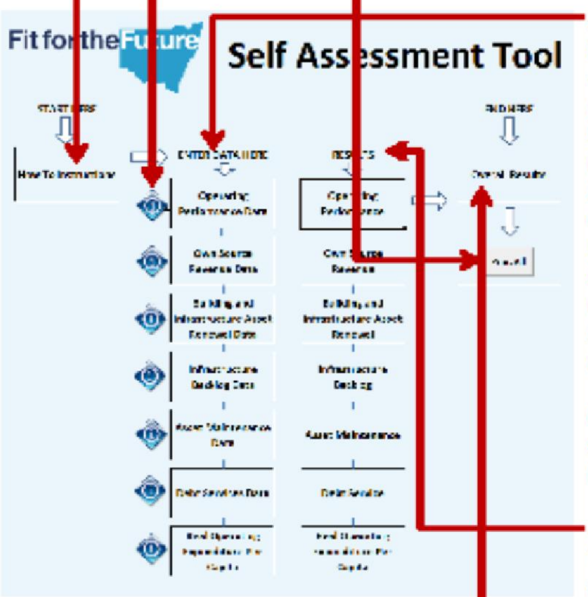
- *Operating Performance Ratio (greater or equal to break-even average over 3 years)*
- *Own Source Revenue Ratio (greater than 60% average over 3 years)*
- *Building and Infrastructure Asset Renewal Ratio (greater than 100% average over 3 years)*
- *Infrastructure Backlog Ratio (less than 2%)*
- *Asset Maintenance Ratio (greater than 100% average over 3 years)*
- *Debt Service Ratio (greater than 0 and less than or equal to 20% average over 3 years)*
- *A decrease in Real Operating Expenditure per capita over time*

On the ***Main Menu*** and on each of the sheets there are a range of buttons to assist you in navigating through the template.

The ***Print All*** button will print all *Information, Data* and *Result* sheets as well as the *Overall Results* sheet.

1. Select your council from the dropdown list on the *How to Instructions* sheet.

2. For information regarding the description and rationale of the criteria/benchmark, click on the information icon.



3. ENTER DATA HERE
Enter financial data for each of the seven measures to enable the automated calculations of the relevant ratios.
General Fund only data is to be entered
DO:-
Enter numbers ($000) only into ALL the white cells
Enter '0' if not applicable
Enter both revenue and expenditure as positive figures
Enter General Fund data only
DON'T:-
Leave any white cells blank
Enter N/A or anything other than a number
Enter Water and Sewer data

Once you have entered the financial data in each of the seven *Data* sheets you can then view the result in the respective *Result* sheet.

4. RESULTS
This section contains the benchmark result and shows how this has been calculated.

1. OVERALL RESULTS
The council's results will be displayed on the overall results sheet along-side the seven Fit for the Future benchmarks. Councils are required to enter the results for each of the measures into the Fit for the Future (existing structure) template and use this to inform strategies and actions to become or remain Fit for the Future.

OPERATING PERFORMANCE RATIO

Clarence Valley Council

$$\frac{\textit{Total continuing operating revenue (exc. capital grants and contributions) less operating expenses}}{\textit{Total continuing operating revenue (exc. capital grants and contributions)}}$$

Description and Rationale for Criteria:

· TCorp in their review of financial sustainability of local government found that operating performance was a core measure of financial sustainability.

· Ongoing operating deficits are unsustainable and they are one of the key financial sustainability challenges facing the sector as a whole. While operating deficits are acceptable over a short period, consistent deficits will not allow Councils to maintain or increase their assets and services or execute their infrastructure plans.

· Operating performance ratio is an important measure as it provides an indication of how a Council generates revenue and allocates expenditure (e.g. asset maintenance, staffing costs). It is an indication of continued capacity to meet on-going expenditure requirements.

Description and Rationale for Benchmark:

· TCorp recommended that all Councils should be at least break even operating position or better, as a key component of financial sustainability. Consistent with this recommendation the benchmark for this criteria is greater than or equal to break even over a 3 year period.

OWN SOURCE REVENUE RATIO

Clarence Valley Council

$$\frac{\textit{Total continuing operating revenue less all grants and contributions}}{\textit{Total continuing operating revenue inclusive of capital grants and contributions}}$$

Description and Rationale for Criteria:

· Own source revenue measures the degree of reliance on external funding sources (e.g. grants and contributions). This ratio measures fiscal flexibility and robustness. Financial flexibility increases as the level of own source revenue increases. It also gives councils greater ability to manage external shocks or challenges.

· Councils with higher own source revenue have greater ability to control or manage their own operating performance and financial sustainability.

Description and Rationale for Benchmark:

· TCorp has used a benchmark for own source revenue of greater than 60 per cent of total operating revenue. All Councils should aim to meet or exceed this benchmark over a three year period.

· It is acknowledged that many councils have limited options in terms of increasing its own source revenue, especially in rural areas. However, 60 per cent is considered the lowest level at which councils have the flexibility necessary to manage external shocks and challenges.

BUILDING AND INFRASTRUCTURE ASSET RENEWAL RATIO

Clarence Valley Council

$$\frac{\textit{Asset renewals (building and infrastructure)}}{\textbf{Depreciation, amortisation and impairment (building and infrastructure)}}$$

Description and Rationale for Criteria:

· The building and infrastructure renewals ratio represents the replacement or refurbishment of existing assets to an equivalent capacity or performance, as opposed to the acquisition of new assets or the refurbishment of old assets that increase capacity or performance. The ratio compares the proportion spent on infrastructure asset renewals and the asset's deterioration.

· This is a consistent measure that can be applied across councils of different sizes and locations. A higher ratio is an indicator of strong performance.

Description and Rationale for Benchmark:

· Performance of less than one hundred percent indicates that a Council's existing assets are deteriorating faster than they are being renewed and that potentially council's infrastructure backlog is worsening. Councils with consistent asset renewals deficits will face degradation of building and infrastructure assets over time.

· Given that a ratio of greater than one hundred percent is adopted, to recognise that capital expenditures are sometimes lumpy and can be lagged, performance is averaged over three years.

INFRASTRUCTURE BACKLOG RATIO

Clarence Valley Council

$$\frac{\textit{Estimated cost to bring assets to a satisfactory condition}}{\textit{Total (WDV) of infrastructure, buildings, other structures and depreciable land improvement assets}}$$

Description and Rationale for Criteria:

· The infrastructure backlog ratio indicates the proportion of backlog against the total value of the Council's infrastructure assets. It is a measure of the extent to which asset renewal is required to maintain or improve service delivery in a sustainable way. This measures how councils are managing their infrastructure which is so critical to effective community sustainability.

· It is acknowledged, that the reliability of infrastructure data within NSW local government is mixed. However, as asset management practices within councils improve, it is anticipated that infrastructure reporting data reliability and quality will increase.

· This is a consistent measure that can be applied across councils of different sizes and locations. A low ratio is an indicator of strong performance.

Description and Rationale for Benchmark:

· High infrastructure backlog ratios and an inability to reduce this ratio in the near future indicate an underperforming Council in terms of infrastructure management and delivery. Councils with increasing infrastructure backlogs will experience added pressure in maintaining service delivery and financing current and future infrastructure demands.

· TCorp adopted a benchmark of less than 2 per cent to be consistently applied across councils. The application of this benchmark reflects the State Government's focus on reducing infrastructure backlogs.

ASSET MAINTENANCE RATIO

Clarence Valley Council

$$\frac{\textit{Actual asset maintenance}}{\textit{Required asset maintenance}}$$

Description and Rationale for Criteria:

· The asset maintenance ratio reflects the actual asset maintenance expenditure relative to the required asset maintenance as measured by an individual council.

· The ratio provides a measure of the rate of asset degradation (or renewal) and therefore has a role in informing asset renewal and capital works planning.

Description and Rationale for Benchmark:

· The benchmark adopted is greater than one hundred percent, which implies that asset maintenance expenditure exceeds the council identified requirements. This benchmark is consistently adopted by the NSW Treasury Corporation (TCORP). A ratio of less than one hundred percent indicates that there may be a worsening infrastructure backlog.

· Given that a ratio of greater than one hundred percent is adopted, to recognise that maintenance expenditure is sometimes lumpy and can be lagged, performance is averaged over three years.

DEBT SERVICE RATIO

Clarence Valley Council

$$\frac{\textit{Cost of debt service (interest expense \& principal repayments)}}{\textit{Total continuing operating revenue (exc. capital grants and contributions)}}$$

Description and Rationale for Criteria:

· Prudent and active debt management is a key part of Councils' approach to both funding and managing infrastructure and services over the long term.

· Prudent debt usage can also assist in smoothing funding costs and promoting intergenerational equity. Given the long life of many council assets it is appropriate that the cost of these assets should be equitably spread across the current and future generations of users and ratepayers. Effective debt usage allows councils to do this.

· Inadequate use of debt may mean that councils are forced to raise rates that a higher than necessary to fund long life assets or inadequately fund asset maintenance and renewals. It is also a strong proxy indicator of a council's strategic capacity.

· Council's effectiveness in this area is measured by the Debt Service Ratio.

Description and Rationale for Benchmark:

· As outlined above, it is appropriate for Councils to hold some level of debt given their role in the provision and maintenance of key infrastructure and services for their community. It is considered reasonable for Councils to maintain a Debt Service Ratio of greater than 0 and less than or equal to 20 per cent.

· Councils with low or zero debt may incorrectly place the funding burden on current ratepayers when in fact it should be spread across generations, who also benefit from the assets. Likewise high levels of debt generally indicate a weakness in financial sustainability and/or poor balance sheet management.

REAL OPERATING EXPENDITURE PER CAPITA

Clarence Valley Council

Description and Rationale for Criteria:

· At the outset it is acknowledged the difficulty in measuring public sector efficiency. This is because there is a range of difficulty in reliably and accurately measuring output.

· The capacity to secure economies of scale over time is a key indicator of operating efficiency. The capacity to secure efficiency improvements can be measured with respect to a range of factors, for example population, assets, and financial turnover.

· It is challenging to measure productivity changes over time. To overcome this, changes in real per capita expenditure was considered to assess how effectively Councils:

- can realise natural efficiencies as population increases (through lower average cost of service delivery and representation); and
- can make necessary adjustments to maintain current efficiency if population is declining (e.g. appropriate reductions in staffing or other costs).

· Assuming that service levels remain constant, decline in real expenditure per capita indicates efficiency improvements (i.e. the same level of output per capita is achieved with reduced expenditure).

Description and Rationale for Benchmark:

· The measure 'trends in real expenditure per capita' reflects how the value of inflation adjusted inputs per person has grown over time. In the calculation, the expenditure is deflated by the Consumer Price Index (for 2009-11) and the Local Government Cost Index (for 2011-14) as published by the Independent Pricing and Regulatory Tribunal (IPART). It is acknowledged that efficiency and service levels are impacted by a broad range of factors, and that it is unreasonable to establish an absolute benchmark across Councils. It is also acknowledged that council service levels are likely to change for a variety of reasons however, it is important that councils prioritise or set service levels in conjunction with their community, in the context of their development of their Integrated Planning and Reporting.

· Councils will be assessed on a joint consideration of the direction and magnitude of their improvement or deterioration in real expenditure per capita. Given that efficiency improvements require some time for the results to be fully achieved and as a result, this analysis will be based on a 5-year trend.

GENERAL FUND - OPERATING PERFORMANCE DATA

Clarence Valley Council

	2011-12 GENERAL FUND DATA $000	2012-13 GENERAL FUND DATA $000	2013-14 GENERAL FUND DATA $000
Note 21- Income Statement - Income - Total Income from continuing operations	90,730	85,700	85,402
Note 21 - Income Statement - Income - Grants & Contributions Provided For Capital Purposes	6,863	5,653	9,860
Note 21 - Income Statement - Income - Net gain from the disposal of assets	0	85	0
Note 21 - Income Statement - Income - Net share of interests in joint ventures/associates using the equity method	0	0	0
# Interest & Investment Revenue - Fair value adjustments - Investments	0	0	0
# Interest & Investment Revenue - Fair value adjustments - Other	0	0	0
# Other Revenues - Fair value adjustments - investment properties	0	0	0
# Other Revenues - Reversal of IPPE revaluation decrements previously expensed	5,818	2,966	0
Note 21 - Income Statement - Expenses - Total expenses from continuing operations	105,240	105,892	92,883
Note 21 - Income Statement - Expenses - Net Loss from the disposal of assets	2,521	2,955	309
Note 21 - Income Statement - Expenses - Net share of interests in joint ventures/associates using the equity method	44	52	59
* Other Expenses - Revaluation Decrements	0	0	0

 # For reporting purposes the consolidated data comes from Note 3. For this purpose, only enter data that relates to the ***General Fund***

** For reporting purposes the consolidated data comes from Note 4. For this purpose, only enter data that relates to the* ***General Fund***

GENERAL FUND - OWN SOURCE REVENUE DATA

Clarence Valley Council

	2011-12 GENERAL FUND DATA $000	2012-13 GENERAL FUND DATA $000	2013-14 GENERAL FUND DATA $000
Note 21- Income Statement - Income - Total Income from continuing operations	90,730	85,700	85,402
Note 21 - Income Statement - Income - Operating Revenues - Grants & Contributions Provided For Operating Purposes	33,033	30,119	25,065
Note 21 - Income Statement - Income - Grants & Contributions Provided For Capital Purposes	6,863	5,653	9,860
Note 21 - Income Statement - Income - Net gain from the disposal of assets	0	85	0
Note 21 - Income Statement - Income - Net share of interests in joint ventures/associates using the equity method	0	0	0
# Interest & Investment Revenue - Fair value adjustments - Investments	0	0	0
# Interest & Investment Revenue - Fair value adjustments - Other	0	0	0
# Other Revenues - Fair value adjustments - investment properties	0	0	0
# Other Revenues - Reversal of IPPE revaluation decrements previously expensed	5,818	2,966	0

 # See Operating Performance data sheet notes.

GENERAL FUND - BUILDING AND INFRASTRUCTURE ASSET RENEWAL DATA

Clarence Valley Council

	2011-12 GENERAL FUND DATA $000	2012-13 GENERAL FUND DATA $000	2013-14 GENERAL FUND DATA $000
# Building and Infrastructure Renewals	3,596	4,293	17,319
# Depreciation, Amortisation and Impairment (Building and Infrastructure)	38,327	29,146	20,380

 # For reporting purposes the consolidated data comes from Note 13 (11-12, 12-13) and Special Schedule 7 (13-14). For this purpose, only enter data that relates to the ***General Fund.***

GENERAL FUND - INFRASTRUCTURE BACKLOG DATA

Clarence Valley Council

	2013-14 GENERAL FUND DATA $000
# Estimated cost to bring assets to a satisfactory condition	242,999
* Total (written down value) of infrastructure, buildings, other structures & depreciable land improvement assets.	923,519

*# For reporting purposes the consolidated data is collected from Special Schedule 7. For this purpose, only enter data that relates to the **General Fund**.*

** For reporting purposes the consolidated data comes from Note 9/Special Schedule 7 . For this purpose, only enter data that relates to the **General Fund**.*

GENERAL FUND - ASSET MAINTENANCE DATA

Clarence Valley Council

	2011-12 GENERAL FUND DATA $000	2012-13 GENERAL FUND DATA $000	2013-14 GENERAL FUND DATA $000
# Actual Annual Maintenance	10,490	9,797	13,470
# Required Annual Maintenance	23,149	20,795	15,473

 # For reporting purposes the consolidated data comes from Special Schedule 7. For this purpose, only enter data that relates to the General Fund .

GENERAL FUND - DEBT SERVICE DATA

Clarence Valley Council

	2011-12 GENERAL FUND DATA $000	2012-13 GENERAL FUND DATA $000	2013-14 GENERAL FUND DATA $000
@ Financing Activities - Payments - Borrowings & Advances	2,518	2,529	2,803
* Interest Charges - Interest on Loans	2,113	2,433	2,301
Note 21- Income Statement - Income - Total Income from continuing operations	90,730	85,700	85,402
Note 21 - Income Statement - Income - Grants & Contributions Provided For Capital Purposes	6,863	5,653	9,860
Note 21 - Income Statement - Income - Net gain from the disposal of assets	0	85	0
Note 21 - Income Statement - Income - Net share of interests in joint ventures/associates using the equity method	0	0	0
# Interest & Investment Revenue - Fair value adjustments - Investments	0	0	0
# Interest & Investment Revenue - Fair value adjustments - Other	0	0	0
# Other Revenues - Fair value adjustments - investment properties	0	0	0
# Other Revenues - Reversal of IPPE revaluation decrements previously expensed	5,818	2,966	0

Note:- Figures to be entered as positive amounts

*@ For reporting purposes the consolidated data comes from the Statement of Cashflows. For this purpose, only enter data that relates to the **General Fund.***

** For reporting purposes the consolidated data comes from Note 4. For this purpose, only enter data that relates to the **General Fund***

 # See Operating Performance data sheet note

GENERAL FUND - REAL OPERATING EXPENDITURE PER CAPITA DATA

Clarence Valley Council

	2009-10 GENERAL FUND DATA $000	2010-11 GENERAL FUND DATA $000	2011-12 GENERAL FUND DATA $000	2012-13 GENERAL FUND DATA $000	2013-14 GENERAL FUND DATA $000
# Population Data	50,713	51,140	51,310	51,188	51,043
Note 21 - Income Statement - Expenses - Total expenses from continuing operations	96,874	111,873	105,240	105,892	92,883
Note 21 - Income Statement - Expenses - Net Loss from the disposal of assets	2,196	6,340	2,521	2,955	309
Note 21 - Income Statement - Expenses - Net share of interests in joint ventures/associates using the equity method	36	37	44	52	59
* Other Expenses - Revaluation Decrements	0	0	0	0	0

 # Australian Bureau of Statistics, Regional Population Growth, Australia - Table 1. Estimated Resident Population, Local Government Areas, New South Wales - Released 3.4.2014. The population data has been averaged over 2 calendar years except for the 2013-14 year where the population data for 2013 has been used.

** See Operating Performance data sheet note.*

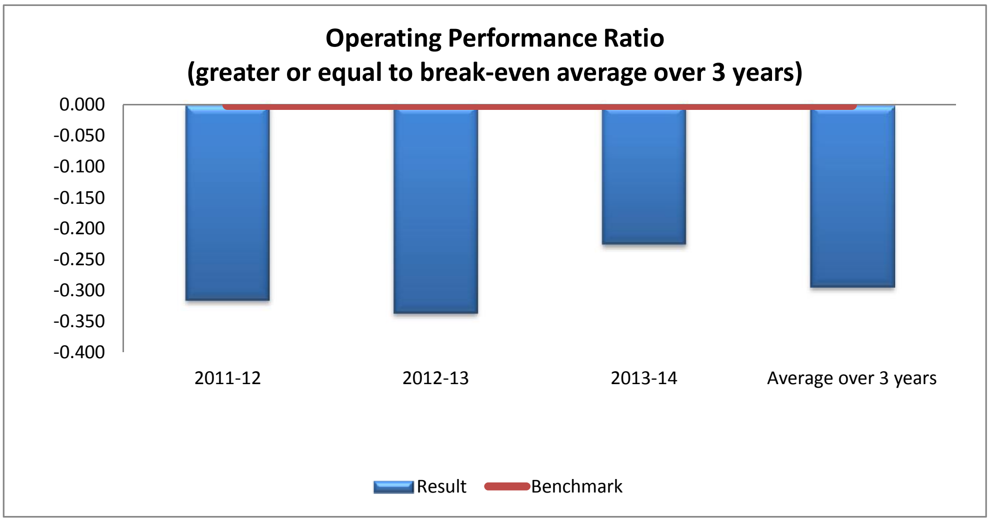
GENERAL FUND - OPERATING PERFORMANCE RESULT

Clarence Valley Council

BENCHMARK AND RESULT

Benchmark:- ***Greater or equal to break-even average over 3 years***

	2011-12	2012-13	2013-14	Average over 3 years
Result	-0.316	-0.336	-0.225	-0.293
Benchmark	0	0	0	0



MEETS THE FFTF BENCHMARK

NO

This is how we calculated the council's result.....

(Figures are carried over from the data sheet and are in $000)

$$\frac{\textit{Total continuing operating revenue (exc. capital grants and contributions) less operating expenses}}{\textit{Total continuing operating revenue (exc. capital grants and contributions)}}$$

2011-12 $\dfrac{(90730-6863-0-0-0-0-0-5818)-(105240-2521-44-0)}{90730-6863-0-0-0-0-0-5818} = \dfrac{-24{,}626}{78{,}049} = -0.316$

2012-13 $\dfrac{(85700-5653-85-0-0-0-0-2966)-(105892-2955-52-0)}{85700-5653-85-0-0-0-0-2966} = \dfrac{-25{,}889}{76{,}996} = -0.336$

2013-14 $\dfrac{(85402-9860-0-0-0-0-0-0)-(92883-309-59-0)}{85402-9860-0-0-0-0-0-0} = \dfrac{-16{,}973}{75{,}542} = -0.225$

__Note:__ Both numerator and denominator in this calculation excludes fair value adjustments, reversal of revaluation decrements, net gain/losses on sale of assets and net share/loss of interests in joint ventures

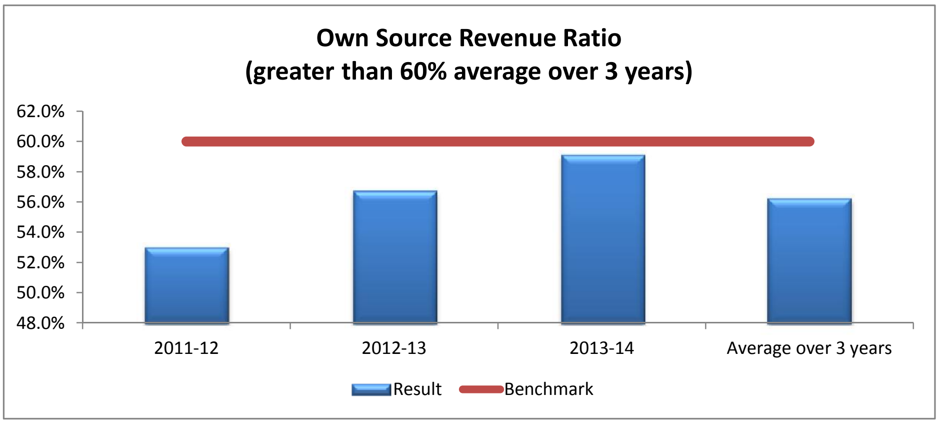
GENERAL FUND - OWN SOURCE REVENUE RESULT

Clarence Valley Council

BENCHMARK AND RESULT

Benchmark:- *Greater than 60% average over 3 years*

	2011-12	2012-13	2013-14	Average over 3 years
Result	53.0%	56.7%	59.1%	**56.3%**
Benchmark	60%	60%	60%	60%



MEETS THE FFTF BENCHMARK

NO

This is how we calculated the council's result.....

(Figures are carried over from the data sheet and are in $000)

$$\frac{\textit{Total continuing operating revenue less all grants and contributions}}{\textit{Total continuing operating revenue inclusive of capital grants and contributions}}$$

2011-12	$\frac{90730-33033-6863-0-0-0-0-0-5818}{90730-0-0-0-0-0-5818}$	=	$\frac{\mathbf{45,016}}{\mathbf{84,912}}$	=	**53.0%**
2012-13	$\frac{85700-30119-5653-85-0-0-0-0-2966}{85700-85-0-0-0-0-2966}$	=	$\frac{\mathbf{46,877}}{\mathbf{82,649}}$	=	**56.7%**
2013-14	$\frac{85402-25065-9860-0-0-0-0-0-0}{85402-0-0-0-0-0-0}$	=	$\frac{\mathbf{50,477}}{\mathbf{85,402}}$	=	**59.1%**

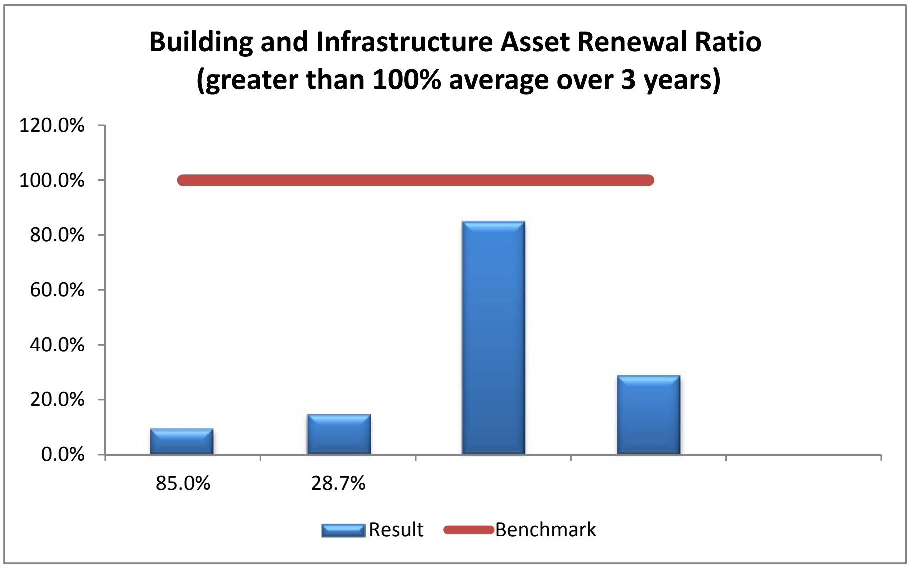
Note: *Both numerator and denominator in this calculation excludes fair value adjustments, reversal of revaluation decrements, net gain on sale of assets and net share of interests in joint ventures*

GENERAL FUND - BUILDING AND INFRASTRUCTURE ASSET RENEWAL RESULT

Clarence Valley Council

BENCHMARK AND RESULT
Benchmark:- Greater than 100% average over 3 years

	2011-12	2012-13	2013-14	Average over 3 years
Result	9.4%	14.7%	85.0%	**28.7%**
Benchmark	100%	100%	100%	100%



MEETS THE FFTF BENCHMARK

NO

This is how we calculated the council's result.....
(Figures are carried over from the data sheet and are in $000)

$$\frac{\textit{Asset renewals (building and infrastructure)}}{\textit{Depreciation, amortisation and impairment (building and infrastructure)}}$$

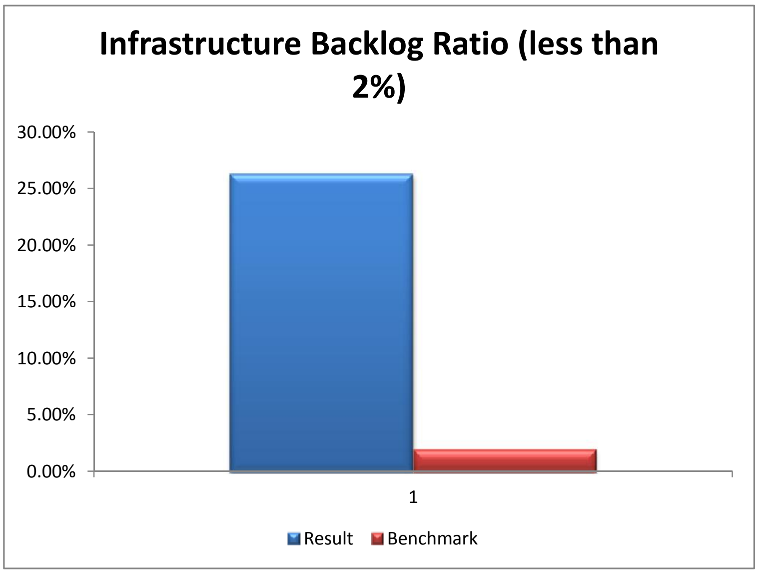
2011-12	$\frac{3,596}{38,327}$	=	**9.4%**
2012-13	$\frac{4,293}{29,146}$	=	**14.7%**
2013-14	$\frac{17,319}{20,380}$	=	**85.0%**

GENERAL FUND - INFRASTRUCTURE BACKLOG RESULT

Clarence Valley Council

BENCHMARK AND RESULT
Benchmark:- **Less than 2%**

	2013-14
Result	26.31%
Benchmark	2%



MEETS THE FFTF BENCHMARK

NO

This is how we calculated the council's result.....
(Figures are carried over from the data sheet and are in $000)

$$\frac{\textit{Estimated cost to bring assets to a satisfactory condition}}{\textit{Total (WDV) of infrastructure, buildings, other structures and depreciable land improvement assets}}$$

2013-14 $\frac{242,999}{923,519}$ = **26.31%**

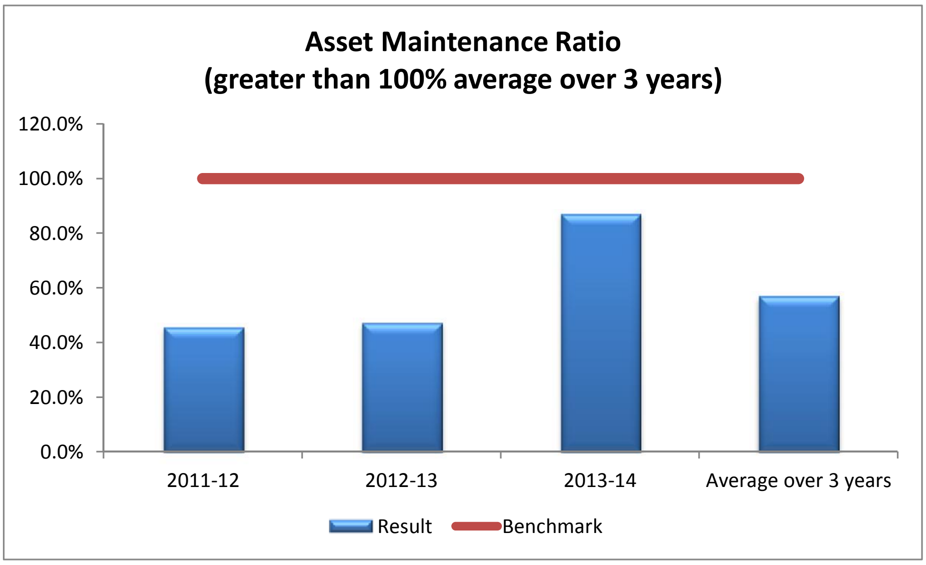
GENERAL FUND - ASSET MAINTENANCE RESULT

Clarence Valley Council

BENCHMARK AND RESULT

Benchmark:- *Greater than 100% average over 3 years*

	2011-12	2012-13	2013-14	Average over 3 years
Result	45.3%	47.1%	87.1%	**56.8%**
Benchmark	100%	100%	100%	100%



MEETS THE FFTF BENCHMARK

NO

This is how we calculated the council's result.....

(Figures are carried over from the data sheet and are in $000)

$$\frac{\textit{Actual asset maintenance}}{\textit{Required asset maintenance}}$$

2011-12	$\frac{10,490}{23,149}$	=	**45.3%**
2012-13	$\frac{9,797}{20,795}$	=	**47.1%**
2013-14	$\frac{13,470}{15,473}$	=	**87.1%**

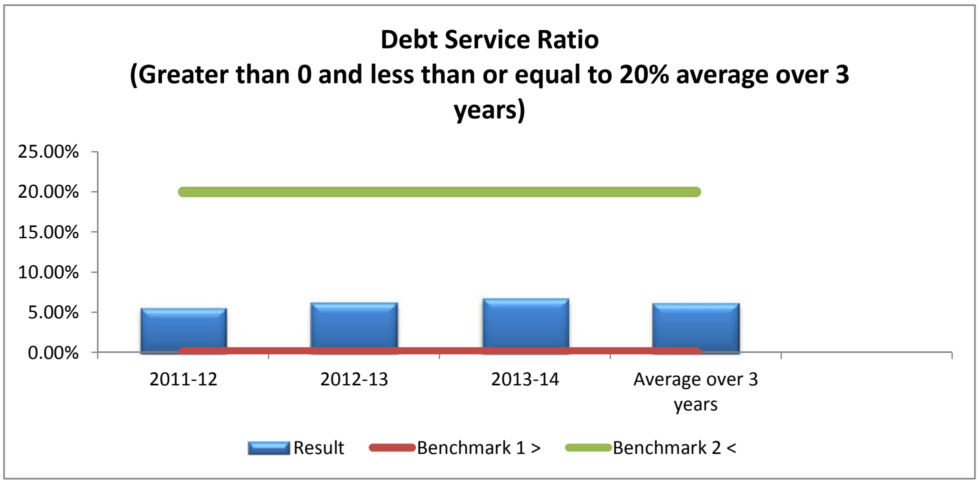
GENERAL FUND - DEBT SERVICE RESULT

Clarence Valley Council

BENCHMARK AND RESULT

Benchmark:- Greater than 0 and less than or equal to 20% average over 3 years

	2011-12	2012-13	2013-14	Average over 3 years
Result	5.52%	6.21%	6.76%	**6.14%**
Benchmark 1 >	0%	0%	0%	0%
Benchmark 2 <	20%	20%	20%	20%



MEETS THE FFTF BENCHMARK

YES

This is how we calculated the council's result.....

(Figures are carried over from the data sheet and are in $000)

Cost of debt service (interest expense & principal repayments)
Total continuing operating revenue (exc. capital grants and contributions)

2011-12	2518+2113 / 90730-6863-0-0-0-0-0	=	**4,631 / 83,867**	=	**5.52%**
2012-13	2529+2433 / 85700-5653-85-0-0-0-0	=	**4,962 / 79,962**	=	**6.21%**
2013-14	2803+2301 / 85402-9860-0-0-0-0-0	=	**5,104 / 75,542**	=	**6.76%**

Note: *The denominator in this calculation excludes fair value adjustments, reversal of revaluation decrements, net gain on sale of assets and net share of interests in joint ventures*

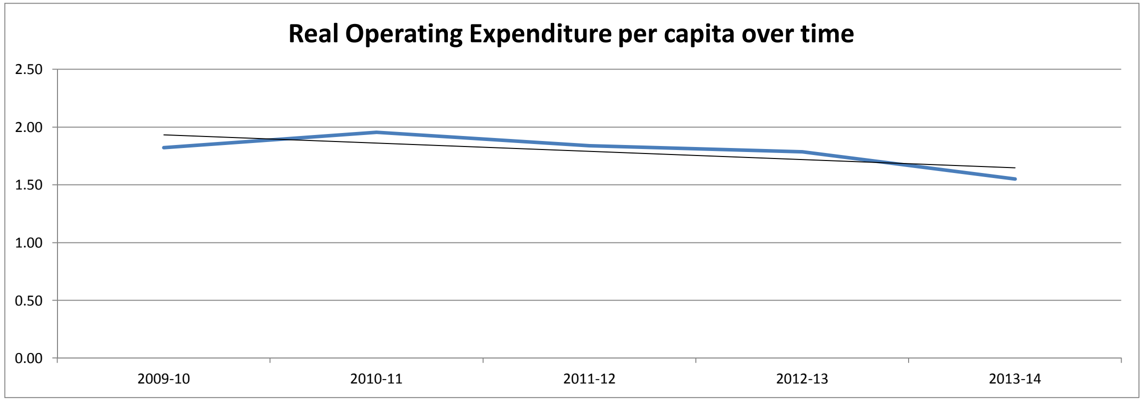
GENERAL FUND - REAL OPERATING EXPENDITURE PER CAPITA RESULT

Clarence Valley Council

BENCHMARK AND RESULT

Benchmark:- A decrease in Real Operating Expenditure per capita over time

	2009-10	2010-11	2011-12	2012-13	2013-14
Result	**1.82**	**1.95**	**1.84**	**1.78**	**1.55**



MEETS THE FFTF BENCHMARK

Yes

This is how we calculated the council's result.....

(Figures are carried over from the data sheet and are in $000)

Expenditure deflated by:	**CPI:-**	2009-10	2010-11	**LGCI:-**	2011-12	2012-13	2013-14
		2.3%	3%		3.0%	3.4%	3.7%

2009-10	$\frac{96874-2196-36-0x(1-.023)}{50713}$	=	$\frac{\mathbf{92,465}}{\mathbf{50713}}$	=	**1.82**
2010-11	$\frac{111873-6340-37-0x(1-.023)x(1-.03)}{51140}$	=	$\frac{\mathbf{99,978}}{\mathbf{51,140}}$	=	**1.95**
2011-12	$\frac{105240-2521-44-0x(1-.023)x(1-.03)x(1-.03)}{51309.5}$	=	$\frac{\mathbf{94,385}}{\mathbf{51,310}}$	=	**1.84**
2012-13	$\frac{105892-2955-52-0x(1-.023)x(1-.03)x(1-.03)x(1-.034)}{51187.5}$	=	$\frac{\mathbf{91,362}}{\mathbf{51,188}}$	=	**1.78**
2013-14	$\frac{92883-309-59-0x(1-.023)x(1-.03)x(1-.03)x(1-.034)x(1-.037)}{51043}$	=	$\frac{\mathbf{79,114}}{\mathbf{51,043}}$	=	**1.55**

Note: *The numerator in this calculation excludes revaluation decrements, net loss from disposal of assets and net loss of interests in joint ventures.*

Fit for the Future Criteria Results

Clarence Valley Council

	BENCHMARK	RESULT	MEETS FFTF BENCHMARK
SUSTAINABILITY	*Operating Performance Ratio (greater or equal to break-even average over 3 years)*	-0.293	NO
	Own Source Revenue Ratio (greater than 60% average over 3 years)	56.28%	NO
	Building and Infrastructure Asset Renewal Ratio (greater than 100% average over 3 years)	28.69%	NO
EFFECTIVE INFRASTRUCTURE AND SERVICE MANAGEMENT	*Infrastructure Backlog Ratio (less than 2%)*	26.31%	NO
	Asset Maintenance Ratio (greater than 100% average over 3 years)	56.81%	NO
	Debt Service Ratio (greater than 0 and less than or equal to 20% average over 3 years)	6.14%	YES
EFFICIENCY	*A decrease in Real Operating Expenditure per capita over time*	Decreasing	YES

OVERALL RESULT

The Council does not meet all seven of the Fit for the Future Criteria

CLARENCE VALLEY COUNCIL - FIT for the FUTURE Benchmarks

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Operating Performance Result	-31.6%	-33.6%	-22.5%	-23.8%	-23.4%	-18.0%	-11.9%	-5.4%	0.2%	0.1%	0.1%	0.1%	0.2%	0.2%
Benchmark - Break even Average over 3 years			-29.2%	-26.6%	-23.2%	-21.7%	-17.8%	-11.8%	-5.7%	-1.7%	0.1%	0.1%	0.2%	0.2%
Own Source Revenue	53.0%	56.7%	59.1%	53.9%	61.7%	66.0%	64.9%	68.2%	69.3%	70.1%	70.1%	70.1%	70.1%	70.2%
Benchmark - Greater than 60% Average over 3 years			56.3%	56.6%	58.2%	60.5%	64.2%	66.4%	67.5%	69.2%	69.8%	70.1%	70.1%	70.1%
Building & Infrastructure Asset Renewal Ratio	9.4%	14.7%	85.0%	15.3%	24.8%	35.3%	56.4%	76.7%	83.7%	90.2%	92.4%	94.3%	96.2%	101.5%
Benchmark - Greater than 100% Average over 3 years			36.4%	38.3%	41.7%	25.1%	38.8%	56.1%	72.2%	83.5%	88.7%	92.3%	94.3%	97.3%
Infrastructure Backlog	0.0%	0.0%	26.3%	6.4%	6.4%	6.3%	6.1%	5.5%	4.9%	4.2%	3.5%	2.1%	0.5%	0.0%
Benchmark - Less than 2%														
Asset Maintenance Ratio	45.3%	47.1%	87.1%	59.9%	70.5%	73.4%	76.4%	79.8%	83.4%	87.2%	91.0%	95.1%	99.3%	100.0%
Benchmark - Greater than 100% Average over 3 years			59.8%	64.7%	72.5%	67.9%	73.4%	76.5%	79.9%	83.5%	87.2%	91.1%	95.1%	98.1%
Debt Service Ratio														
Benchmark - Greater than 0 and < 20% Average	5.5%	6.2%	6.8%	6.6%	8.2%	6.5%	6.1%	5.5%	4.9%	4.6%	4.2%	4.2%	3.6%	2.5%
Over 3 years			6.2%	6.5%	7.2%	7.1%	6.9%	6.1%	5.5%	5.0%	4.6%	4.3%	4.0%	3.4%
Real Operating Expenditure Per Capita	1.84	1.78	1.55	1.69	1.57	1.51	1.47	1.43	1.40	1.43	1.43	1.42	1.41	1.41
Benchmark - A decrease in Real Operating Expenditure per Capita over time														

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Operating Performance Ratio	-31.6%	-33.6%	-22.5%	-23.8%	-23.4%	-18.0%	-11.9%	-5.4%	0.2%	0.1%	0.1%	0.1%	0.2%	0.2%
Operating Performance Ratio														
Operating Revenue (excl. Capital Grants & Contributions) - Operating Expenses				**(19,906,114)**	**(18,803,910)**	**(14,975,111)**	**(10,446,716)**	**(5,071,209)**	**187,238**	**133,101**	**125,905**	**160,393**	**226,912**	**278,215**
Operating Revenue (excl. Capital Grants & Contributions)				**83,719,963**	**80,383,456**	**83,104,576**	**88,111,165**	**93,507,921**	**99,328,625**	**104,352,629**	**106,934,808**	**109,581,719**	**112,294,984**	**115,076,269**
Numerator:														
Revenue from Continuing Operations - Income Statement				92,536,660	86,497,484	86,977,400	95,180,810	97,576,807	103,499,233	108,627,502	111,316,553	114,073,007	116,898,555	119,794,929
less:														
Capital Grants				(8,539,858)	(4,841,028)	(3,592,999)	(4,282,824)	(3,774,895)	(3,869,267)	(3,965,999)	(4,065,149)	(4,166,777)	(4,270,947)	(4,377,721)
Capital Contributions				(276,840)	(1,273,000)	(279,825)	(2,786,821)	(293,991)	(301,341)	(308,874)	(316,596)	(324,511)	(332,624)	(340,940)
FV movements - Investments				-	-	-	-	-	-	-	-	-	-	-
FV movements - Investments - manual adjustment (in $)														
FV movements - Other - manual adjustment (in $)														
FV movements - Investment Properties - manual adjustment (in $)														
Reversal of IPP&E Revaluation Decrements - manual adjustment (in $)														
Net Gain on sale of assets				-	-	-	-	-	-	-	-	-	-	-
Net Share (ie. profit) of Interests in Joint Ventures				-	-	-	-	-	-	-	-	-	-	-
Total Expenses from Continuing Operations				(103,626,076)	(99,187,366)	(98,079,687)	(98,557,881)	(98,579,129)	(99,141,387)	(104,219,528)	(106,808,903)	(109,421,326)	(112,068,072)	(114,798,054)
add back: Revaluation Decrements (Fair Valuation of I,PP&E Assets) - manual adjustment (in $)														
add back: Revaluation Decrements (Fair Valuation of Investment Properties) - manual adjustment (in $)														
add back: Net Loss on sale of assets				-	-	-	-	-	-	-	-	-	-	-
add back: Net Share (ie. loss) of Interests in Joint Ventures				-	-	-	-	-	-	-	-	-	-	-
Other manual adjustment **(in $)**														
Total				**(19,906,114)**	**(18,803,910)**	**(14,975,111)**	**(10,446,716)**	**(5,071,209)**	**187,238**	**133,101**	**125,905**	**160,393**	**226,912**	**278,215**
Denominator:														
Revenue from Continuing Operations - Income Statement				92,536,660	86,497,484	86,977,400	95,180,810	97,576,807	103,499,233	108,627,502	111,316,553	114,073,007	116,898,555	119,794,929
less:														
Capital Grants				(8,539,858)	(4,841,028)	(3,592,999)	(4,282,824)	(3,774,895)	(3,869,267)	(3,965,999)	(4,065,149)	(4,166,777)	(4,270,947)	(4,377,721)
Capital Contributions				(276,840)	(1,273,000)	(279,825)	(2,786,821)	(293,991)	(301,341)	(308,874)	(316,596)	(324,511)	(332,624)	(340,940)
FV movements - Investments				-	-	-	-	-	-	-	-	-	-	-
FV movements - Investments - manual adjustment from above				-	-	-	-	-	-	-	-	-	-	-
FV movements - Other - manual adjustment from above				-	-	-	-	-	-	-	-	-	-	-
FV movements - Investment Properties - manual adjustment from above				-	-	-	-	-	-	-	-	-	-	-
Reversal of IPP&E Revaluation Decrements - manual adjustment from above				-	-	-	-	-	-	-	-	-	-	-
Net Gain on sale of assets				-	-	-	-	-	-	-	-	-	-	-
Net Share (ie. profit) of Interests in Joint Ventures				-	-	-	-	-	-	-	-	-	-	-
Other manual adjustment **(in $)**														
Total				**83,719,963**	**80,383,456**	**83,104,576**	**88,111,165**	**93,507,921**	**99,328,625**	**104,352,629**	**106,934,808**	**109,581,719**	**112,294,984**	**115,076,269**

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Own Source Operating Revenue Ratio	53.0%	56.7%	59.1%	53.9%	61.7%	66.0%	64.9%	68.2%	69.3%	70.1%	70.1%	70.1%	70.1%	70.2%
Own Source Operating Revenue Ratio														
Total continuing operating revenue (less ALL Grants & Contributions)				**49,886,744**	**53,346,144**	**57,394,605**	**61,791,189**	**66,562,689**	**71,742,506**	**76,109,601**	**78,018,449**	**79,975,194**	**81,981,041**	**84,037,221**
Total Operating Revenue (incl. Capital Grants & Contributions)				**92,536,660**	**86,497,484**	**86,977,400**	**95,180,810**	**97,576,807**	**103,499,233**	**108,627,502**	**111,316,553**	**114,073,007**	**116,898,555**	**119,794,929**
Numerator:														
Revenue from Continuing Operations - Income Statement				92,536,660	86,497,484	86,977,400	95,180,810	97,576,807	103,499,233	108,627,502	111,316,553	114,073,007	116,898,555	119,794,929
less:														
ALL Grants				(38,634,084)	(28,573,370)	(25,915,376)	(27,130,516)	(27,161,035)	(27,807,317)	(28,469,756)	(29,148,756)	(29,844,731)	(30,558,105)	(31,289,314)
ALL Contributions				(4,015,832)	(4,577,970)	(3,667,419)	(6,259,105)	(3,853,082)	(3,949,409)	(4,048,145)	(4,149,348)	(4,253,082)	(4,359,409)	(4,468,394)
FV movements - Investments				-	-	-	-	-	-	-	-	-	-	-
FV movements - Investments				-	-	-	-	-	-	-	-	-	-	-
FV movements - Other				-	-	-	-	-	-	-	-	-	-	-
FV movements - Investment Properties				-	-	-	-	-	-	-	-	-	-	-
Reversal of IPP&E Revaluation Decrements				-	-	-	-	-	-	-	-	-	-	-
Net Gain on sale of assets				-	-	-	-	-	-	-	-	-	-	-
Net Share (ie. profit) of Interests in Joint Ventures				-	-	-	-	-	-	-	-	-	-	-
Other manual adjustment **(in $)**														
Total				**49,886,744**	**53,346,144**	**57,394,605**	**61,791,189**	**66,562,689**	**71,742,506**	**76,109,601**	**78,018,449**	**79,975,194**	**81,981,041**	**84,037,221**
Denominator:														
Revenue from Continuing Operations - Income Statement				92,536,660	86,497,484	86,977,400	95,180,810	97,576,807	103,499,233	108,627,502	111,316,553	114,073,007	116,898,555	119,794,929
less:														
FV movements - Investments				-	-	-	-	-	-	-	-	-	-	-
FV movements - Investments - manual adjustment from above				-	-	-	-	-	-	-	-	-	-	-
FV movements - Other - manual adjustment from above				-	-	-	-	-	-	-	-	-	-	-
FV movements - Investment Properties - manual adjustment from above				-	-	-	-	-	-	-	-	-	-	-
Reversal of IPP&E Revaluation Decrements - manual adjustment from above				-	-	-	-	-	-	-	-	-	-	-
Net Gain on sale of assets				-	-	-	-	-	-	-	-	-	-	-
Net Share (ie. profit) of Interests in Joint Ventures				-	-	-	-	-	-	-	-	-	-	-
Other manual adjustment **(in $)**														
Total				**92,536,660**	**86,497,484**	**86,977,400**	**95,180,810**	**97,576,807**	**103,499,233**	**108,627,502**	**111,316,553**	**114,073,007**	**116,898,555**	**119,794,929**

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Building & Infrastructure Renewals Ratio	9.4%	14.7%	85.0%	15.3%	24.8%	35.3%	56.4%	76.7%	83.7%	90.2%	92.4%	94.3%	96.2%	101.5%
Building & Infrastructure Renewals Ratio														
Asset Renewals (Building & Infrastructure)				**3,521,181**	**5,712,367**	**8,212,367**	**13,212,367**	**18,212,367**	**20,212,367**	**22,212,367**	**23,212,367**	**24,212,367**	**25,212,367**	**27,212,367**
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)				**23,004,365**	**23,079,833**	**23,249,394**	**23,437,894**	**23,741,160**	**24,159,192**	**24,623,130**	**25,132,975**	**25,665,773**	**26,221,525**	**26,800,229**
Numerator:														
Asset Renewals (as per Council's Dissection)				3,521,181	5,712,367	8,212,367	13,212,367	18,212,367	20,212,367	22,212,367	23,212,367	24,212,367	25,212,367	27,212,367
Other manual adjustment **(in $)**														
Total				**3,521,181**	**5,712,367**	**8,212,367**	**13,212,367**	**18,212,367**	**20,212,367**	**22,212,367**	**23,212,367**	**24,212,367**	**25,212,367**	**27,212,367**
Denominator:														
Buildings - Depreciation / Amortisation				2,301,532	2,310,902	2,332,093	2,332,093	2,332,093	2,332,093	2,332,093	2,332,093	2,332,093	2,332,093	2,332,093
Buildings - Depreciation / Amortisation - manual adjustment (in $)														
Roads, Bridges & Footpaths - Depreciation / Amortisation				17,371,324	17,433,276	17,577,241	17,765,741	18,069,007	18,487,039	18,950,977	19,460,822	19,993,620	20,549,371	21,128,076
Roads, Bridges & Footpaths - Depreciation / Amortisation - manual adjustment (in $)														
Stormwater Drainage - Depreciation / Amortisation				3,331,510	3,335,655	3,340,061	3,340,061	3,340,061	3,340,061	3,340,061	3,340,061	3,340,061	3,340,061	3,340,061
Stormwater Drainage - Depreciation / Amortisation - manual adjustment (in $)														
Water Supply Network - Depreciation / Amortisation				-	-	-	-	-	-	-	-	-	-	-
Water Supply Network - Depreciation / Amortisation - manual adjustment (in $)														
Sewerage Network - Depreciation / Amortisation				-	-	-	-	-	-	-	-	-	-	-
Sewerage Network - Depreciation / Amortisation - manual adjustment (in $)														
Total				**23,004,365**	**23,079,833**	**23,249,394**	**23,437,894**	**23,741,160**	**24,159,192**	**24,623,130**	**25,132,975**	**25,665,773**	**26,221,525**	**26,800,229**

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Infrastructure Backlog Ratio			26.3%	6.4%	6.4%	6.3%	6.1%	5.5%	4.9%	4.2%	3.5%	2.1%	0.5%	0.0%
Manual Data Input for Ratios														
Infrastructure Backlog Ratio														
Estimated Cost to bring Assets to a Satisfactory Condition				65,978,070	65,127,522	63,478,070	60,065,022	54,066,647	47,918,313	41,116,271	34,144,178	19,997,783	4,878,049	0
Infrastructure Backlog Ratio														
Estimated Cost to bring Assets to a Satisfactory Condition				**65,978,070**	**65,127,522**	**63,478,070**	**60,065,022**	**54,066,647**	**47,918,313**	**41,116,271**	**34,144,178**	**19,997,783**	**4,878,049**	**0**
Total (written down) value of Infrastructure, Building, Other Structures & Depreciable Land Improvement Assets				**1,029,994,409**	**1,016,887,245**	**1,001,299,479**	**990,523,214**	**984,443,682**	**979,946,118**	**976,984,616**	**974,513,269**	**972,509,124**	**970,949,227**	**970,810,627**
Numerator:														
Estimated Cost to bring Assets to a Satisfactory Condition				65,978,070	65,127,522	63,478,070	60,065,022	54,066,647	47,918,313	41,116,271	34,144,178	19,997,783	4,878,049	0
Total				**65,978,070**	**65,127,522**	**63,478,070**	**60,065,022**	**54,066,647**	**47,918,313**	**41,116,271**	**34,144,178**	**19,997,783**	**4,878,049**	**0**
Denominator:														
WDV of Infrastructure														
- Roads, Bridges, Footpaths				612,130,724	600,969,548	591,604,675	587,051,301	587,194,661	588,919,990	592,181,379	595,932,924	600,151,671	604,814,667	610,898,958
- Bulk Earthworks (non-depreciable)				167,235,000	167,235,000	167,235,000	167,235,000	167,235,000	167,235,000	167,235,000	167,235,000	167,235,000	167,235,000	167,235,000
- Stormwater Drainage				133,133,490	130,052,835	126,712,774	123,372,714	120,032,653	116,692,593	113,352,532	110,012,472	106,672,411	103,332,351	99,992,290
- Water Supply Network				-	-	-	-	-	-	-	-	-	-	-
- Sewerage Network				-	-	-	-	-	-	-	-	-	-	-
- Other manual adjustment **(in $)**														
WDV of Buildings				109,046,601	108,052,280	105,720,187	103,388,094	101,056,002	98,723,909	96,391,816	94,059,724	91,727,631	89,395,538	87,063,446
WDV of Other Structures				8,448,594	10,577,582	10,026,843	9,476,105	8,925,366	8,374,627	7,823,888	7,273,149	6,722,410	6,171,672	5,620,933
WDV of Depreciable Land Improvement Assets				-	-	-	-	-	-	-	-	-	-	-
Other manual adjustment **(in $)**														
Total				**1,029,994,409**	**1,016,887,245**	**1,001,299,479**	**990,523,214**	**984,443,682**	**979,946,118**	**976,984,616**	**974,513,269**	**972,509,124**	**970,949,227**	**970,810,627**

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Asset Maintenance Ratio	45.3%	47.1%	87.1%	59.9%	70.5%	73.4%	76.4%	79.8%	83.4%	87.2%	91.0%	95.1%	99.3%	100.0%
Manual Data Input for Ratios														
Asset Maintenance Ratio														
Actual Asset Maintenance				10,273,817	11,032,341	11,771,508	12,560,199	13,458,115	14,416,192	15,438,459	16,529,219	17,693,059	18,934,877	19,552,663
Required Asset Maintenance				17,142,623	15,656,371	16,047,780	16,448,975	16,860,199	17,281,704	17,713,747	18,156,591	18,610,506	19,075,769	19,552,663
						739,167	788,691	897,916	958,077	1,022,267	1,090,760	1,163,840	1,241,818	617,786
Workings														
Asset Maintenance Ratio														
Actual Asset Maintenance				**10,273,817**	**11,032,341**	**11,771,508**	**12,560,199**	**13,458,115**	**14,416,192**	**15,438,459**	**16,529,219**	**17,693,059**	**18,934,877**	**19,552,663**
Required Asset Maintenance				**17,142,623**	**15,656,371**	**16,047,780**	**16,448,975**	**16,860,199**	**17,281,704**	**17,713,747**	**18,156,591**	**18,610,506**	**19,075,769**	**19,552,663**
Numerator:														
Actual Asset Maintenance				10,273,817	11,032,341	11,771,508	12,560,199	13,458,115	14,416,192	15,438,459	16,529,219	17,693,059	18,934,877	19,552,663
Total				**10,273,817**	**11,032,341**	**11,771,508**	**12,560,199**	**13,458,115**	**14,416,192**	**15,438,459**	**16,529,219**	**17,693,059**	**18,934,877**	**19,552,663**
Denominator:														
Required Asset Maintenance				17,142,623	15,656,371	16,047,780	16,448,975	16,860,199	17,281,704	17,713,747	18,156,591	18,610,506	19,075,769	19,552,663
Total				**17,142,623**	**15,656,371**	**16,047,780**	**16,448,975**	**16,860,199**	**17,281,704**	**17,713,747**	**18,156,591**	**18,610,506**	**19,075,769**	**19,552,663**

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Debt Service Ratio	5.5%	6.2%	6.8%	6.6%	8.2%	6.5%	6.1%	5.5%	4.9%	4.6%	4.2%	4.2%	3.6%	2.5%
Debt Service Ratio														
Debt Service Cost				**4,026,110**	**5,254,276**	**4,481,859**	**4,475,367**	**4,301,698**	**4,134,253**	**4,046,453**	**3,784,076**	**3,911,213**	**3,386,508**	**2,464,482**
Income from Continuing Operations excl. Capital Items & Specific Purpose Grants/Contributions				**60,964,830**	**64,380,863**	**68,450,255**	**73,123,230**	**78,178,031**	**83,648,232**	**88,312,970**	**90,526,902**	**92,796,359**	**95,122,734**	**97,507,457**
Numerator:														
Debt redemption from revenue				2,367,408	3,271,686	2,711,231	2,895,213	2,920,884	2,953,952	2,987,971	2,850,695	3,103,364	2,635,817	1,755,309
Transfers to sinking funds - manual adjustment **(in $)**														
Bank overdraft interest - manual adjustment **(in $)**														
Interest applicable for year				1,658,702	1,982,589	1,770,628	1,580,154	1,380,814	1,180,301	1,058,482	933,381	807,849	750,692	709,173
Other manual adjustment **(in $)**														
Total				**4,026,110**	**5,254,276**	**4,481,859**	**4,475,367**	**4,301,698**	**4,134,253**	**4,046,453**	**3,784,076**	**3,911,213**	**3,386,508**	**2,464,482**
Denominator:														
Revenue from Continuing Operations (Income Statement)				92,536,660	86,497,484	86,977,400	95,180,810	97,576,807	103,499,233	108,627,502	111,316,553	114,073,007	116,898,555	119,794,929
less:														
Specific Purpose Operating Grants				(19,016,140)	(12,697,623)	(11,266,727)	(11,515,651)	(11,770,798)	(12,032,324)	(12,300,388)	(12,575,154)	(12,856,789)	(13,145,465)	(13,441,357)
Specific Purpose Operating Contributions				(3,738,992)	(3,304,970)	(3,387,594)	(3,472,284)	(3,559,091)	(3,648,069)	(3,739,270)	(3,832,752)	(3,928,571)	(4,026,785)	(4,127,455)
Specific Purpose Operating Grants & Contributions - manual adjustment **(in $)**														
Specific Purpose Capital Grants				(8,539,858)	(4,841,028)	(3,592,999)	(4,282,824)	(3,774,895)	(3,869,267)	(3,965,999)	(4,065,149)	(4,166,777)	(4,270,947)	(4,377,721)
Specific Purpose Capital Contributions				(276,840)	(1,273,000)	(279,825)	(2,786,821)	(293,991)	(301,341)	(308,874)	(316,596)	(324,511)	(332,624)	(340,940)
Specific Purpose Capital Grants & Contributions - manual adjustment **(in $)**														
Other manual adjustment **(in $)**														
Total				**60,964,830**	**64,380,863**	**68,450,255**	**73,123,230**	**78,178,031**	**83,648,232**	**88,312,970**	**90,526,902**	**92,796,359**	**95,122,734**	**97,507,457**

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Real Operating Expenditure Per Capita	1.84	1.78	1.55	1.69	1.57	1.51	1.47	1.43	1.40	1.43	1.43	1.42	1.41	1.41
Population Data (assume 0.3% growth per annum)			51,043	51,196	51,350	51,504	51,658	51,813	51,969	52,125	52,281	52,438	52,595	52,753
General Fund Expenses from Continuing Operations			92,515,000	103,626,076	99,187,366	98,079,687	98,557,881	98,579,129	99,141,387	104,219,528	106,808,903	109,421,326	112,068,072	114,798,054
CPI			3.70%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Expenditure deflated by			0.855148318	0.83376961	0.81292537	0.792602235	0.77278718	0.7534675	0.734630813	0.716265042	0.698358416	0.680899456	0.663876969	0.647280045
Expenditure deflated			79,114	86,400	80,632	77,738	76,164	74,276	72,832	74,649	74,591	74,505	74,399	74,306
Population Data (assume 0.3% growth per annum)			51,043	51,196	51,350	51,504	51,658	51,813	51,969	52,125	52,281	52,438	52,595	52,753

ITEM	**12.022/15**	**SPECIAL SCHEDULE 7 OF THE ANNUAL FINANCIAL STATEMENTS - BACKLOG WORKS, COSTS TO BRING TO A SATISFACTORY STANDARD AND REQUIRED ANNUAL MAINTENANCE**

Meeting	Council	23 June 2015
Directorate	Corporate	
Reviewed by	Director - Corporate (Ashley Lindsay)	
Attachment	Yes	

SUMMARY

The purpose of this report is to inform Council of the current Infrastructure Renewal Backlog and Asset Maintenance gap.

OFFICER RECOMMENDATION

That the report attached indicating Council's Infrastructure Renewal and Maintenance backlogs, be approved as supporting documentation for Council's Fit For The Future submission to IPART and as supporting documentation for the 2014/15 Annual Financial Statements.

COUNCIL RESOLUTION – 12.022/15

(Crs Lysaught/Howe)

That the report attached indicating Council's Infrastructure Renewal and Maintenance backlogs, be approved as supporting documentation for Council's Fit For The Future submission to IPART and as supporting documentation for the 2014/15 Annual Financial Statements.

Voting recorded as follows
For: **Councillors Williamson, Baker, Howe, Hughes, Kingsley, Lysaught, McKenna, Simmons, Toms**
Against: **Nil**

LINKAGE TO OUR COMMUNITY PLAN

Theme 5 Our Leadership

Objective 5.2 We will have an effective and efficient organisation

Strategy 5.2.3 Ensure existing and future infrastructure is affordable, funded, managed and maintained to ensure inter generational equity and sustainability

BACKGROUND

The NSW Government's current local government reform program 'Fit for the Future' requires Council to prepare a submission by 30 June 2015 to IPART for review, which outlines Council's pathway to becoming fit for the future. Part of Council's submission relates to achieving benchmarks for the three (3) asset related indicators i.e. Building & Infrastructure Asset Renewal Ratio (Sustainability Criteria), Infrastructure Backlog Ratio and Asset Maintenance Ratio (Infrastructure and Service Management criterion).

The Infrastructure Backlog Ratio requires Council to determine the 'Estimated costs to bring to satisfactory condition', and the Asset Maintenance Ratio requires Council to determine the 'Required asset maintenance'. Both ratios are also required to complete Special Schedule 7 of the Annual Financial Statements.

Attachment A to this report shows that Council staff critically reviewed the methodology for deriving the information required for both of these ratios. The methodology review has reduced the estimated costs to bring to satisfactory condition from $319M in 2013/14 to $66M in 2014/15, and increased the required annual maintenance from $19m in 2013/14 to $22M in 2014/15 (see Table 1 below).

Table 1 – Costs to bring to satisfactory and maintenance gap as at June 2015:

Asset Group	2014/15 Cost to Bring to Satisfactory	2014/15 Required Annual Maintenance	2014/15 Projected Maintenance	2014/15 Asset Maintenance Gap
CIVIL SERVICES	$56,892,810	$15,274,508	$10,273,816	$5,000,692
WATER CYCLE	$5,545,000	$3,913,000	$4,011,082	($98,082)
OPEN SPACE & FACILITIES	$3,540,260	$1,967,610	$1,967,610	$0
TOTALS	**$65,978,070**	**$21,155,118**	**$16,252,508**	**$4,902,610**

Further reviews of Council infrastructure asset data including valuations, useful lives, residual values, and what assets are considered to be in an unsatisfactory condition, will be conducted during the 2015/16 financial year so that Council is prepared for the first audit of Special Schedule 7 which is due for the 2015/16 Annual Financial Statements.

KEY ISSUES

As at June 2014 Council did not meet any of the asset related ratios for the Fit For The Future, and is only projected to meet the IPART approach to assessing sustainability for Regional Councils for these ratios under Scenario 3 of the Long Term Financial Plan (LTFP) as shown in Attachment B. Scenario 2 of the LTFP has been excluded from Attachment B as Scenario 2 demonstrates the additional income generated from the SRV but does not show the financial strategy for applying that additional income.

The application of Special Rate Variation (SRV) funds to asset renewals and asset maintenance in Scenario 3 of the Long term Financial Plan would have an immediate positive impact on all three (3) asset related ratios. Councillors should be wary of comparability of unaudited data as much of it and resultant indicators can be heavily influenced by individual council policies and methodologies.

In July 2015 Council will begin an extensive consultation program to engage with the community about the subject of community assets and the levels of service expected in relation to these assets. This consultation will culminate in asking the community if they would support the option of a Special Rate Variation in order to maintain assets at the expected level of service as outlined in Council's Asset Management Plans.

COUNCIL IMPLICATIONS

Budget/Financial

Based on the attached report, Council as at June 2015 has an Infrastructure Renewal Backlog (estimated cost to bring to satisfactory condition) of $66M and a projected Asset Maintenance Gap of $4.9M. The Asset maintenance Gap for 2015/16 is projected to be $4.6M.

To address these sustainability and infrastructure service management issues to demonstrate Council meets Fit For The Future Benchmarks, Council's financial strategy must include increasing revenue streams (i.e. an SRV), and containing expenses by minimising Asset Lifecycle Costs (i.e. Asset Rationalisation and Service Level Reviews).

Asset Management
Data used in creation of the attached report was sourced from Council's Asset Management Plans.

If increased funding is not allocated to assets identified as renewal backlog and to meet the required asset maintenance levels to keep assets at a satisfactory condition, then asset sustainability will suffer as the renewal backlog will continue to grow which results in increased maintenance expenditure and reduced levels of service to the community.

Council is also currently investigating other options to address asset sustainability which include a review of light fleet and heavy plant, depot and office accommodation rationalisation, elimination and review of services, and disposal of pocket parks.

Policy or Regulation
Local Government Code of Accounting Practice and Financial Reporting Guidelines (Special Schedule 7).

Consultation
In completing Attachment A, all members of Council's Asset Management Steering Committee have been consulted. The Committee includes the Managers of Council's major infrastructure asset areas i.e. Civil and Works, Water Cycle, and Open Spaces and Facilities.

In completing Attachment B, Council's Business Support Co-ordinator was consulted.

Legal and Risk Management
In assessing infrastructure assets to determine whether they are in an unsatisfactory condition Council staff have determined that if the asset presents an unacceptable failure risk to users which cannot be mitigated, Council's adopted risk matrix will be used in the assessment process.

Any asset with an assessed risk of 1 or 2 (high or very high risk) from Council's adopted risk matrix that can not be mitigated will be considered to be unacceptable and therefore backlog works.

Prepared by	Matthew Sykes
Attachment	Attachment A - Special Schedule 7 of the Annual Financial Statements (Backlog Works, Costs To Bring To A Satisfactory Standard and Required Annual Maintenance). Attachment B – Asset Ratios Results under Scenario 1 and Scenario 3 of the Long Term Financial Plan.

ATTACHMENT A:

CLARENCE VALLEY COUNCIL

SPECIAL SCHEDULE 7 OF THE ANNUAL FINANCIAL STATEMENTS - BACKLOG WORKS, COSTS TO BRING TO A SATISFACTORY STANDARD and REQUIRED ANNUAL MAINTENANCE

JUNE 2015

BACKLOG WORKS, COSTS TO BRING TO A SATISFACTORY STANDARD and REQUIRED ANNUAL MAINTENANCE

Introduction

As part of the preparation of the annual financial statements reported to the Office of Local Government, Council must provide information in a series of Special Schedules. One of these schedules is Special Schedule 7 – Condition of Public Works. This schedule requires Council to report on the condition of its assets, including the three key elements of:

1. Asset Condition;
2. Estimated Cost to Bring to a Satisfactory Standard; and
3. Required Annual Maintenance.

With regard to item 2 – Estimated Cost to Bring to a Satisfactory Standard, Council must determine two key concepts:

1. What or when is an asset 'Unsatisfactory' (and how is it dealt with in terms of Council's backlog works); and
2. How is a cost determined to bring 'Unsatisfactory' assets to a 'Satisfactory' standard?

The following report defines and then determines 'Unsatisfactory' assets and hence the backlog works for Council's infrastructure assets and subsequently costs to bring those assets to a satisfactory standard.

For this process to be undertaken in a structured, defined and auditable way Council needs to define the standards, methodology and processes it has used to determine both the list of backlog works and how costs have been determined to bring those assets to a satisfactory standard.

Annual maintenance requirements have determined been based on an assessment of Council's adopted levels of service (for Sewer and Water assets information is sourced from Strategic Business Plans as adopted by Council on 28 June 2005), and Council's community plan responses. Customer requests and a review of Council's maintenance register. These factors have been incorporated into an assessment of required maintenance activities and budgets calculated accordingly.

Special Schedule 7 – Condition of Public Works

The Office of Local Government has provided notes for completing Special Schedule 7, which are provided below. These notes provide a general guidance as to the level of information the Office is seeking. Note that at the time of issuing these guidance notes, the Office of Local Government was called the Department of Local Government.

Department of Local Government notes relating to Special Schedule 7:

Schedule 7 as provided must be supported with sufficient detailed attachments that adequately explain the condition of public works (Asset Condition).

Schedule 7 is also required by the DLG for monitoring the condition of public works and the extent to which councils are able to maintain those public assets. The format of schedule 7 is mandatory except for the 'asset categories' which are provided for example purposes only. Councils should provide the asset categories most appropriate to them. Details in respect of the asset condition should be detailed and explained so that the reader can make an informed judgement about the condition of public assets. Therefore, whilst a brief expression such as 'satisfactory', 'unsatisfactory', 'Level 3' etc may be inserted into the 'Asset Condition' column, explanatory details supporting that classification must also be provided.

In determining the cost estimated to bring public works to a satisfactory condition, councils should be estimating in current dollars, the amount required to be spent on existing infrastructure. The level of 'satisfactory' condition is determined by council and relates to existing assets, not enhanced assets.

For example, suppose an existing timber bridge is considered to be in an unsatisfactory condition because of surface deterioration. The cost to bring to satisfactory entails the necessary amount of expenditure to repair or replace the surface to a satisfactory level. If surface replacement entails other costs, or even complete replacement of the bridge, then those costs are included. However, all costs must be limited to providing the 'existing' service, not an improved one. Costs of upgrading existing assets or providing new infrastructure are not included in the estimated cost to bring existing assets to a satisfactory condition.

Required annual maintenance is the amount that should be spent to maintain assets in a satisfactory standard. Current annual maintenance is what has been spent in the reporting period.

Office of Local Government - Local Government Code of Accounting Practice and Financial Reporting (Guidelines) – Draft Update 23 March 2015:

Key Concepts

In relation to the above there are therefore three main concepts that Council needs define with regards to its interpretation and approach to providing data for the completion of Special Schedule 7:

1. Determining What is Satisfactory;
2. Determining the Cost to Bring to Satisfactory; and
3. Determining the Required Annual Maintenance.

In determining Council's approach Council has considered advice and opinions from the following forums:

- Approach proposed by Jeff Roorda and Associates (JRA) in the document *JRA Backlog & SS7 Reporting*;
- Information provided by APV (Valuers and Asset Management) in the document *APV Approach to Special Schedule 7 (17 November 2014)*; and
- MIDROC Forums.

Each of these concepts is discussed below, concluding with a definition of Council's approach.

1. *Determining What is Satisfactory*

JRA Discussion

JRA note the following:

- Satisfactory Service Levels (SSL) are determined by Council taking into account community needs and aspirations in the resourcing strategy scenarios and detailed in Asset Management Plans;
- SSL take into account the Asset Management Plan risk assessment of critical assets and how risks will be managed;
- Asset risks include operational, technical, financial, legal, social, reputational, service interruption, personal injury and environmental risks; and
- SSL align with Asset Management Plan actions required to provide a defined level of service in the most cost-effective manner.

APV Discussion

APV Notes in its approach:

"The Local Government Code of Accounting Practice (update #22 June 2014) provides some specific guidance on SS7. It specifically states that -

Asset Condition

Asset condition assessment is the process of continuous or periodic inspection, assessment, measurement and interpretation of the data to indicate the condition of a specific asset so as to determine the need for some preventative or remedial action.

Councils are strongly encouraged to use the asset condition rankings as set out in the Asset Condition Assessment table in the Integrated Planning and Reporting Manual for local government in NSW. Asset conditions are assessed using a scale of one to five. Assets in condition one are considered to be excellent and that there is no work required (other than normal maintenance) while assets in condition five are considered to be very poor with urgent renewal or upgrading being required.

Asset condition should be based on up to date asset condition assessments rather than an engineering estimates.

***WDV** is the written down value of the assets."*

and

"Based on the IP&R scale and the OLG's intention for the 'satisfactory' (in the absence of a negotiated level of service) to be based on a IP&R score of 2 as satisfactory then the calculation should be based on all assets where the score is assessed as being 'below 2'.

Using the APV scale this would translate scores equal to or below 3M as shown below. This is because an asset assessed at 3H under APV scale would still only require minor maintenance. Assets at the 3M score are more likely to require a higher level of maintenance."

MIDORC Forums

The MIDROC Forums (facilitated by JRA) discussed the application of the JRA approach and its application to condition and other data held by Council. The general approach discussed was that condition alone did not necessary determine whether an asset was unsatisfactory and other factors, such as risk and the current controls of Council to mitigate risk, community expectation and acceptance and cost implications of maintaining assets in a deteriorated condition all impacted on the decision making process. The availability of funding also impacts on this process.

As an example a road that had technically failed (condition 4 or 5) but had a low traffic count, met the current community needs and was unlikely to ever be reconstructed by Council because of its (lack of) significance on the road network as a whole and other competing financial needs but could be maintained economically to provide a safe road environment would not be backlog works.

It is Water Cycle's understanding that Water Cycle assets have not been specifically considered in the MIDROC forums, but advice provided by other sections of Council are that assets which have technically failed but are not being considered for renewal within the next 5 years and can be maintained economically such that they provide the level of service specified by Council would not be backlog works.

Council Adopted Methodology for Determining What is Unsatisfactory (Backlog Works)

Based on the discussion above the approach adopted by Council in determining 'unsatisfactory' assets and hence backlog works are:

If an asset meets one of the following criteria the asset is considered to be backlog for Special Schedule 7 reporting purposes:

a) The asset fails to deliver the required Level of Service (LOS) agreed with the community, having regard to cost provision. Council assets with a condition rating of 3M or higher (APV system) or condition rating 4 or 5 (Council system) will provide a base list of assets not meeting the required LOS. This rating is based on a technical condition assessment of the asset and does not include community based LOS considerations. This list will then be refined considering whether the asset in its current state is meeting the community need. Council has consulted with the community in general terms in the preparation of Council's Community Plan. It also maintains a Customer Request Management System (CRMS) which provides Council with data on Customer requests for individual assets and circumstances. This combined information will provide Council with adequate information to assess community opinion on the service provided by particular assets. If it is considered that the asset is meeting the current needs of the community in its current form it will not be considered a backlog work based on this criteria.

b) The asset is past the point of least-cost intervention (Council is not minimising the long-term cost of providing the asset/service). An assessment will be undertaken on whether the asset can be adequately maintained to provide the current level of service within current and predicted funding levels. If it can, it will not be considered a backlog work based on this criterion.

c) If the asset presents an unacceptable failure risk to users which cannot be mitigated. Council's adopted risk matrix will be used in the assessment process. Any asset with an assessed risk of 1 or 2 (high or very high risk) will be considered to be unacceptable (however see note below). Accident data where available for Civil Services assets will be used to inform the decision making process. If the asset is not assessed as having an assessed risk of 1 or 2 (high or very high risk) it will not be considered a backlog work based on this criterion.

d) The nominated asset is not programmed for funding for repair or restoration that would return the asset to a satisfactory condition in the current financial year's budget and the following financial year's budget. If an asset meets the criteria of a), b) or c) above but is programmed for repair of restoration within the next one year period it will not be considered a backlog work based on this criterion.

It is noted that while these principles will be applied across all asset groups their specific application will change based on the asset group being considered (i.e. the type of risk will change based on which asset group is being considered).

Each asset will be assessed individually and the results for each asset group tabulated to provide an over-all detailed list of 'unsatisfactory' assets.

Notes re criteria "c"

- While some sections of Council's water mains are located in areas identified as being at risk of riverbank failure are considered "very high" risk, they are not considered as having an "unacceptable failure risk to users which cannot be mitigated" as temporary repairs can be implemented if a section of riverbank fails which would serve until permanent water main relocation measures are designed and constructed. To manage this riverbank failure risk, the long term financial plan contains $1.5 million for water main renewal in each of Years 4 and 5. This renewal contingency will continue to be "rolled forward" to Years 4 and 5 of the program until a failure eventuates (or the work is undertaken due to the asset meeting other backlog renewal requirements). Due to property acquisition requirements, the earliest that renewal of a section where riverbank failure has occurred could commence would be in Year 4.
- There are three river bridge crossings (Brushgrove, McFarlane Bridge at Maclean and Harwood Bridge at Harwood) which have been assessed as being "very high" risk on the basis that there is a single pipe crossing the waterway at these locations which provides the sole supply to a significant proportion of Council's water supply customers. The basis of the "very high" risk rating is that if a pipe failure occurred a these locations it would be very difficult to restore services within an acceptable timeframe. Again, these items have not been assessed as backlog as verbal discussions with Council's water utility regulator (NSW Office of Water) have suggested that, due to the magnitude of the

impact of a failure at these locations Council should be able to access external emergency support (e.g. a desalination plant from defence) until repairs can be undertaken. When new infrastructure is constructed by external agencies (e.g. the new Harwood Bridge proposed to be constructed by RMS within the next 5 years), Council will request access to that infrastructure to install duplicate water mains and thus remove the risk of a single main failing.

2. *Determining the Cost to Bring to Satisfactory*

JRA Discussion

JRA note the following:

- Cost to Bring to Satisfactory (BTS) is the sum of Modern Equivalent Renewal Cost of high residual risk assets not financed in current or next year's budget. This is based on assets due for renewal but not funded. Cost to bring to satisfactory is the most efficient modern equivalent capital treatment to keep the asset to service.
- Audited by link to Asset Management Plan and Risk Register.
- Deferring renewal may result in the modern equivalent renewal cost increasing and will impact future BTS reporting.
- BTS must be carried out for each material asset component. Network averages should not be used to determine BTS.
- Aspirational service levels that the community does not want to pay for and do not present high residual risks are not infrastructure backlog or financial sustainability risks.

APV Discussion

APV Notes in its approach:

Estimated cost to bring to a satisfactory standard (BTS)

Satisfactory is defined as "satisfying expectations or needs, leaving no room for complaint, causing satisfaction, adequate"[1]. The estimated cost to bring assets to a satisfactory standard is the amount of money that is required to be spent on an asset to ensure that it is in a satisfactory standard. This should not include any planned enhancements.

Unless Council has undertaken consultation with their community and has agreed to a level of service from councils assets the BTS should be measured against the second condition rating of Good as stated in the Integrated Planning and Reporting Manual for local government in NSW.

The guidance also specifically states that it is the estimate to bring the asset back to a satisfactory standard and not to include any enhancements. APV's valuation approach takes into account the estimated cost to bring an asset back to 'as new'. Essentially the assessment of worst case scenario and estimate of the likely treatment and its associated cost determines the Residual Vale and Depreciable Amount.

Based on this our proposed approach is to estimate the amount required to bring to a satisfactory standard as the difference in value between its existing value (provided it is assessed as 3M or worse) and what its value would be if it was assessed as 3H

MIDORC Forums

There has been limited discussion at the forums regarding backlog valuation. From the limited discussion the general consensus appears to be to use the Modern Equivalent Renewal Cost.

Council Adopted Methodology for Determining the Cost to Bring to Satisfactory

There are major differences in approach between JRA and APV. While the APV approach will produce a minimal cost to bring to satisfactory there are some difficulties and deficiencies with the approach, including:

- The approach requires estimating the Written Down Value of the asset at a 3H (APV system) condition;
- There is a reduced direct financial link between Special Schedule 7 and the Asset Management Plan as the Asset Management Plan is based on asset replacement cost.
- The approach is not considered appropriate for most Water Cycle assets on the basis that the nature of bringing water cycle assets to a satisfactory standard (e.g. sewer pipe relining, sewer well epoxy coating, water main renewal, pump replacement etc.) results in an asset condition which is between Condition 1H and 2H (i.e. the asset cannot be brought to only a “satisfactory” standard and as such the cost to bring to a satisfactory standard is the same as the cost to bring to a Condition 1H to 2H standard, depending on the nature of the asset renewal).

On this basis Council will use the Modern Equivalent Renewal Cost (MERC) to determine the cost to bring to satisfactory or other rehabilitation option as deemed the most appropriate. For backlog works the MERC requires some clarification. In this context MERC is taken to mean the cost to renew with current materials and design (e.g. replacing a timber log culvert with an equivalent sized concrete culvert). MERC is not taken to mean widening roads to current design standards as this is considered to be upgrade and is outside the scope of Special Schedule 7. If required, widening would be included in the Asset Management Plan. MERC is also not taken to mean upgrading sewer and water treatment to current agency requirements (e.g. “Accepted Modern Technology” for Sewage Treatment Plants), even where licence conditions require such upgrading, as this is considered to be an upgrade and is outside the scope of SS7. If required, such upgrade would be included in the Asset Management Plan.

3. *Required Annual Maintenance*

JRA Discussion

JRA note the following:

Required Annual Maintenance is the cost of unfunded maintenance needed to manage increased risk resulting from deferred renewal of high residual risk assets.

Council Adopted Methodology for Determining Required Annual Maintenance

Council has determined the Required Annual Maintenance by assessing the following information:

- Council's levels of service based on assessment of each asset group and published technical information on the maintenance of various asset groups (Water & Sewer assets per levels of service as outlined in its Strategic Business Plans and manufacturer's guidance on maintenance) ;
- Information contained in Council's Community Plan;
- An assessment of customer requests;
- A review of Council's asset register, including condition rating;
- A review of Council's maintenance register; and
- Current and potential work practices.

For each asset group required service activities have been determined based on an assessment of the above issues. Each activity has then been costed to provide an over-all budget for each asset group.

It should be noted that as the sewer and water funds (Water Cycle) are separate from the General Fund, Council's Water Cycle assets have historically allocated funds required for annual maintenance (i.e. there is no maintenance funding "gap" for water and sewer assets). The required annual funds for maintenance are therefore the same as the maintenance budget.

Asset Assessment

Based on the methodology described above an assessment has been undertaken on the major asset groups as detailed below:

Part 1 – Civil Services Assets:

A. Sealed Road Network
B. Unsealed Road Network
C. Bridges
D. Signs
E. Guardrail/Fencing
F. Surface Drainage
G. Road Culverts
H. Roadside Furniture
I. Footpaths/Cycleways
J. Street Lighting
K. Water Facilities
L. Bus Shelters
M. Car Parks

N. Stormwater
O. Floodplain
P. Airports

Part 2 – Water Cycle Assets:

A. Dams and weirs
B. Water supply mains
C. Water Storage and Treatment
D. Water Pumping Stations
E. Water Meters and Services
F. Sewerage Mains
G. Sewerage Pumping Stations
H. Sewage Treatment Plants

Part 3 – Open Spaces & Facilities Assets:

A. Aquatic Facilities
B. Buildings
C. Caravan Parks
D. Open Spaces
E. Saleyards
F. Waste

Summary of Unsatisfactory Assets, Cost to Bring to Satisfactory and Required Annual Maintenance

Asset Group	2014/15 Cost to Bring to Satisfactory	2014/15 Required Annual Maintenance	2014/15 Projected Maintenance	2014/15 Asset Maintenance Gap
CIVIL SERVICES ASSETS	$56,892,810	$15,274,508	$10,273,816	$5,000,692
WATER CYCLE ASSETS	$5,545,000	$3,913,000	$4,011,082	($98,082)
OPEN SPACE & FACILITIES ASSETS	$3,540,260	$1,967,610	$1,967,610	$0
TOTALS	**$65,978,070**	**$21,155,118**	**$16,252,508**	**$4,902,610**

Asset Group	2015/16 Required Annual Maintenance	2015/16 Projected Maintenance	2015/16 Asset Maintenance Gap
CIVIL SERVICES ASSETS	$15,656,371	$11,032,341	$4,624,030
WATER CYCLE ASSETS	$4,010,825	$4,092,400	($81,575)
OPEN SPACE & FACILITIES ASSETS	$4,842,275	$4,842,275	$0
TOTALS	**$24,591,046**	**$19,885,441**	**$4,542,455**

Part 1 – Civil Services Assets:

Asset Group	2014/15 Cost to Bring to Satisfactory	2014/15 Required Annual Maintenance	2014/15 Projected Maintenance	2014/15 Asset Maintenance Gap
Sealed Road Network	$23,882,657	$6,182,254	$4,139,296	$2,042,958
Unsealed Road Network	$820,702	$4,314,139	$3,539,876	$774,263
Bridges	$1,135,000	$837,684	$457,454	$380,230
Signs	$0	$378,081	$122,946	$255,135
Guardrail/Fencing	$0	$144,516	$17,099	$127,417
Surface Drainage	$1,024,341	$743,236	$310,317	$432,919
Road Culverts	$20,481,270	$704,829	$273,528	$431,301
Roadside Furniture	$0	$238,927	$59,377	$179,550
Footpaths/Cycleways	$1,393,307	$264,704	$192,572	$72,132
Street Lighting	$0	$0	$0	$0
Water Facilities	$1,746,066	$94,458	$81,121	$13,337
Bus Shelters	$0	$40,597	$45,118	($4,521)

Car Parking	$0	$49,813	$24,668	$25,145
Stormwater	$2,510,205	$320,426	$91,448	$228,978
Floodplain	$3,899,262	$734,571	$815,082	($80,511)
Airports	$0	$226,273	$103,914	$122,359
TOTALS	**$56,892,810**	**$15,274,508**	**$10,273,816**	**$5,000,692**

Asset Group	2015/16 Required Annual Maintenance	2015/16 Projected Maintenance	2015/16 Asset Maintenance Gap
Sealed Road Network	$6,336,810	$4,414,098	$1,922,712
Unsealed Road Network	$4,421,992	$3,809,430	$612,562
Bridges	$858,626	$530,000	$328,626
Signs	$387,533	$132,900	$254,633
Guardrail/Fencing	$148,129	$19,200	$128,929
Surface Drainage	$761,817	$331,000	$430,817
Road Culverts	$722,450	$283,200	$439,250
Roadside Furniture	$244,900	$56,500	$188,400
Footpaths/Cycleways	$271,322	$199,000	$72,322
Street Lighting	$0	$0	$0
Water Facilities	$96,819	$98,600	($1,781)
Bus Shelters	$41,612	$40,500	$1,112
Car Parking	$51,058	$49,813	$1,245
Stormwater	$328,437	$130,000	$198,437
Floodplain	$752,936	$737,600	$15,336
Airports	$231,930	$200,500	$31,430
TOTALS	**$15,656,371**	**$11,032,341**	**$4,624,030**

A. Sealed Road Network

i) Cost to Bring to Satisfactory

Council condition rated pavements in 2014 (using a 9 point scoring system as requested by APV). An assessment of backlog works using the system detailed above has been undertaken. The following criteria were used to determine backlog works.

Criteria 1:

Roads condition rated 7 or greater (equivalent to condition 4 or 5) and an AADT >=50 vpd. It is considered that with an AADT less than this level traffic volume Council is likely to continue to maintain the road, no matter how rough the road becomes, rather than reconstruct the road. The only exception to this is if the site has a recorded accident history over the past 5 years.

In determining the cost to bring to satisfactory, renewal costs have been based on the current road geometry. No allowance has been made for the widening of the road to current design standards as the guidelines advise that “upgrading” should not be included.

Number of Road Segments: 138

Road Length: 74,627 metres

Cost to Bring to Satisfactory: **$23,882,657**

ii) Required Annual Maintenance 2014/15

Annual maintenance requirements to maintain Council assets to an acceptable standard have been determined as part of the zero based budgeting process. The following asset annual maintenance requirements have been determined:

Urban Roads – Sealed Roads Surface Maintenance	$ 340,779
Urban Roads – Minor Heavy Patching	$ 725,000
Urban Roads – Shoulder Grading/Resheeting	$ 153,378
Urban Roads – Pavement Marking	$ 57,846
Urban Roads – Vandalism	$ 29,500
Rural Sealed Roads – Sealed Roads Surface Maintenance	$ 567,293
Rural Sealed Roads – Minor Heavy Patching	$ 802,520
Rural Sealed Roads – Shoulder Grading/Resheeting	$ 801,524
Rural Sealed Roads – Pavement Marking	$ 74,615
Rural Sealed Roads – Roadside Growth	$ 310,761
Rural Sealed Roads – Tree Maintenance	$ 284,543
Rural Sealed Roads – Vandalism	$ 9,089
Rural Sealed Roads – Miscellaneous Sealed Maintenance	$ 78,889
Regional Sealed Roads – Sealed Roads Surface Maintenance	$ 317,578
Regional Sealed Roads – Minor Heavy Patching	$ 911,220
Regional Sealed Roads – Shoulder Grading/Resheeting	$ 244,910
Regional Sealed Roads – Pavement Marking	$ 137,862
Regional Sealed Roads – Roadside Growth	$ 143,312
Regional Sealed Roads – Tree Maintenance	$ 175,498
Regional Sealed Roads – Vandalism	$ 16,137
TOTAL	**$6,182,254**

B. Unsealed Road Network

i) Cost to Bring to Satisfactory

Projects listed in the cost to bring to satisfactory are the outstanding works associated with the sealing of unsealed roads that contain asbestos contaminated gravel. Councils document *Asbestos Management Plan* identifies roads to be sealed. Council has been sealing roads on a priority basis (based on traffic volumes) since 2011/12. The listed works below are the works outstanding in this process.

Number of Road Segments: 4

Road Length: 23,537 metres

Cost to Bring to Satisfactory: **$820,702**

While standard unsealed roads deteriorate throughout the year it is considered that they can be maintained to a 'trafficable' standard by normal maintenance. Therefore there a no other unsealed roads are considered as backlog works.

ii) Required Annual Maintenance 2014/15

Annual maintenance requirements to maintain Council assets to an acceptable standard have been determined as part of the zero based budgeting process. The following asset annual maintenance requirements have been determined:

Urban Roads – Maintenance Grading	$ 74,730
Urban Roads – Unsealed Road Resheeting Program	$ 65,821
Rural Unsealed Roads - Rural Maintenance Grading	$2,230,831
Rural Unsealed Roads – Roadside Growth	$ 8,000
Rural Unsealed Roads – Tree Maintenance	$ 251,183
Rural Unsealed Roads – Unsealed Road Resheeting Program	$1,382,159
Rural Unsealed Roads – Miscellaneous Unsealed Maintenance	$ 78,889
Rural Unsealed Roads – Vandalism	$ 9,089
Regional Roads – Maintenance Grading	$ 132,853
Regional Roads – Unsealed Road Resheeting Program	$ 80,584
TOTAL	**$4,314,139**

C. Bridges

i) Cost to Bring to Satisfactory

Council has recently completed a review (November 2014) of the Council bridge inventory to update the timber bridge replacement schedule. Included in this review was a re-appraisal of the condition rating of the timber bridges in particular.

Based on the re-appraisal and assessment the following works are considered backlog.

Number of Bridges:	9
Bridge Length:	136.57 metres
Cost to Bring to Satisfactory:	**$1,135,000**

ii) Required Annual Maintenance 2014/15

Annual maintenance requirements to maintain Council assets to an acceptable standard have been determined as part of the zero based budgeting process. The following asset annual maintenance requirements have been determined:

Local Roads Bridges Maintenance	$678,952
Regional Roads Bridges Maintenance	$158,732
TOTAL	**$837,684**

D. Signs

i) Cost to Bring to Satisfactory

The assessment of signs assets is based on the existing asset register. It is noted that Council proposes to re-assess the condition of all signs during mid-2015 which may change the outcome of the assessment.

Council has included funding in the maintenance budget for 2015/2016 to replace all the signs identified as either illegible or damaged. As a result there are not considered to be any backlog signage works.

ii) Required Annual Maintenance 2014/15

Annual maintenance requirements to maintain Council assets to an acceptable standard have been determined as part of the zero based budgeting process. The following asset annual maintenance requirements have been determined:

Urban Signs	$156,006
Rural Local Sealed Roads	$107,561
Rural Local Unsealed Roads	$ 49,233
Regional Roads	$ 65,281
TOTAL	**$378,081**

E. Guardrail/Fencing

i) Cost to Bring to Satisfactory

The assessment of guardrail/fencing assets is based on the existing asset register.

There are no condition 4 assets in the asset register apart from chain wire fencing. This fencing performs no road safety measure and has generally been ignored from a replacement scenario. If and when funding is available, Council will upgrade these assets with guardrail or wire fencing as required. As a result there are not considered to be any backlog signage works.

ii) Required Annual Maintenance 2014/15

Annual maintenance requirements to maintain Council assets to an acceptable standard have been determined as part of the zero based budgeting process. The following asset annual maintenance requirements have been determined:

Urban Roads – Guardrail Maintenance	$ 6,086
Rural Sealed Roads – Guardrail Maintenance	$ 89,094
Rural Unsealed Roads – Guardrail Maintenance	$ 0
Regional Roads – Guardrail Maintenance	$ 49,336
TOTAL	**$144,516**

F. Surface Drainage

i) Cost to Bring to Satisfactory

The assessment of surface drainage assets is based on the existing asset register. It is noted that Council is currently assessing all surface drainage assets and the list of backlog works may change once the assessment is completed.

Surface drainage assets rated at condition 4 and 5, which have major structural deficiencies, will be listed as backlog works.

Number of Surface Drainage Assets: 94

Cost to Bring to Satisfactory: **$1,024,341**

ii) Required Annual Maintenance 2014/15

Annual maintenance requirements to maintain Council assets to an acceptable standard have been determined as part of the zero based budgeting process. The following asset annual maintenance requirements have been determined:

Urban Roads – Kerb and Gutter Maintenance	$319,575
Urban Roads – Open Drainage Maintenance	$423,661
TOTAL	**$743,236**

G. Road Culverts

i) Cost to Bring to Satisfactory

The assessment of road culvert assets is based on the existing asset register. It is noted that Council is currently assessing all road culverts and the list of backlog works may change once the assessment is completed.

Culverts rated at condition 4 and 5, which have major structural deficiencies, will be listed as backlog works.

Number of Culverts: 1,855

Culverts Length: 17,144.6 metres

Cost to Bring to Satisfactory: **$20,481,270**

ii) Required Annual Maintenance 2014/15

Annual maintenance requirements to maintain Council assets to an acceptable standard have been determined as part of the zero based budgeting process. The following asset annual maintenance requirements have been determined:

Rural Sealed Roads – Drainage Maintenance	$249,592
Rural Unsealed Roads – Drainage Maintenance	$320,440
Regional Roads – Drainage Maintenance	$134,797
TOTAL	**$704,829**

H. Roadside Furniture

i) Cost to Bring to Satisfactory

The assessment of roadside furniture assets is based on the existing asset register.

Council has included funding in the maintenance budget for 2015/2016 to replace all the roadside furniture that is in a poor condition. As a result there are not considered to be any backlog roadside furniture works.

ii) Required Annual Maintenance 2014/15

Annual maintenance requirements to maintain Council assets to an acceptable standard have been determined as part of the zero based budgeting process. The following asset annual maintenance requirements have been determined:

Urban Roads – Guidepost Maintenance	$ 27,487
Rural Sealed Roads – Guidepost Maintenance	$ 56,384
Rural Unsealed Roads – Guidepost Maintenance	$ 49,336
Regional Roads – Guidepost Maintenance	$105,720
TOTAL	**$238,927**

I. Footpaths/Cycleways

i) Cost to Bring to Satisfactory

The assessment of footpath and cycleway assets is based on the existing asset register.

Footpaths and cycleways rated at condition 4 and 5, which have major structural deficiencies, will be listed as backlog works.

Number of Footpath Segments:	99
Footpath Length:	4,207 metres
Cost to Bring to Satisfactory:	**$1,393,307**

ii) Required Annual Maintenance 2014/15

Annual maintenance requirements to maintain Council assets to an acceptable standard have been determined as part of the zero based budgeting process. The following asset annual maintenance requirements have been determined:

Footpaths and Cycleways Maintenance	**$264,704**

J. Street Lighting

i) Cost to Bring to Satisfactory

The assessment of street lighting assets is based on the existing asset register.

There are no assets in poor condition in this asset group that require renewal. As a result there are not considered to be any backlog signage works.

ii) Required Annual Maintenance 2014/15

Street Lighting costs have been determined as operational rather than maintenance costs.

Street Lighting Maintenance **$0**

K. Water Facilities

i) Cost to Bring to Satisfactory

The assessment of water facilities assets is based on the existing asset register.

Water facilities (jetties and pontoons and boat ramps) rated at condition 4 and 5, which have major structural deficiencies, will be listed as backlog works.

Number of Jetties/Pontoons:	3
Number of Boat Ramps:	5
Cost to Bring to Satisfactory (Jetties/Pontoons):	**$1,393,307**
Cost to Bring to Satisfactory (Boat Ramps):	**$352,759**
Total Cost to Bring to Satisfactory:	**$1,746,066**

ii) Required Annual Maintenance 2014/15

Annual maintenance requirements to maintain Council assets to an acceptable standard have been determined as part of the zero based budgeting process. The following asset annual maintenance requirements have been determined:

Wharves and Jetties Maintenance **$94,458**

L. Bus Shelters

i) Cost to Bring to Satisfactory

The assessment of bus shelter assets is based on the existing asset register.

Council has included funding in the maintenance budget for 2015/2016 to repair bus shelter assets that are in a poor condition. As a result there are not considered to be any backlog signage works.

ii) Required Annual Maintenance 2014/15

Annual maintenance requirements to maintain Council assets to an acceptable standard have been determined as part of the zero based budgeting process. The following asset annual maintenance requirements have been determined:

Bus Shelter Maintenance **$40,597**

M. Car Parks

i) Cost to Bring to Satisfactory

The assessment of car parks is based on the existing asset register.

Council has included funding in the maintenance budget for 2015/2016 to maintain car parks to an acceptable standard. As a result there are not considered to be any backlog signage works.

ii) Required Annual Maintenance 2014/15

Annual maintenance requirements to maintain Council assets to an acceptable standard have been determined as part of the zero based budgeting process. The following asset annual maintenance requirements have been determined:

Urban Roads – Car park Areas **$49,813**

N. Stormwater

i) Cost to Bring to Satisfactory

The assessment of stormwater assets is based on the existing asset register.

Stormwater assets (pipes and pits) rated at condition 4 and 5, which have major structural deficiencies, will be listed as backlog works.

Number of Pipeline Segments: 49

Number of Pits: 36

Cost to Bring to Satisfactory (Pipeline): **$2,352,810**

Cost to Bring to Satisfactory (Pits): **$157,395**

Total Cost to Bring to Satisfactory: **$2,510,205**

ii) Required Annual Maintenance 2014/15

Annual maintenance requirements to maintain Council assets to an acceptable standard have been determined as part of the zero based budgeting process. The following asset annual maintenance requirements have been determined:

Urban Roads – Piped Drainage Maintenance **$320,426**

O. Floodplain

i) Cost to Bring to Satisfactory

The assessment of assets is based on the existing asset register.

Floodplain assets rated at condition 4 and 5, which have major structural deficiencies, will be listed as backlog works.

Number of Floodplain Assets: 176

Cost to Bring to Satisfactory: **$3,899,262**

ii) Required Annual Maintenance 2014/15

Annual maintenance requirements to maintain Council assets to an acceptable standard have been determined as part of the zero based budgeting process. The following asset annual maintenance requirements have been determined:

Asset Inspections	$ 40,245
Levee Maintenance	$115,964
Open Drain Maintenance	$193,846
Culvert Maintenance	$123,284
Bridge Maintenance	$ 5,000
Floodgate Maintenance	$154,330
Farm Crossing Maintenance	$ 6,968
Pump Maintenance	$ 27,368
Clarence Floodplain Project (CFP) Maintenance	$ 24,426
Rock Armouring	$ 39,445
Miscellaneous Maintenance	$ 3,695
TOTAL	**$734,571**

P. Airports

i) Cost to Bring to Satisfactory

The assessment of airports assets is based on the existing asset register. There are five assets that are rated condition 4 or 5. However, all these assets are programmed for renewal in 2015/2016. Therefore there are no airport backlog assets.

ii) Required Annual Maintenance 2014/15

Annual maintenance requirements to maintain Council assets to an acceptable standard have been determined as part of the zero based budgeting process. The following asset annual maintenance requirements have been determined:

Airports Administration	$ 39,939
Technical Inspections	$ 18,300
Routine Aerodrome Inspections	$ 43,783
Radio and Communication Maintenance	$ 1,000
Airfield Maintenance	$ 28,690
Movement Area Maintenance	$ 44,500
Markings and Markers Maintenance	$ 2,000
Lighting Maintenance	$ 1,000
Access Road/Car Park Maintenance	$ 37,500
Runway Approaches Clearing	$ 3,500
Buildings Maintenance	$ 3,561
Australian Airports Association (AAA) Meetings	$ 2,500
TOTAL	**$226,273**

Part 2 – Water Cycle Assets:

Asset Group	2014/15 Cost to Bring to Satisfactory	2014/15 Required Annual Maintenance	2014/15 Projected Maintenance	2014/15 Asset Maintenance Gap
Dams and Weirs	$0	$235,000	$230,000	$5,000
Water Supply Mains	$1,228,000	$1,650,000	$1,733,750	($83,750)
Water Storage and Treatment	$1,491,000	$232,000	$366,422	($134,422)
Water Pumping Stations	$0	$42,000	$45,910	($3,910)
Water Meters and Services	$222,000	$0	$0	$0
Sewerage Mains	$0	$660,000	$550,000	$110,000
Sewerage Pumping Stations	$2,375,000	$623,000	$435,000	$188,000
Sewage Treatment Plants	$229,000	$471,000	$650,000	($179,000)
TOTALS	**$5,545,000**	**$3,913,000**	**$4,011,082**	**($98,082)**

Asset Group	2015/16 Required Annual Maintenance	2015/16 Projected Maintenance	2015/16 Asset Maintenance Gap
Dams and Weirs	$240,875	$240,000	$875
Water Supply Mains	$1,691,250	$1,690,500	$750
Water Storage and Treatment	$237,800	$246,700	($8,900)
Water Pumping Stations	$43,050	$43,400	($350)
Water Meters and Services	$0	$0	$0
Sewerage Mains	$676,500	$705,200	$28,700
Sewerage Pumping Stations	$638,575	$503,100	$135,475
Sewage Treatment Plants	$482,775	$663,500	($180,725)
TOTALS	**$4,010,825**	**$4,092,400**	**($81,575)**

Part 2 – Water Cycle Assets:

A. Dams and Weirs

i) Cost to Bring to Satisfactory

The condition assessment of Council's dams and weirs was that all assets were in a satisfactory condition.

ii) Required Annual Maintenance 2014/15

Annual maintenance requirements to maintain Council's dams and weirs to an acceptable standard (2014/15) have been determined based on historic expenditure, and confirmed using the zero based budgeting process, as **$235,000.**

B. Water Supply Mains

i) Cost to Bring to Satisfactory

The assessment of Council's water mains identified 42 segments as being at Condition 4 or 5; of these, 21 segments are either in the 2014/15 or 2015/16 renewal programs or it has been determined not to renew the mains as they are not past the point of least cost intervention. The 21 remaining segments have an estimated renewal cost of **$1,228,000.**

ii) Required Annual Maintenance 2014/15

Annual maintenance requirements to maintain Council's mains to an acceptable standard (2014/15) have been determined based on historic expenditure, and confirmed using the zero based budgeting process, as **$1,650,000.**

C. Water Storage and Treatment

i) Cost to Bring to Satisfactory

The assessment of Council's water storage and treatment identified 24 components being at Condition 4 or 5; of these, 11 components are either in the 2014/15 or 2015/16 renewal programs or it has been determined to abandon/mothball these assets. The 13 remaining segments have an estimated renewal cost of **$1,491,000.**

ii) Required Annual Maintenance 2014/15

Annual maintenance requirements to maintain Council's water storage and treatment to an acceptable standard (2014/15) have been determined based on historic expenditure, and confirmed using the zero based budgeting process, as **$232,000.**

D. Water Pump Stations

i) Cost to Bring to Satisfactory

The assessment of Council's water pump stations identified 5 components being at Condition 4 or 5; however, all components are either included in the 2014/15 or 2015/16 renewal programs or it has been determined to abandon/mothball these assets. The cost to bring to satisfactory is therefore zero.

ii) Required Annual Maintenance 2014/15

Annual maintenance requirements to maintain Council's water pump stations to an acceptable standard (2014/15) have been determined based on historic expenditure, and confirmed using the zero based budgeting process, as **$42,000.**

E. Water Meters and Services

i) Cost to Bring to Satisfactory

The assessment of Council's water meters and services identified 1454 meters and services being at Condition 4 or 5 at an estimated renewal cost of $352,000. Council has a rolling annual meter renewal program which has $130,000 allocated in 2015/16. The cost to bring to satisfactory is therefore **$222,000**.

ii) Required Annual Maintenance 2014/15

Water meters are "replace when fail" and the required annual maintenance is therefore zero.

F. Sewerage Mains

i) Cost to Bring to Satisfactory

The assessment of Council's sewerage mains identified 17 segments as being at Condition 4 or 5; however, all segments components are included in the 2014/15 or 2015/16 renewal programs. The cost to bring to satisfactory is therefore zero.

ii) Required Annual Maintenance 2014/15

Annual maintenance requirements to maintain Council's sewerage mains to an acceptable standard (2014/15) have been determined based on historic expenditure, and confirmed using the zero based budgeting process, as **$660,000.**

G. Sewerage Pumping Stations

i) Cost to Bring to Satisfactory

The assessment of Council's sewerage pumping stations identified 66 components being at Condition 4 or 5; of these, 14 components are included in the 2014/15 or 2015/16 renewal programs. The 52 remaining components have an estimated renewal cost of **$2,375,000.**

ii) Required Annual Maintenance 2014/15

Annual maintenance requirements to maintain Council's sewerage pump stations to an acceptable standard (2014/15) have been determined based on historic expenditure, and confirmed using the zero based budgeting process, as **$623,000.**

H. Sewage Treatment Plants

i) Cost to Bring to Satisfactory

The assessment of Council's sewage treatment plants identified 15 components being at Condition 4 or 5; of these, 8 components are proposed to be abandoned as they are no longer used. The 7 remaining components have an estimated renewal cost of **$229,000.**

ii) Required Annual Maintenance 2014/15

Annual maintenance requirements to maintain Council's sewerage mains to an acceptable standard (2014/15) have been determined based on historic expenditure, and confirmed using the zero based budgeting process, as **$471,000.**

Part 3 – Open Spaces & Facilities Assets:

Asset Group	2014/15 Cost to Bring to Satisfactory	2014/15 Required Annual Maintenance	2014/15 Projected Maintenance	2014/15 Asset Maintenance Gap
Aquatic Facilities	$345,044	$175,000	$175,000	$0
Buildings	$819,549	$720,426	$720,426	$0
Caravan Parks	$0	$209,000	$209,000	$0
Open Spaces	$2,375,667	$838,184	$838,184	$0
Saleyards	$0	$20,000	$20,000	$0
Waste	$0	$5,000	$5,000	$0
TOTALS	**$3,540,260**	**$1,967,610**	**$1,967,610**	**$0**

Asset Group	2015/16 Required Annual Maintenance	2015/16 Projected Maintenance	2015/16 Asset Maintenance Gap
Aquatic Facilities	$263,000	$263,000	$0
Buildings	$622,669	$622,669	$0
Caravan Parks	$209,000	$209,000	$0
Open Spaces	$3,664,975	$3,664,975	$0
Saleyards	$64,572	$64,572	$0
Waste	$18,059	$18,059	$0
TOTALS	**$4,842,275**	**$4,842,275**	**$0**

A. Aquatic Facilities

i) Cost to Bring to Satisfactory

The APV condition assessments were converted to IPWEA (Condition 1 to 5). Costs are based on APV Valuations and have not been verified by staff. For example the Maclean filtration plant upgrade will likely require other upgrade building works given the current system is aging and based on old technology, and the age of the surrounding building and infrastructure. It is likely that the costs will be significantly higher than just the filtration plant as works will be required to the buildings and related infrastructure. Preliminary opinion of probable costs is in the order of $500-600,000.

The works on the Ulmarra filtration plant are also likely to be higher than projected from the valuation due to modifications to the layout of the facility accommodating new plant.

There are nine (9) assets that are Condition 4 and 5 at Aquatic Facilities. The assets that are considered backlog works are

Maclean Pool Filtration Plant	$155,000
Ulmarra 18m Pool	$127,277
Ulmarra Pool Filtration Plant and Equipment	$21,400
Ulmarra Pool Change Rooms Roof	$7,939
Grafton Filtration and Treatment Plant Roof	$33,428
TOTAL	**$345,044**

ii) Required Annual Maintenance 2014/15

Annual maintenance requirements to maintain Council assets to an acceptable standard have been determined as part of the zero based budgeting process. The following asset annual maintenance requirements have been determined for all aquatic facilities:

Planned maintenance	$140,000
Reactive maintenance	$35,000
TOTAL	**$175,000**

B. Buildings

i) Cost to Bring to Satisfactory

The APV condition assessments were converted to IPWEA (Condition 1 to 5).

There are twenty two (22) assets that are considered backlog works at a value of $819,549. Of those 11 are under review for disposal, are being assigned under lease, or are RFS or SES related buildings formerly used as a depot shed for disposal having a value of $385,159. When reviewed this would leave a future reduction in buildings backlog to $434,390.

The current buildings backlog consist of –

Depots	$523,379
RFS/SES	$207,892
Sheds	$52,479
Amenities	$27,409
Residential	$8,390
TOTAL	**$819,549**

ii) Required Annual Maintenance 2014/15

Annual maintenance requirements to maintain Council assets to an acceptable standard have been determined as part of the zero based budgeting process. The following buildings asset annual maintenance requirements have been determined:

Administration	$226,199
Commercial	$32,484
Residential	$22,269
Halls	$92,948
Buildings in Other Services	$344,964
Public Amenities	$0
Council Property Management	$1,562
TOTAL	**$720,426**

C. Caravan Parks

i) Cost to Bring to Satisfactory

The APV condition assessments were converted to IPWEA (Condition 1 to 5).

There are six (6) assets that are Condition 4 and no Condition 5 assets at the Caravan Parks. The Condition 4 assets are not considered backlog as they are meeting community need, are not high risk, can be managed by maintenance and two of the assets have already been included in capital works programs (e.g. *Iluka internal roads and Brooms Head hall and Snak Shack Envelope*).

ii) Required Annual Maintenance 2014/15

Annual maintenance requirements to maintain Council assets to an acceptable standard have been determined as part of the zero based budgeting process. The following asset annual maintenance requirements have been determined:

Planned maintenance	$104,500

Reactive maintenance	$104,500
TOTAL	**$209,000**

D. Open Spaces

i) Cost to Bring to Satisfactory

The APV condition assessments were converted to IPWEA (Condition 1 to 5). The

There are 42 Condition 4 or 5 assets in Open Spaces that are assessed as backlog works. These are:

Access ways	$43,652
Barriers	$40,778
Internal Roads and Car parks	$36,186
Lighting Systems	$64,200
Misc. Structures	$7,490
Playgrounds	$1,905,000
Sheds	$48,497
Shelters	$53,757
Sporting/Sports Facilities	$111,907
Sports Structures	$64,200
TOTAL	**$2,375,667**

ii) Required Annual Maintenance 2014/15

Annual maintenance requirements to maintain Council assets to an acceptable standard have been determined as part of the zero based budgeting process. The following asset annual maintenance requirements have been determined:

Planned and reactive annual maintenance	**$838,184**

E. Saleyards

i) Cost to Bring to Satisfactory

The APV condition assessments were converted to IPWEA (Condition 1 to 5). The Saleyards assets are meeting community needs.

There are no Condition 4 or 5 assets at the saleyards and therefore no backlog assets.

ii) Required Annual Maintenance 2014/15

Annual maintenance requirements to maintain Council assets to an acceptable standard have been determined as part of the zero based budgeting process. The following asset annual maintenance requirements have been determined:

Planned maintenance	$10,000
Reactive maintenance	$10,000
TOTAL	**$20,000**

F. Waste

i) Cost to Bring to Satisfactory

The APV condition assessments were converted to IPWEA (Condition 1 to 5). The Waste Assets are meeting community needs.

There are no Condition 4 or 5 assets in Waste Facilities and therefore no backlog assets.

ii) Required Annual Maintenance 2014/15

Annual maintenance requirements to maintain Council assets to an acceptable standard have been determined as part of the zero based budgeting process. The following asset annual maintenance requirements have been determined:

Planned maintenance	$5,000
Reactive maintenance	$0
TOTAL	**$5,000**

Attachment B – Asset Ratios Results under Scenario 1 and Scenario 3 of the Long Term Financial Plan.

		ACTUAL RESULTS AS AT JUNE 2014			**LTFP SCENARIO 1** (NO SRV, NO ASSET RATIONALISATION, NO SERVICE LEVEL REVIEW) **- PROJECTED AS AT JUNE 2020**			**LTFP SCENARIO 3** (8% SRV (INCLUDES 2.5% RATE PEG), ASSET RATIONALISATION, SERVICE LEVEL REVIEWS) **- PROJECTED AS AT JUNE 2020**		
OLG BENCHMARK	**IPART's Approach to assessing sustainability for Regional Councils**	**RESULT**	**MEETS OLG FFTF BENCHMARK**	**OLG BENCHMARK**	**RESULT**	**MEETS OLG FFTF BENCHMARK**	**MEETS IPART FFTF SUSTAINABILITY ASSESSMENT**	**RESULT**	**MEETS OLG FFTF BENCHMARK**	**MEETS IPART FFTF SUSTAINABILITY ASSESSMENT**
Building and Infrastructure Asset Renewal Ratio (greater than 100% average over 3 years)	Meet or improve within 5 years	28.69%	NO	✗	26.23%	NO	✓	72.48%	NO	✓
Infrastructure Backlog Ratio (less than 2%)	Meet or improve within 5 years	26.31%	NO	✗	8%	NO	✗	5%	NO	✓
Asset Maintenance Ratio (greater than 100% average over 3 years)	Meet or improve within 5 years	56.81%	NO	✗	70%	NO	✗	79.67%	NO	✓