



# Introduction

- Mayor, Councillors and Staff
- Council Presentation
- Community Open Forum – Q & A
- Next Steps

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# Financial Sustainability of NSW Local Government Sector

- The financial sustainability of local government is a key driver for the future
  - In 2011/12 25% of all councils were in a weak or very weak financial position
  - Only 2 councils were rated as Strong
  - Only 5 councils had a Positive Outlook and 73 (48%) councils rated Negative

# Financial Sustainability of NSW Local Government Sector

## ➤ The financial sustainability of local government is a key driver for the future

- If nothing changes 40% of councils will be rated Weak, Very Weak or Distressed by 2014/15
- Majority of councils are reporting operating deficits – indication of fiscal stress (income minus expenses including non-cash depreciation expense)
- Council's consolidated operating deficits over the past 3 years  
2010/11 \$3.69M ~ 2011/12 \$2.67M ~ 2012/13 \$9.897M (includes losses from disposal of assets \$6.27M)

# LG Financial Sustainability

- TCorp (April 2013) assessed Council's current Financial Sustainability Rating (FSR) as WEAK with a short term Outlook rating of NEGATIVE

## Definition

*“A local government will be **financially sustainable** over the **long term** when it is able to **generate sufficient funds** to provide the **levels of service and infrastructure** agreed with its community”*

# LG Financial Sustainability

- TCorp recommendations to assist in improving the position
  - **SOURCE** additional revenue, such as Special Rate Variations (SRV) to improve financial flexibility and to assist in reducing the Infrastructure Backlog
  - **USE** debt funding (loan borrowings)
  - **DEVISE** programs and strategies to contain rising costs and improve efficiencies

# LG Financial Sustainability

- TCorp recommendations to assist in improving the position
  - **IMPROVE** Asset Management Plans (AMPs) and integration into the 10 Year Long Term Financial Plan (LTFP)
  - **INCREASE** spending on maintenance and infrastructure renewal, balancing this with the need for capital expenditure on new assets

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# LG Financial Sustainability

- NSW Local Government Infrastructure Audit Report (June 2013) assessed Council's infrastructure management as MODERATE
  - Confirmed the large local government infrastructure backlog in NSW
  - Estimated \$7.4 billion as at 30 June 2012 (Compared to NSW total rate income 2011/12 \$6.8 billion)
  - \$4.5 billion (61%) relates to road/bridge assets and \$1 billion relates to buildings

# LG Financial Sustainability

- Some councils face real and significant challenges in terms of maintaining and renewing the infrastructure
  - Mid North Coast (MNC) region had the second largest total reported backlog - \$738.2 million
  - MNC infrastructure backlog - \$3,000 per capita
  - Nambucca Council backlog - equates to \$57.9M
  - MNC Councils require annual rate increase of 15.5% for next 10 years – IN REALITY NOT AFFORDABLE





# Nambucca's productivity and efficiency improvements

- Transferred ownership of Macksville Showground and Saleyards
- Transferred operation of Macksville Saleyards
- Transferred ownership and management of Community Halls
- Commissioned external review of Organisation Structure



# Nambucca's productivity and efficiency improvements

- Established Customer & Business Services Unit to improve level of customer service
- Rationalised assets
- Contained operating expenses
  - ✓ Staff FTE 123.77 (June 2013) compared to FTE 125.82 (June 2011)
  - ✓ Expenses \$1,708 per capita compared to group average of \$2,482 (DLG Comparative Data 2011/12)

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# Nambucca's initiatives to improve financial sustainability

## ➤ Asset Management Planning

- Traditionally, the focus on infrastructure asset management was provision of new assets
- However it is becoming more and more apparent that it is no longer sustainable to focus on the investment in the creation of new assets alone
- Must also recognise long term lifecycle costs of ongoing operation, maintenance and renewal of **existing** assets

# Nambucca's initiatives to improve financial sustainability

## ➤ Asset Management Planning

- Developed a Strategy
- Developed master Asset Management Plan
- Commenced work on detailed AMPs
- Developed a 10 Year Works Program
- Accelerated Urban Street Resurfacing Program
- Implemented more targeted rehabilitation of urban/rural roads
- Introduced GPS based technology
- Reviewed asset management processes
- Contracted specialist providers

# NSW Government initiatives to reduce infrastructure backlog

## ➤ NSW Local Infrastructure Renewal Scheme (LIRS)

- Helping councils meet the increasing challenge of infrastructure renewal by providing interest subsidy on council borrowings over a 10 year period (Normal term for council has been 20 years)
- Round One 2012/13
- ✓ 10 Year **Loan** \$1,206,000 @ 5.39% for Bridge Replacement
  - Eungai Creek, Touts and Lavertys (Taylors Arm)
- ✓ Interest \$356,743 **Subsidy 4% \$262,542**

# NSW Government initiatives to reduce infrastructure backlog

- Round Two 2013/14
  - ✓ 10 Year **Loan** \$1,445,000 @ 5.66% for infrastructure backlog works – Weekes Bridge at South Arm, Swans Bridge at Utungun, Lovedays Bridge, Greens Bridge at Utungun, Mary Sharkeys Bridge at Missabotti, Reeds Bridge at Thumb Creek and Bitumen Sealing
  - ✓ Interest \$454,154 **Subsidy 3% \$237,062**



# NSW Government initiatives to reduce infrastructure backlog

- Round Three 2013/14 (Closes 31 December)
- ✓ Application for infrastructure backlog works
- ✓ Provide a 3% interest subsidy on loans taken out over 10 years for infrastructure backlog works as well as for projects providing infrastructure to enable new housing.

# Council Infrastructure Levy

Special Rate Variation will provide additional funds to:

- Accelerate bridge replacement program
- Increase service levels by replacing specific timber bridges with concrete structures
- Improve condition of bridge assets
- Invest in specific local road improvements

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# Council Infrastructure Levy



Menzies Bridge on South Arm Road

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# Council Infrastructure Levy



Browns Bridge on Browns Crossing Road

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# Council Infrastructure Levy



Gumma Road

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# Council Infrastructure Levy



John's Bridge

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# Council Infrastructure - Bridges

- Concrete/Steel - Urban - 13
- Concrete/Steel - Non Urban Sealed - 13
- Concrete/Steel - Non Urban Unsealed - 5
- Timber - Urban - 2
- Timber - Non Urban Sealed - 31
- Timber - Non Urban Unsealed -115

(Source: DLG FAGs September 2013)

# Nambucca's initiatives to improve financial sustainability

## ➤ Special Rate Variation 2012/13

- IPART approved S508(2) application of 10.04% (including rate peg 3.60%) with increase to be permanently retained in income base
- Single additional increase of 6.44% to replace expiring Environmental Levy (4.00%) and to fund existing and new loans for road and bridge works (2.44%)



# Council initiatives to improve financial sustainability

## ➤ Special Rate Variation 2010/11 & 2011/12

- IPART approved S508(2) application of 7.64% for 2 years (including rate peg 2.60% and adjust -0.13%)
- Additional increase of 5.17% to continue the 2005/06 Environmental Levy (4.00%) and to repay loan which funded flood damage repairs to Deep Creek Bridge and Riverside Drive, Nambucca Heads
- Future years - 2012/13 general income to be reduced by \$392,091

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# Financial Performance Benchmarks

- Seven (7) benchmarks applied by TCorp to determine Council's FSRs

## TCorp Benchmarks (DLG Comparative Data 2011/12)

Indicator	Benchmark	Council		DLG Group 11	Larger Rural	NSW Av
Operating Performance Ratio	> -4.0%	-9.49%		-2.72%	-4.94%	-4.40%
Own Source Operating Revenue Ratio	> 60%	55.30%		54.19%	49.90%	56.70%
Unrestricted Current Ratio	>1.5:1	2.02		4.53	4.57:1	3.8:1
Infrastructure Backlog Ratio	< 20%	28.96%		15.90%	15.00%	13.00%
Asset Maintenance Ratio	> 100%	55.00%		Not reported	83.00%	89.00%
Cash Expense Cover Ratio	> 3 mths	5.02		Not reported	5.24	4.82
Building and Infrastructure Renewals Ratio	> 100%	91.88%		66.04%	66.00%	66.00%

Australian Classification of Local Government and DLG Group Numbers

Nambucca - Rural / Agriculture / Very Large 10,001 to 20,000 pop [RAV Group 11]

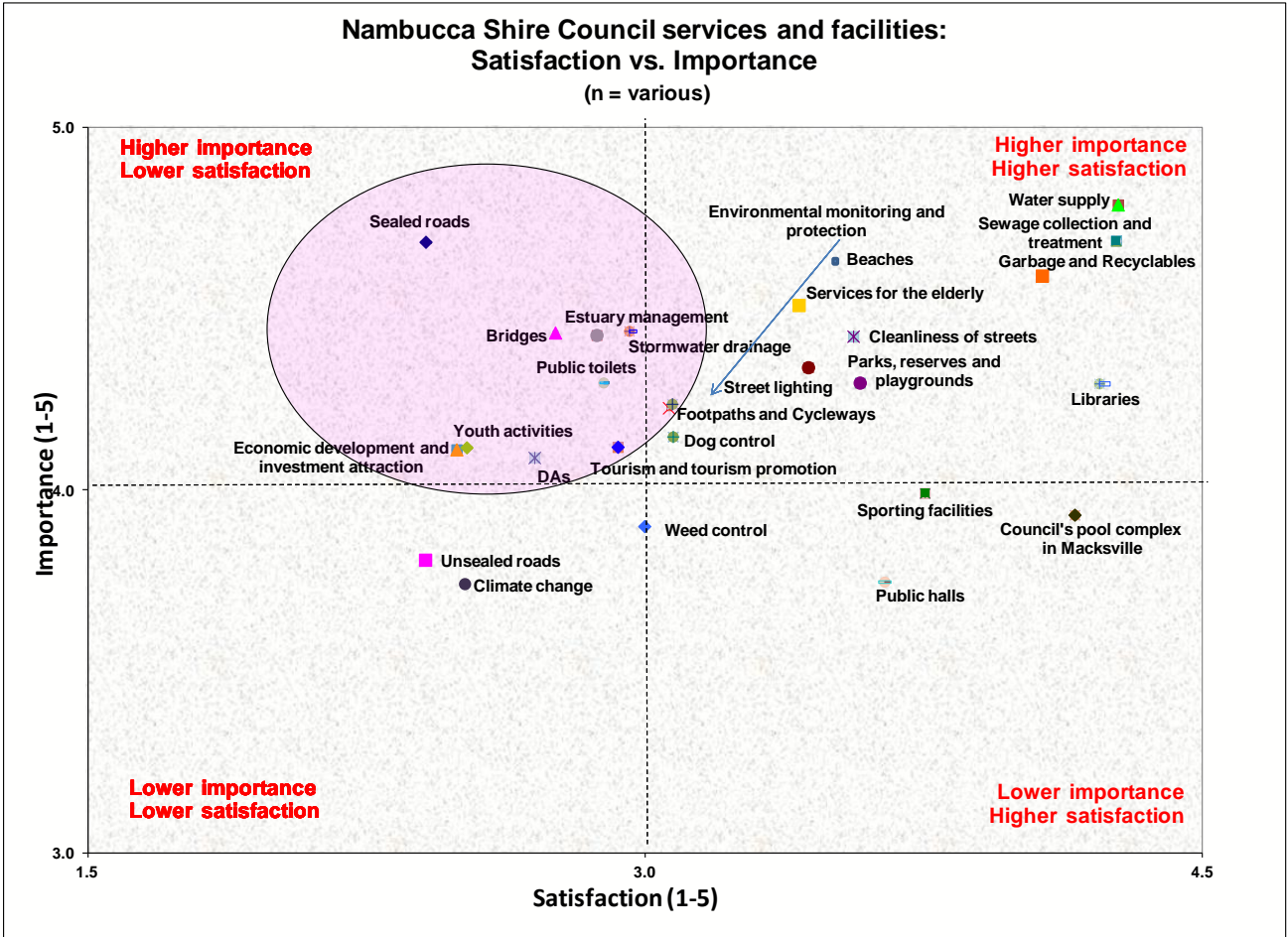
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# Community Satisfaction Survey 2013

- Council commissioned Jetty Research (May 2013) to conduct a telephone survey of 400 residents (83% ratepayers) to measure their satisfaction with Council service levels (27 services)
- Similar surveys were conducted in 2010 and 2007
- Following Graph shows how the services relate to each other in terms of satisfaction & importance – the “BIG PICTURE”
- **Those services in the top left hand corner require the greatest attention and resources**

# Community Satisfaction Survey 2013



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# Community Satisfaction Survey 2013

Higher Importance, lower satisfaction	Higher importance, higher satisfaction
Sealed roads	Water supply
Bridges	Sewage
Estuary management	Garbage/recycling
Stormwater drains	Libraries
Public Toilets	Elderly services
Youth activities	Cleanliness of streets
Tourism and tourism promotion	Parks, reserves and playgrounds
Economic development and investment attraction	Street lighting
Development applications	Footpaths/cycleways
	Dog Control
	Environmental monitoring and protection
	Beaches
Lower importance, lower satisfaction	Lower importance, higher satisfaction
Unsealed roads	Public halls
Climate control planning	Pool complex at Macksville
	Sporting facilities
	Weed control

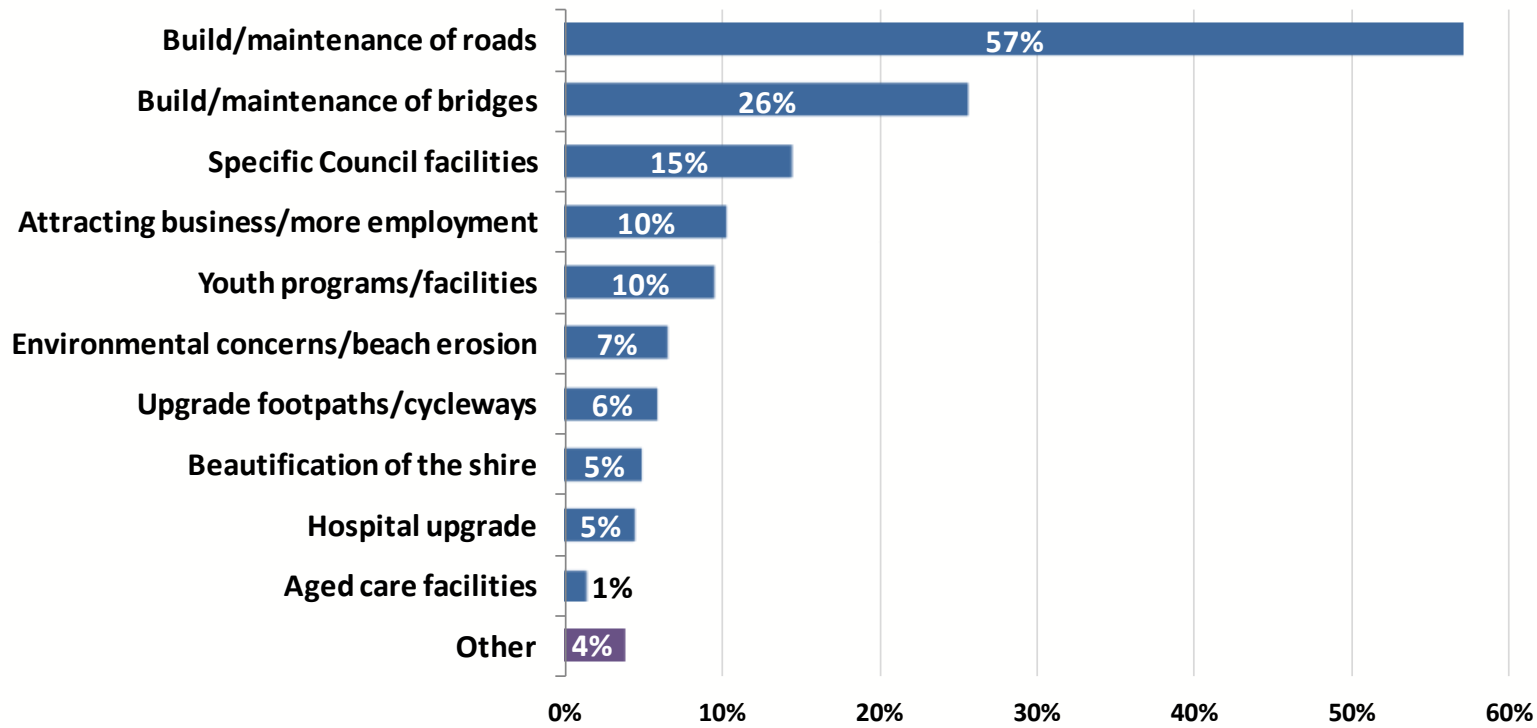
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# Community Satisfaction Survey 2013

- The hypothetical \$5 million grant - as in previous surveys, respondents were asked how they would spend a hypothetical \$5 million general use grant
- 57% of respondents nominated maintenance and renewal of **roads** (45% in 2010)
- 26% of respondents nominated maintenance and renewal of **bridges** (21% in 2010)

# Community Satisfaction Survey 2013

**What would you see as the Council's highest priority for how \$5m should be spent?**  
(n=390, multiple answers allowed)



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# Community Satisfaction Survey 2013

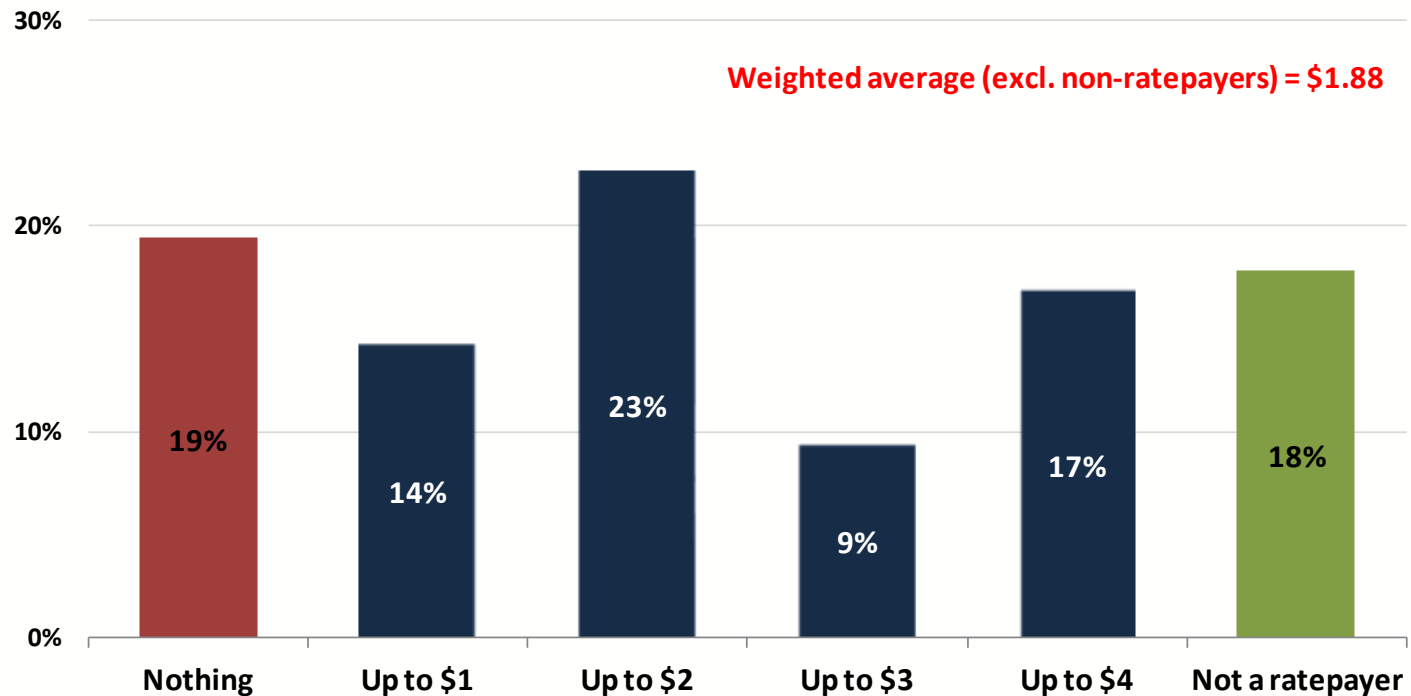
- Community indicated a willingness to contribute an additional \$1.88 week or \$98 annually
- This equates to an average annual ordinary rate increase of 10% based on 2013/14 notional rate income of \$9.09 million

[9,249 rate assessments x \$98 = \$906,402]

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# Community Satisfaction Survey 2013

How much would you be prepared to pay per week  
in extra rates for these improvements?  
(n=400)



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# Scenario 1

## Do nothing

- Apply IPART rate pegging % for 2014/15
  - Assume rate peg amount of 3.0%
  - Rate peg announced by IPART December 2013
  - Generates ordinary rate income of \$275,000 pa
  - Income used to maintain existing levels of service



## Scenario 2

### Single year 6.0% increase

#### ➤ S508(2) application for a single year 2014/15

- Establish Road & Bridge Renewal Levy
- Increase to be permanently retained in rate income base
- No cumulative effect
- Assume rate peg amount of 3.0% + 3.0%
- Generates **additional** ordinary rate income of \$275,000 pa

## Scenario 3

### Multi year 6.0% increase

- S508A application for multi years 2014/15 and 2015/16
  - Establish Road & Bridge Renewal Levy
  - Increase to be permanently retained in rate income base
  - Cumulative effect
  - Assume rate peg amount of 3.0% + 3.0%
  - Generates **additional** ordinary rate income of \$580,000 pa from year 2015/16

# Impact of levy on ratepayers

- Cumulative impact of multiple two year 6.0% increase (Scenario 3)
  - Farmland – average increase \$326 (18.7%)
  - Residential – average increase \$114 (12.6%)
  - Business – average increase \$216 (15.2%)

# Impact of levy on ratepayers

Rating Category		2013/14	2014/15	2014/15	2014/15	2015/16	2015/16	2015/16	Total	Total
		Av Rate	Av Rate	Increase	Increase	Av Rate	Increase	Increase	Increase	Increase
		\$	\$	\$	%	\$	\$	%	\$	%
Farmland (see note)	Average	1,747	1,903	156	8.93	2,074	171	8.99	327	18.72
	High	8,998	9,808	810	9.00	10,690	882	8.99	1,692	18.80
Residential - Town	Average	869	915	46	5.29	964	49	5.36	95	10.93
	High	8,300	9,047	747	9.00	9,794	747	8.26	1,494	18.00
Residential - Village	Average	913	975	62	6.79	1,040	65	6.67	127	13.91
	High	4,565	4,976	411	9.00	5,387	411	8.26	822	18.01
Residential - Non Urban	Average	933	991	58	6.22	1,052	61	6.16	119	12.75
	High	6,133	6,685	552	9.00	7,237	552	8.26	1,104	18.00
Residential - Total	Average	905	960	55	6.10	1,019	58	6.06	114	12.53
Business - CBD	Average	2,005	2,168	163	8.13	2,327	159	7.33	322	16.06
	High	20,356	22,189	1,833	9.00	23,964	1,775	8.00	3,608	17.72
Business - Industrial Estate	Average	1,053	1,126	73	6.93	1,201	75	6.66	148	14.06
	High	5,767	6,286	519	9.00	6,820	534	8.50	1,053	18.26
Business - Ordinary	Average	1,198	1,286	88	7.35	1,376	90	7.00	178	14.86
	High	13,900	15,151	1,251	9.00	16,439	1,288	8.50	2,539	18.27
Business - Total	Average	1,419	1,527	108	7.47	1,635	108	7.00	216	15.23
Business - Caravan Parks	Average	13,813	13,398	- 415	- 3.00	12,861	- 537	- 4.01	- 952	-6.89

Note: Farmland yield \$ adjusted in 2014/15 to correct anomaly from 2012/13 when category rate structure changed from Base rating to a Minimum rating

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# Impact of levy on ratepayers

- Number of rate assessments - 9,249
- Number of pensioner concessions - Ordinary 2,520, Water 1,815 and Sewerage 1,661
- Percentage of ordinary rate assessments - 27.25%
- Maximum pensioner concession claim - \$425  
Ordinary Rates/Domestic Waste Management Service \$250, Water \$87.50 and Sewerage \$87.50
- Average pensioner concession claim - \$405
- Total concessions 2013/14 \$888,633 and subsidy claimed \$488,748

# Community Engagement Strategy

- Community Satisfaction Survey 2013
- Press Releases/Public Notices
- Community Forums
  - 4 Nov - Nambucca Heads Entertainment Centre - 7.30pm
  - 7 Nov - Scotts Head SLSC - 7.30pm
  - 11 Nov - Bowraville Grants Hall - 7.30pm
  - 14 Nov - Macksville Council Chambers - 7.30pm
  - 18 Nov - Valla Beach Community Hall - 7.30pm

# Community Engagement Strategy

- Invite Public Submissions on rating scenarios
  - closing date 4.00pm 29 November 2013
  - Address submissions to General Manager or email [council@nambucca.nsw.gov.au](mailto:council@nambucca.nsw.gov.au).  
Subject header – SRV 2014/15
- Council Website information

# Council Decision Making

## ➤ Council Meeting 11 December 2013

- Consider submissions
- Determine rating option for 2014/15
  1. Scenario One - Do nothing – rate peg limit 3.0%
  2. Scenario Two - SRV - single year 6.0%
  3. Scenario Three - SRV - multi year >12.0%



# Have Your say

- Your opportunity to provide feedback or ask a question
- Further Information

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