Independent Pricing and Regulatory Tribunal

Clarence Valley Council's application for a special variation for 2016-17

under section 508(2) of *Local Government Act 1993*

Local Government — Determination
May 2016

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Ms Catherine Jones

Mr Ed Willett

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1 Determination

The Independent Pricing and Regulatory Tribunal of NSW (IPART) is responsible for setting the amount by which councils may increase their general income, which mainly comprises income from rates. Each year we determine a standard increase that applies to all NSW councils, based on our assessment of the annual change in their costs and other factors. This increase is known as the rate peg.

Under the *Local Government Act 1993* (the Act) councils may apply to us for a special variation that allows them to increase their general income by more than the rate peg. These increases may be either for a single year (section 508(2)) or for successive years up to seven years (section 508A).

Under the Act, councils must also apply to IPART if they wish to increase their minimum rates above the statutory limit.[1]

Special variation

IPART assesses special variation applications against criteria in Guidelines set by the Office of Local Government (OLG).[2] Box 1.1 explains the Guidelines for 2016-17.

Clarence Valley Council applied for a multi-year special variation under section 508A. The council requested increases of 6.5% each year from 2016-17 to 2020-21, a cumulative increase of 37.0%. It applied for the increase to remain permanently in the rate base.[3]

After assessing the council's application, we decided to allow the special variation in part, for one year on a temporary basis. We have made this decision under section 508(2) of the Act.

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1 OLG, *Circular to Councils 15-14/5 May 2015*, p 2. Under Section 548(3)(a) of the Act, the minimum amount of an ordinary rate cannot exceed the statutory limit set in the *Local Government (General) Regulation 2005* (clause 126) unless the Minister approves a greater amount by instrument in writing given to the council. The Minister has delegated this authority to IPART. In 2015-16 the prescribed statutory limit is $497. In 2016-17 it will be $506, ie, an increase of 1.8% which is the rate peg for 2016-17.

2 Office of Local Government (OLG), *Guidelines for the preparation of an application for a special variation to general income for 2016/2017,* January 2016 (the Guidelines).

3 Clarence Valley Council, *Special Variation Application Form Part A 2016-17, submitted 7 May 2016 (Clarence Valley Council, Application Part A May 2016),* Worksheet 1. The council revised Part A of the application in April 2016, and again in May 2016, to include growth in user charges and fees and committed efficiency savings into its Baseline Scenario. The most recent 7 May 2016 version of Part A is used throughout this report unless stated otherwise.

Box 1.1 The Guidelines for 2016-17

IPART assesses applications for special variations using criteria in the *Guidelines for the preparation of an application for a special variation to general income for 2016/2017*, issued by the Office of Local Government. Refer to Table 3.1 for more details on the criteria in the Guidelines.

The Guidelines emphasise the importance of the council's Integrated Planning and Reporting (IP&R) processes and documents to the special variation process. Councils are expected to engage with the community about service levels and funding when preparing their strategic planning documents. The IP&R documents, in particular the Delivery Program and Long Term Financial Plan, must contain evidence that supports a council's application for a special variation.

Minimum amounts

IPART assesses minimum rate applications against criteria in Guidelines for minimum rates set by OLG. [4]

As part of its application the council also sought to increase the minimum amount of the rate, above the statutory limit ($506) in 2016-17. This mirrors its proposal to apply the same 6.5% special variation increase in general income in each year to the minimum amounts of its ordinary rates, until 2020-21.

After assessing the council's minimum rate application, and based on our decision above on the council's special variation application, we have decided not to approve the requested minimum amounts under section 548(3) of the Act. However, the council may increase minimum rates by 1.8% ie, the rate peg increase available to all NSW councils.

This decision avoids a situation where the minimum rate would have been permanently increased above the statutory minimum, while the approved special variation is only a temporary increase.

4 OLG, *Guidelines for the preparation of an application to increase minimum rates above the statutory limit 2016/17*, December 2015 (Guidelines for minimum rates). Where a council is submitting a special variation application and also wishes to increase its minimum rates above the statutory limit, it is not required to submit a separate application but must clearly address the minimum rate increase in the special variation application: Guidelines for minimum rates, p 4.

1.1 Our decision

We determined that Clarence Valley Council may increase its general income by 6.5% in 2016-17 only, as shown in Table 1.1. The increase incorporates the rate peg to which the council would otherwise be entitled (1.8% in 2016-17). The special variation can be retained in the council's general income base for one year and is to be removed after 2016-17.

The application was not approved in full because it did not satisfy criteria 1 and 2 of the Guidelines. The council did not adequately justify the extent of the need for the proposed special variation, as the effects of additional revenue and cost savings previously adopted by the council were not included in the IP&R documents (or presented to the community). Secondly, the annual and cumulative cost impacts of the proposed rate increases were not adequately communicated to the community.

In the short term, the special variation funding has been granted to allow the council temporary additional revenues whilst it conducts sufficient community consultation towards a potential future application, possibly for 2017-18. The temporary increase gives the council time to reconsider the extent of the proposed special variation, and to justify and communicate its need. The proposed increase would have resulted in an operating performance ratio (surplus) in excess of 10% after 2019-20, rising to 14.5% by 2024-25.[5]

We have attached conditions to this decision, including that the council uses the income raised from the special variation for purposes consistent with those set out in its application.

Table 1.1 sets out our decision and Box 1.2 summarises these conditions.

Table 1.1 IPART's decision on Clarence Valley Council's application for a special variation in 2016-17

Component	%
Increase to fund financial sustainability, road maintenance and renewal	4.7
Rate peg	1.8
Total increase	**6.5**

Note: The rate peg in 2016-17 is 1.8%. In later years the council has assumed a rate peg of 2.5%.

Source: Clarence Valley Council, *Application Part A May 2016*, Worksheet 1 and IPART calculations.

5 Clarence Valley Council, *Application Part A May 2016*, Worksheet 7.

Box 1.2 Conditions attached to Clarence Valley Council's approved special variation

IPART's approval of Clarence Valley Council's application for a special variation in 2016-17 is subject to the following conditions:

- The council uses the additional income from the special variation for the purposes of improving financial sustainability and reducing infrastructure backlogs as outlined for 2016-17 within the council's application and listed in Appendix A.
- The council reports in its annual report in 2016-17 on:
  - the actual revenues, expenses and operating balance against the projected revenues, expenses and operating balance, as outlined in the Long Term Financial Plan provided in the council's application, and summarised in Appendix B
  - any significant variations from its proposed expenditure as forecast in the current Long Term Financial Plan and any corrective action taken or to be taken to address any such variation
  - expenditure consistent with the council's application and listed in Appendix A, and the reasons for any significant differences from the proposed expenditure, and
  - the outcomes achieved as a result of the actual program of expenditure.
- On 1 July 2017, the council is to reduce its general income to what it would have been without the special variation.

In making this decision, we recognise that the council may not be able to undertake the full allocation of funding on the purposes set out in its application (see Appendix A). Specifically, the council may need to re-prioritise planned expenditure in future years, given the special variation is temporary for one year, depending also on any future special variation applications.

We also determined that the council is to maintain the minimum amounts for its ordinary rate for 2016-17 at or below the statutory limit. In 2016-17, the upper limit for minimum amounts is $506.[6]

The Guidelines for minimum rates provide that once an amount above the statutory limit is approved, the percentage increase in general income (due to the rate peg or a special variation) will automatically apply to the minimum rate.[7]

Raising the minimum rate above the statutory limit would therefore result in this increase being retained in future years, out of line with income from the special variation, which has only been approved on a temporary basis for 1-year.

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6 OLG, *Circular to Councils 15-14/5 May 2015*, p 2.

7 OLG, *Guidelines for minimum rates*, p 10.

2 What did the council request and why?

Special Variation

Clarence Valley Council applied to increase its general income by a cumulative 37.0% (including the rate peg), over the 5-year period from 2016-17 to 2020-21, and to permanently incorporate this increase into its general income base.[8] The purpose of the application is to improve financial sustainability and to provide additional funding for a program of road maintenance and renewals, sufficient to reduce roads-related infrastructure backlogs.

The council also proposed a special variation as part of its Fit for the Future (FFTF) assessment in 2015. At the time, the council proposed a cumulative increase of 46.9% over the 5-year period from 2016-17 to 2020-21 (8% per year including the rate peg). As with the current application, these funds were proposed to improve financial sustainability and reduce the council's infrastructure backlog and asset maintenance gap.

The council estimated that if this requested special variation was approved, its permissible general income would increase from $27.4 million in 2015-16 to $40.3 million in 2020-21. This would have generated additional revenue of $19.6 million above the assumed rate peg increases over the next five years.[9]

The council intended to use the additional revenue from the special variation to fund gaps in operating and capital expenditure for its key roads and road-related assets. Over the medium to longer term, the additional revenue would also improve its financial sustainability.[10]

Over the next 10 years, the special variation was estimated to generate revenue of $56.0 million above the assumed rate peg. On this basis, Clarence Valley Council allocated additional spending, over the period from 2015-16 to 2025-26, of:

- $18.7 million on maintenance of roads and road-related assets, and
- $37.3 million on the renewal and upgrade of roads and road-related assets.[11]

More detail on the council's proposed program of expenditure to 2025-26 is provided in Appendices A and B.

8 Clarence Valley Council, *Application Part A May 2016,* Worksheet 1.

9 Clarence Valley Council, *Delivery Program 2014-2017 and Operational Plan 2015-16 Adopted 23 June 2015 Revised and Adopted 9 February 2016*, p 161 and IPART Calculations.

10 Clarence Valley Council, *Application Part B*, p 90.

11 Clarence Valley Council, *Application Part A May 2016*, Worksheet 6.

Increase to minimum rates

As part of its application, the council proposed increasing the minimum rates each year by the same percentage increase in general income it requested for the special variation.[12]

The council has specified a minimum rate in two rating subcategories: Residential A and Residential B.[13] The statutory limit for the minimum amount of an ordinary rate in 2015-16 of $497 currently applies to both of these sub-categories.[14]

Applying a 6.5% increase in 2016-17 would take the minimum amount to $529, which would be above the $506 statutory limit in 2016-17.[15] In subsequent years the proposed 6.5% increase would result in minimum rates of $563 in 2017-18, $599 in 2018-19, $638 in 2019-20 and $679 in 2020-21.[16]

The council requested this increase so as to retain the same proportion of properties on the minimum rate. This would maintain the current distribution of the rating burden, which it considers equitable.

We note, however, that the council has also foreshadowed a change in the rating structure, suggesting that minimum rates could be replaced with a 'uniform base rate' in the future.[17]

3 How did we reach our decision?

We assessed Clarence Valley Council's application against the criteria in the Guidelines for special variations and those relating to increases to minimum rates. In making our assessment we also considered the council's most recent IP&R documents, its FFTF proposal and a range of comparative data about the council, set out in Appendix C.[18]

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12 Clarence Valley Council, *Application Part B*, p 25 and *Application Part A May 2016*, Worksheet 5a.

13 Clarence Valley Council, *Application Part A May 2016*, Worksheet 5a. The full names of the rating categories with minimum rates are: *Residential A – Angourie, Brooms Head, Diggers Camp, Iluka, Sandon River, Minnie Water, Wooli, Wooloweyah*; and, *Residential B – Maclean, Townsend*.

14 *Local Government (General) Regulation 2005*, cl 126.

15 OLG, *Circular to Councils 15-14/5 May 2015*, p 2.

16 Clarence Valley Council, *Application Part A May 2016*, Worksheet 5a.

17 Clarence Valley Council, *Application Part B Attachment 16 Roads to Sustainability Brochure*.

18 See Appendix C. Clarence Valley Council is in OLG Group 4 and is classified as an Urban Small/Medium regional City (with population up to 70,000). The group comprises 30 councils, including comparable councils such as Great Lakes, Greater Taree, Kempsey Shire, Lismore City and Richmond Valley, which support medium sized population centres on the mid-north coast and north coast surrounded by a mix of small towns, villages and rural populations.

Clarence Valley Council has applied on the basis of its adopted IP&R documents, in particular the *Community Strategic Plan – Our Community Plan 2015-2024* (Strategic Plan), *2014-2017 Delivery Program and 2015-16 Operational Plan* (Delivery & Operational Plan), *2015-2025 Long Term Financial Plan* (LTFP), and *Asset Management Strategy 2015-2025* (Asset Plan).

The rate increases for which the council has applied are substantial, and we considered, among other things, the council's need for the increase, its consideration of the community's priorities, capacity and willingness to pay, and the financial impact of the rate increase on ratepayers.

We found that Clarence Valley Council's application did not satisfy criteria 1 and 2 of the Guidelines. In particular, we found that:

1. The **need for the proposed revenue** was not demonstrated adequately in the council's IP&R documents. The IP&R documents do not adequately incorporate the financial impacts of major efficiency cost savings and increases in revenue from user charges and fees. As such, we consider that the magnitude of the proposed rate rises has not been clearly justified.

2. The council did not provide adequate evidence that **the community is aware** of the need for and extent of the rate increases. The IP&R documents and other material used to engage with the community did not adequately demonstrate the extent of the rate increase to the community, including the cumulative increase.

3. The **impact of the proposed rate rises on ratepayers** is substantial. However, it is reasonable given the council's existing rate levels, the purpose of the special variation and the council's consideration of ratepayers' willingness and capacity to pay.

4. The council provided evidence that the relevant **IP&R documents have been exhibited and adopted**.

5. The council reported **productivity savings** in past years, and indicated its intention to realise major efficiency cost savings, and raise additional revenue, during the period of the special variation.

Table 3.1 summarises our assessment against the criteria. Sections 3.1 and 3.2 discuss our findings against criteria 1 and 2 in more detail.

In Table 3.2 we summarise our assessment against the criteria for increasing minimum amounts of the ordinary rate above the statutory limit.

Table 3.1 Summary of IPART's assessment of Clarence Valley Council's application for a special variation against the criteria in the Guidelines

Criterion	IPART findings
1. The need for and purpose of a different revenue path for the council's General Fund (as requested through the special variation) is clearly articulated and identified in the council's IP&R documents, in particular its Delivery Program, Long Term Financial Plan and Asset Management Plan where appropriate. In establishing need for the special variation, the relevant IP&R documents should canvas alternatives to the rate rise. In demonstrating this need councils must indicate the financial impact in their Long Term Financial Plan by including scenarios both with and without the special variation.	The council's IP&R documents explain the purpose of the special variation and show that: ▾ it is consistent with community priorities, and ▾ there is a $49.9 million roads-related component of the $66.0 million infrastructure backlog. However, the need for, and financial impact of, the proposed rate increase was not demonstrated in the IP&R documents, as the Base Case in council's 2015-16 LTFP (adopted 9 February 2016) did not include: ▾ additional revenue of $21.6 million from growth in user charges and fees over the five years to 2020-21 (adopted 23 June 2015), or ▾ efficiency cost savings increasing annually to $7.5 million pa by 2020-21, a saving of $28.1 million over the five years of the proposed special variation (adopted 24 November 2015). Our 2015 FFTF assessment observed that the council's operating performance ratio was forecast to be -23.2% in 2015-16 and that the special variation would improve this to -5.7% in 2019-20. TCorp (2012) indicated that the council needed to reduce its substantial asset backlog, suggesting a special variation in combination with cost savings.
2. Evidence that the community is aware of the need for and extent of a rate rise. The Delivery Program and Long Term Financial Plan should clearly set out the extent of the General Fund rate rise under the special variation. The council's community engagement strategy for the special variation must demonstrate an appropriate variety of engagement methods to ensure community awareness and input occur.	The community was not adequately made aware of: ▾ the extent of the rate increase, as the cumulative financial impacts were not communicated effectively, and ▾ the mitigating effects of the additional revenue and cost savings, previously adopted by the council, on the need for the rate increase. Using a variety of tools to engage with the community, the council received 169 written submissions and a petition with 115 signatures. Community feedback was strongly opposed to the special variation, and indicated moderate support for combining a special variation with cost savings. The council subsequently reduced its proposed application from 8.0% pa to 6.5% pa for 5 years and adopted a cost saving proposal (with savings increasing each year to $7.5 million to be saved each year from 2020-21). IPART received 56 submissions (including a petition with around 2,000 signatures) opposing the application. The submissions targeted affordability, rate levels, the community consultation, and perceived council mismanagement.

Criterion	IPART findings
3. The impact on affected ratepayers must be reasonable, having regard to both the current rate levels, existing ratepayer base and the proposed purpose of the variation. The Delivery Program and Long Term Financial Plan should: ▾ clearly show the impact of any rises upon the community ▾ include the council's consideration of the community's capacity and willingness to pay rates and ▾ establish that the proposed rate increases are affordable having regard to the community's capacity to pay.	The impact on ratepayers would be substantial, but reasonable given 2013-14 residential rates ($844) were below the Group 4 average ($922) by 9.2%, and business rates in the same period ($2,216) were below the Group 4 average ($3,326) by 33.4%. However, a SEIFA rating of 13/153 indicates socioeconomic disadvantage. In 2011, council residents had an average income of $34,988, 21.1% below the Group 4 council average of $44,351. The council based its assessment of the community's capacity to pay on: ▾ rates being below the OLG Group 4 average ▾ monthly mortgage repayments and median weekly rents being lower than regional NSW averages ▾ a downward trend in its outstanding rates ratio, (which at 6.5% in 2013-14 was above OLG's 5.0% benchmark), and ▾ its hardship policy which enables interest costs to be waived for ratepayers who are able to demonstrate genuine financial hardship.
4. The relevant IP&R documents must be exhibited (where required), approved and adopted by the council before the council applies to IPART for a special variation to its general income.	The council's revised IP&R documents set out an incorrect base case scenario (see section 3.1). These documents were exhibited from 10 December 2015 to 29 January 2016 and adopted on 9 February 2016 after no submissions were received on the revised documents.
5. The IP&R documents or the council's application must explain the productivity improvements and cost containment strategies the council has realised in past years, and plans to realise over the proposed special variation period.	The council has achieved cost savings from an organisational restructure, asset disposals, and service reviews and reductions over the last two years. The council has confirmed that the efficiency cost savings, adopted by the council in November 2015, will go ahead independent of the special variation.[a]

[a] Email from Clarence Valley Council to IPART, 19 April 2016.

Note: SEIFA is the Socio-Economic Indexes for Areas: refer to Appendix C, Table C.2.

Sources: Clarence Valley Council, *Application Part A May 2016*, *Application Part B*, *Delivery Program 2014-2017 and Operational Plan 2015-16 Adopted 23 June 2015 and Revised and Adopted 9 February 2016*, *Special Schedules for the year ended 30 June 2015*, Special Schedule No. 7, *Long Term Financial Plan Commencing 2015-16 Adopted 23 June 2015*, *Long Term Financial Plan Commencing 2015-16 Adopted 23 June 2015 Revised Version Adopted 9 February 2016*, and *Extraordinary Council Meeting Minutes, Grafton Chambers Tuesday 24 November 2015*, Council Resolution - 12.060/15; OLG, Unpublished data; NSW Treasury Corporation (TCorp), *Clarence Valley Council Financial Assessment and Benchmarking Report*, 16 October 2012, p 30.

Table 3.2 IPART's assessment of Clarence Valley Council's application to increase minimum rates against the criteria in the Guidelines for Minimum Rates

Criterion	IPART findings
1. Rationale for increasing minimum rates above the statutory amount	The council has adopted minimum rates to ensure there is an equitable contribution for services where properties have a relatively low land valuation. Applying the special variation percentage increase to the minimum rate would avoid any inequity that would occur if the additional revenue were to be raised only from ratepayers not on the minimum rate.
2. Impact on ratepayers, including the level of the proposed minimum rates and the number and proportion of ratepayers that will be on the minimum rates, by rating category or sub-category	Increasing the minimum rate by the same percentage as other ratepayers would maintain the current rating structure and proportion of ratepayers on the minimum amount. However, as the special variation has only been approved on a temporary basis for one year, we do not consider it appropriate for the increased minimum rate to be retained above the statutory limit in future years.
3. Consultation the council has undertaken to obtain the community's views on the proposal	During the consultation process the council did not clearly demonstrate the financial impact of increases in minimum rates. Minimum amounts were not included in the rates notice brochure, or in the tables showing 2016-17 rates presented at the community forums.

Sources: Clarence Valley Council, *Application Part A*, Worksheet 5a, *Application Part B Attachment 16 Roads to Sustainability Brochure*, and *Application Part B Attachment 20 Extract of presentation to community meetings in Grafton and Maclean.*

3.1 Need for and purpose of the special variation

We consider that the council has not adequately met this criterion.

Clarence Valley Council set out the purpose of the requested special variation, in keeping with the community's priorities: to fund additional roads and roads-related asset maintenance and renewal; and enhance financial sustainability.

However, the IP&R documents and special variation application do not clearly demonstrate the extent of the need for the special variation. The council's 'Base Case', in its adopted IP&R documents, understates the available revenue and therefore overstates the financial impact of, and the need for, the special variation.[19]

[19] The Guidelines require that the LTFP used for the special variation application include a Base Case with "*General Fund revenue and expenditure forecasts which reflect the business as usual model, and exclude the special variation*", p 2.

Proposed funding options

Three significant measures have been adopted by the council to improve its financial sustainability:

1. A **special variation** requesting a rate rise of 6.5% per year for five years, to be retained in the rate base (a cumulative increase of 37.0%, generating $19.6 million above the rate peg over the next five years).
2. **Efficiency cost savings** increasing each year to $7.5 million per year by 2020-21 (cumulatively savings of approximately $28.1 million over the five years).[20] The council indicated savings of $2.7 million in 2016-17, $4.8 million in 2017-18, $6.2 million in 2018-19, $7.1 million in 2019-20 and $7.5 million in 2020-21 and subsequent years to 2024-25.[21]
3. Growth related income from **user charges and fees** increasing by 10% per year from 2016-17 to 2019-20 and by 5% in 2020-21 (a cumulative increase of 53.7%), generating $21.6 million in additional income over the next five years.[22]

The increased income from **user charges and fees** were included in the LTFP adopted by the council on 23 June 2015 and should have been included in the 'Base Case' used for community consultation on the special variation (in August and September 2015). Similarly, the **efficiency cost savings** adopted by council on 24 November 2015 should have been included in the 'Base Case' included in the Revised LTFP adopted 9 February 2016, which formed the basis of the special variation application.

The council amended its application to IPART in April 2016 and May 2016 to include these measures in its 'Base Case', however this followed the completion of the community consultation process.[23] In excluding the additional user charges and fees and efficiency savings from the 'Base Case', the council did not adequately inform and make the community aware of the financial impact of the proposed special variation.

20 Clarence Valley Council, *Application Part A (9 February 2016)*, Worksheet 7, and *Application Part B Attachment 2 Extraordinary council meeting 24 November 2015,* Council Resolution – 12.060/15; Email from Clarence Valley Council, 19 April 2016. The council expressed confidence that the proposed efficiency savings will be achieved.

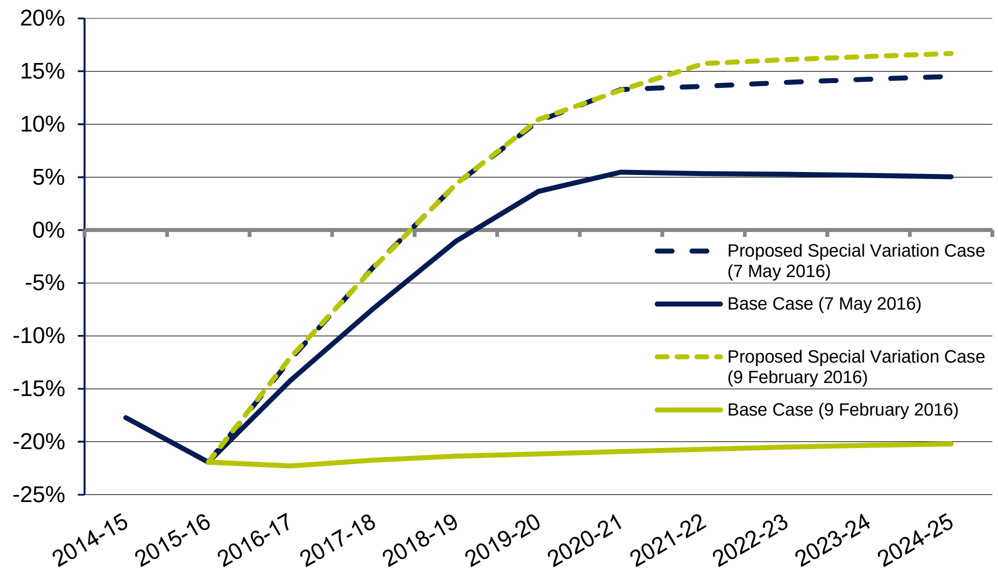
21 Clarence Valley Council, *Application Part A (9 February 2016)*, Worksheet 7.

22 Clarence Valley Council, *Application Part A (9 February 2016)*, Worksheet 7; IPART Calculations; Clarence Valley Council, *Long Term Financial Plan Commencing 2015-16, adopted 23 June 2015*, p 21. The increase is "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."

23 Email from Clarence Valley Council to IPART, 7 May 2016 with revised *Clarence Valley Council, Application Part A May 2016.* The council provided an updated *Application Part A* on 13 April 2016 following an IPART enquiry as to whether the council had included all adopted measures that will take place without the special variation into its LTFP. The application was further revised on 7 May 2016.

Financial sustainability, including infrastructure backlogs

Figure 3.1 Clarence Valley Council's Operating Performance Ratio excluding Capital Grants and Contributions (2014-15 to 2024-25)



Note: Clarence Valley Council, *Application Part A May 2016,* Worksheet 7 Base Case (revised 7 May 2016) is used throughout this report. Annual Rates and Charges represent approximately 40% of the total income before capital grants and contributions.

Source: Clarence Valley Council *Annual Financial Statements*, various, 2016-17, *Application Part A May 2016,* Worksheet 7, *Application Part B Attachment 7 – Long Term Financial Plan*; and IPART calculations.

Figure 3.1 shows the operating performance ratio of:

- The *Base Case (9 February 2016)* adopted by the council on 9 February 2016 and used for the community consultation, IP&R documents and special variation application submitted to IPART on 15 February 2016.
- The *Proposed Special Variation Case (9 February 2016)* adopted by the council on 9 February 2016 and used for the community consultation, IP&R documents and special variation application submitted to IPART on 12 February 2016. It combines the special variation, efficiency cost savings and additional income from increases in user charges and fees.
- The *Base Case (7 May 2016)* revised by the council to incorporate adopted efficiency cost savings and additional income from user charges & fees.[24]
- The *Proposed Special Variation Case (7 May 2016)* revised by the council to include special variation income and expenditure additional to the revised *Base Case (7 May 2016)*.[25]

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[24] Email from Clarence Valley Council, 7 May 2016. The revised *Base Case (7 May 2016)* also has capitalised employee costs removed for works related to the special variation.

[25] The *Proposed Special Variation Case (7 May 2016)* differs from the *Proposed Special Variation Case (9 February 2016)* due to the council updating expenses related to depreciation costs and asset rationalisation.

For the Base Case (7 May 2016), Figure 3.1 shows that the council is forecasting the operating performance ratio (before capital grants and contributions) to improve from -21.9% in 2015-16, to a surplus of 3.7% in 2019-20, and a surplus of 5.0% from 2020-21 onwards.[26]

The proposed special variation would enable the council to achieve an operating performance ratio of 13.3% by 2020-21 (with a surplus of $13.6 million), rising to 14.5% by 2024-25.

The purpose and need for the substantial increase in the surplus that would result from the special variation, above that expected for the revised base case, was not clearly articulated to the community.

Table 3.3 Projected operating performance ratio (%) for Clarence Valley Council's special variation application compared with its FFTF proposal

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Application - including SV	-21.9%	-12.2%	-3.5%	4.3%	10.3%	13.3%	13.6%	14.0%	14.3%	14.5%
Excluding SV	-21.9%	-14.2%	-7.4%	-1.1%	3.7%	5.5%	5.3%	5.3%	5.2%	5.0%
FFTF – including SV	-23.2%	-21.7%	-17.8%	-11.8%	-5.7%					

Note: FFTF figures are calculated as 3 year moving averages. For comparison, the operating performance ratios included in the 'FFTF including SV' scenario above were: -23.4% for 2015-16, -18.0% for 2016-17, -11.9% for 2017-18, -5.4% for 2018-19, and 0.2% for 2019-20 (see Clarence Valley Council, *Long Term Financial Plan Commencing 2015-16 Adopted 23 June 2015)*.

Source: Clarence Valley Council, *Application Part A May 2016*, Worksheet 7, and *Fit for the Future Council Improvement Proposal – Attachment 3 Long Term Financial Plan*. Clarence Valley Council, *Long Term Financial Plan Commencing 2015-16 Adopted 23 June 2015.*

In 2015, our Fit for the Future (FFTF) assessment found that the council:

- Was not considered to be Fit for the Future, as it did not satisfy criteria 2 to 4 of the FFTF criteria.
- Did not meet the criterion for sustainability as it did not forecast meeting the **operating performance benchmark** or the building and asset renewal benchmark.
- Did not meet the criterion for infrastructure and service management as it did not forecast meeting the **infrastructure backlog benchmark** or the asset maintenance benchmark. However, the debt service benchmark was met.

26 Clarence Valley Council, *Application Part A May 2016,* Worksheet 7.

We note that the council's FFTF improvement proposal included a special variation of 8% per year for five years, and increased income from **user charges and fees**. However, it did not include the additional efficiency savings discussed above, as these were not identified until November 2015.

NSW Treasury Corporation (TCorp) observed in 2013 that the council's financial position was 'weak' with a 'negative' outlook. This assessment was largely based on the council's large infrastructure backlog and the insufficient financial resources available to meet future capital expenditure requirements. TCorp considered that a combination of cost savings, foregoing future borrowing, and securing new or additional revenue would be required to secure the council's long term financial position.[27]

The proposed special variation responds to the FFTF and TCorp's assessment by seeking additional revenue to improve the operating balance and to reduce the infrastructure backlog. However, the extent of the proposed rates increase is more than that required for financial sustainability to be achieved, and based on the council's forecasts, it results in an operating performance ratio in excess of 10% from 2019-20 onwards.

3.2 Community engagement and awareness

We consider that the council has not adequately met this criterion.

In 2015 the council reviewed its IP&R documents in consultation with the community. It clearly **explained the purpose** of the proposed special variation and provided reasonable opportunities for community feedback. However, we are not satisfied that the community was provided with:

- adequate opportunity to consider **the need for** the special variation, as a result of the positive effects of the additional revenue and cost savings previously adopted by the council, which reduce the need for, and extent of, the rate increase required to achieve financial sustainability, and
- adequate information about **the extent of** the annual and cumulative financial impact of the proposed rate increases over the five years of the special variation.

27 New South Wales Treasury Corporation (TCorp), *Financial Sustainability of the New South Wales Local Government Sector*, April 2013, p 17 and *Clarence Valley Council Financial Assessment and Benchmarking Report*, 16 October 2012, p 30.

Council Consultation

Clarence Valley Council engaged in community consultation on a range of measures to improve its financial sustainability, including:

- a proposed special rate variation of 8% per year
- review or elimination of 24 discretionary services
- the possible sale of property assets, and
- investigation of lease-back arrangements for a range of plant or equipment.[28]

A wide variety of methods were used to engage with the community including:

- a dedicated section of the 'Clarence Conversations' website
- distribution of a brochure and survey questionnaire in rates notices
- representative phone survey of rate-payers who were previously informed through a brochure provided with the rates notice
- two community information sessions and three information stalls, and
- targeted media releases covering local and regional media.

Information specific to the special variation

In its rates notice brochure, Clarence Valley Council focused on the proposed weekly and annual dollar increase in 2016-17 rates and presented the proposed rate increases as a small part of the combined charges on the rates notice. This had the effect of minimising the impact of the rate increase, and did not adequately express the multi-year or cumulative nature of the proposed rate rise in either dollar or percentage terms for the five years of proposed rate increases.[29]

Similarly, in press releases, although the proposed rate increase was described as "8% a year (inclusive of the rate-pegged limit)", the extra cost for average ratepayers was described as 'under $2.50 a week' and cumulative financial impacts were not mentioned.[30]

Tables showing the difference in rates from year to year were available as attachments on the council's website and appendices to the Delivery & Operational Plan. However, the Rates Notices brochure, distributed to all ratepayers and other communications provided by Clarence Valley Council did not meet the requirements of the Guidelines as they did not clearly demonstrate

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28 Clarence Valley Council, *Application Part B Attachment 16 – Roads to Sustainability Brochure*. This brochure was sent to all ratepayers with their rates notice.

29 Clarence Valley Council, *Application Part B Attachment 16 – Roads to Sustainability Brochure*. The council highlights that residents would see a "*total rate rise of 4.5%*" as the proposed 8% increase in ordinary and minimum rates is softened by its overall contribution to the total rates and charges levied by the council (which also includes waste, water and sewer charges).

30 Clarence Valley Council, *Application Part B Attachment 18: Media release one*.

the effect of annual and cumulative increases in rates over each of the five years of the proposed special variation.[31]

Outcome of consultation

Although this criterion does not require councils to demonstrate community support for the special variation, we note there is evidence of strong community opposition to the requested rate increases.

The community raised strong concerns on the unaffordability of the rate rise given the area's low socioeconomic status and indicated a preference for the special variation not to proceed, or for it to be reduced. When combined with the other proposed measures presented to the community, including reduction or removal of services, the community's preference was that the special variation be combined with these measures to reduce the financial impact of proposed rate rises.

The council subsequently decided to reduce the size of the special variation from 8% pa (47% cumulative) each year over five years, to 6.5% pa (37% cumulative) over five years.[32] The council also adopted a proposal for increased efficiency savings as described above, to match the reduction in revenue from the reduced special variation proposal.[33]

Submissions

The council received a petition with 115 signatures opposing the proposed rate rise and 169 written submissions: 166 opposing the application or expressing negativity and 3 with clear support. The council identified the main reasons for opposition as:

- ratepayer affordability
- inability of the Council to meet loan borrowing commitments
- requests to cut expenditure
- changing the distribution of the rating burden, and
- cost of roads maintenance should be borne by those who benefit from the roads.[34]

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31 Clarence Valley Council, *Help make the council sustainable: Roads to Sustainability*, http://clarenceconversations.com.au/roadstosustainability/documentlibrary, accessed on 14 March 2016. The various 'How your rates would be impacted' and 'Property rates comparison' documents show proposed annual rate increases across all rate categories for different property prices.

32 Inclusive of the 1.8% rate peg for 2016-17 and 2.5% rate peg in subsequent years.

33 Clarence Valley Council, *Application Part B*, p 7.

34 Clarence Valley Council, *Application Part B*, pp 51-52 and IPART analysis.

The council has considered its community's feedback by reducing the size of the special variation and committing to a range of efficiency savings which reduce expenditure.

IPART received 56 submissions (including one petition with around 2,000 signatures and 268 online submissions) opposing the application, mainly on the grounds that:

- the rate increase is unaffordable given socioeconomic conditions in the local area (included in 88% of submissions)
- rate levels are already too high in comparison with other comparable areas (included in 30% of submissions)
- the survey conducted as part of the community consultation was inadequate, or unclear and the cumulative cost of rate rises was not clearly explained (included in 32% of submissions), and
- large deficits have resulted from council mismanagement, with a range of local issues cited (included in 68% of submissions).[35]

4 What does our decision mean for the council?

Our decision means that Clarence Valley Council may increase its general income in 2016-17 by an estimated $1.8 million including the rate peg as indicated in Table 4.1.[36] The increase above the rate peg is to be removed from the council's rate base after 2016-17. After 2016-17, the council's general income can increase by the annual rate peg unless we approve further special variations.[37]

Table 4.1 Permissible general income of Clarence Valley Council in 2016-17 arising from the special variation approved by IPART

Notional general income 2015-16 ($)	Increase approved (%)	Annual increase in general income ($)	Adjustments: catch-ups, valuations[a] ($)	Permissible general income 2016-17 ($)
27,438,728	6.5%	1,783,517	4,327	29,226,572

[a] A prior catch-up of $4,327 that had not been recouped by the time of the application was submitted to IPART is to be recouped in 2016-17.

Source: Clarence Valley Council, *Application Part A May 2016*, Worksheets 1 and 4; IPART calculations.

35 IPART Calculations. The petition was consistent with each of the listed issues and was counted as a single submission for the purposes of categorizing the submissions received by IPART.

36 Clarence Valley Council, *Application Part A May 2016*, Worksheet 1.

37 General income in future years cannot be determined with precision, as it will be influenced by several factors apart from the rate peg. These factors include changes in the number of rateable properties and adjustments for previous under- or over-collection of rates. The Office of Local Government is responsible for monitoring and ensuring compliance.

During 2016-17, the council may need to review its forecasts, and re-engage with its community. We consider that the partially approved special variation for 1-year should give the council sufficient time to make reasonable progress in addressing its financial sustainability concerns.

We note that this will also provide the council with additional time to consider any proposed revisions to a potential future special variation application, and/or changes to its rating structure and minimum rates.

5 What does our decision mean for ratepayers?

In approving the special variation application on a temporary basis, we have sought to balance the council's financial need against the proposed rating impact. In order to retain the additional income provided by this special variation permanently, the council would have to lodge a special variation application for 2017-18, after conducting sufficient community consultation.

IPART sets the allowable increase in general income, but it is a matter for each individual council to determine how it allocates any increase across different categories of ratepayer, consistent with our determination. In the absence of any further special variation approval, average rates will decrease on 30 June 2017 as the special variation will be removed from the council's rate base.

The council has calculated that in 2016-17, average rates in each category will increase by 6.5%, with:

- the average residential rate increasing by $61, from $938 to $999
- the average business rate increasing by $163, from $2,508 to $2,671, and
- the average farmland rate increasing by $85, from $1,305 to $1,390.

The council sought to raise minimum rates above the statutory limit ($506) in 2016-17, but this application was not approved. Therefore, the maximum amount that minimum rates can be increased to remains the statutory limit (of $506).

Table 5.1 sets out Clarence Valley Council's estimates of the expected increase in average rates in each ratepayer subcategory in 2016-17.

Table 5.1 Indicative annual increases in average rates under Clarence Valley Council's approved special variation for 2016-17

Category[a]	Average rate 2015-16 ($)	Increase (%)	Increase ($)	Average rate 2016-17 ($)
Residential Average	938	6.5	61	999
Residential Minimum (Residential A & B only)	497	1.8	9	506
Business Average	2,508	6.5	163	2,671
Farmland Average	1,305	6.5	85	1,390

a 2015-16 is included for comparison.

Notes: Some numbers may not add due to rounding. The average rate is calculated by Clarence Valley Council, and includes only ordinary rates. The council does not collect any Special Rates or Mining Rates. There is however, a small 'Business – Jetties' rate of $15.50 that is proposed to increase by 0.9% to $15.60 in 2016-17.

Source: Clarence Valley Council, *Application Part A May 2016,* Worksheet 5a.

In assessing the reasonableness of the financial impact of the special variation on ratepayers, we examined the council's special variation history and the average annual growth of rates in various rating categories.

We also compared current rates and socio economic indicators with peer Group 4 councils Great Lakes, Greater Taree, Kempsey Shire, Lismore City and Richmond Valley, as shown in Table 5.2. They are comparable councils which support medium sized population centres on the mid-north coast and north coast that are surrounded by a mix of small towns, villages and rural populations.

Table 5.2 Clarence Valley Council - comparison of rates and socio-economic indicators with Group 4 peer councils and averages (2013-14)

Council (OLG Group)	Average residential rate ($)[a]	Average taxable income (2011)	Ratio of average rates to average income (%)	Outstanding rates ratio (%)[b]	SEIFA Index NSW Rank[c]
Great Lakes[d] (4)	1,100	37,398	2.9	5.8	26
Lismore City[d] (4)	1,057	38,784	2.7	9.9	66
Greater Taree City[d] (4)	897	37,105	2.4	7.2	12
Clarence Valley (4)	**844**	**34,988**	**2.4**	**6.5**	**13**
Kempsey Shire[d] (4)	780	35,177	2.2	3.9	4
Richmond Valley[d] (4)	650	35,020	1.9	9.2	7
Group 4 average	**927**	**44,351**	**2.1**	**4.9**	**-**

a The average residential rate (ordinary and special) is calculated by dividing total Ordinary and Special Rates revenue by the number of assessments in the category.

b The outstanding rates ratio includes water and sewer.

c The highest possible ranking is 153 which denotes a council that is least disadvantaged in NSW.

d These councils have been granted rate increases above the rate peg, and some have applied this year. The data in this table does capture the increases from all recent special variations or applications.

Note: Surround councils were not included in the table, with the exception of Richmond Valley which is a Group 4 council. Armidale Dumaresq Council is also a surrounding Group 4 council; however it was excluded from this comparison as a result of its improved socio-economic status, with a SEIFA rating of 109.

Source: OLG, unpublished data; ABS, *Regional Population Growth, Australia,* August 2013; ABS, *Estimates of Personal Income for Small Areas, 2005/06 to 2010/11*, October 2013; ABS, *Socio-Economic Indexes for Areas (SEIFA) 2011*, March 2013 and IPART calculations.

Table 5.2 shows Clarence Valley Council's average residential rates, the ratio of rates to income and its outstanding rates ratio as being middle ranking in this comparison. It has the lowest average income of this group and a low SEIFA ranking (SEIFA of 13) that indicates social disadvantage.

It is notable that Clarence Valley is one of a number of local government areas on the mid-north cost and north coast that have low SEIFA rankings, with Kempsey Shire (SEIFA of 4), Richmond Valley (SEIFA of 7), Nambucca Shire (SEIFA of 9), Greater Taree City (SEIFA of 12), and Great Lakes (SEIFA of 26) all having socioeconomic disadvantage.

Appendices

A Expenditures to be funded from the special variation above the rate peg

Table A.1, Table A.2 and Table A.3 show Clarence Valley Council's proposed expenditure of the special variation funds over the next 10 years.

The council proposed to use the additional special variation revenue above the rate peg, of $56.0 million, over 10 years to fund an improvement in the council's operating balance of $37.3 million.[38]

At the same time, the improvement in the operating balance was proposed to fund an extra $18.7 million in operating expenditure and $37.3 million in capital expenditure over the period from 2016-17 to 2025-26 (see Table A.2).[39]

As a condition of IPART's approval, the council will indicate in its 2016-17 Annual Report how its actual expenditure compares with this proposed program.

38 Clarence Valley Council, *Application Part A May 2016,* Worksheet 6.

39 Clarence Valley Council, *Application Part A May 2016,* Worksheet 6.

Table A.1 Clarence Valley Council – Income and proposed expenditure over 10 years related to the proposed special variation ($000)

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Special variation income above assumed rate peg	1,290	2,491	3,798	5,219	6,762	6,931	7,104	7,282	7,464	7,650	**55,991**
Funding for increased operating expenditures	551	744	1,273	1,889	2,228	2,284	2,341	2,399	2,459	2,521	**18,689**
Funding to reduce operating deficits (or increase surpluses)	739	1,747	2,525	3,330	4,534	4,647	4,763	4,882	5,005	5,130	**37,301**
Funding for capital expenditure	739	1,747	2,525	3,330	4,534	4,647	4,763	4,882	5,005	5,130	**37,301**
Additional expenditure	**1,290**	**2,491**	**3,798**	**5,219**	**6,762**	**6,931**	**7,104**	**7,282**	**7,464**	**7,650**	**55,991**

Note: Numbers may not add due to rounding. Total special variation expenditure equals funding for increased operating expenditures plus funding for capital expenditure. Funding for improving the operating balance generates cash flow that is available for funding capital expenditure.

Source: Clarence Valley Council, *Application Part A May 2016,* Worksheet 6.

Table A.2 Clarence Valley Council – Proposed 10-year operating expenditure program related to the special variation ($000)

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Roads and bridges											
Road Pavements and Surfacing	125	225	350	450	505	518	531	544	557	571	**4,376**
Shoulder Repair and Grading	226	249	563	985	1,214	1,244	1,275	1,307	1,340	1,373	**9,776**
Drainage Maintenance	100	150	200	250	300	308	315	323	331	339	**2,616**
Kerb and Channel Replacement	100	120	160	204	209	215	220	225	231	237	**1,921**
Total Asset Maintenance	**551**	**744**	**1,273**	**1,889**	**2,228**	**2,284**	**2,341**	**2,399**	**2,459**	**2,521**	**18,689**

Note: Numbers may not add due to rounding. Roads and road-related maintenance is the only proposed operating expenditure.

Source: Clarence Valley Council, *Application Part A May 2016,* Worksheet 6.

Table A.3 Clarence Valley Council – Proposed 10-year capital expenditure program related to the special variation ($000)

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Roads and bridges											
Road Pavements and Surfacing	615	1,456	1,998	2,654	3,407	3,492	3,579	3,669	3,761	3,855	**28,485**
Shoulder Repair and Grading	124	201	287	365	636	652	669	685	702	720	**5,041**
Drainage Renewal	0	50	100	165	200	205	210	215	221	226	**1,593**
Kerb and Channel Replacement	0	40	140	146	291	298	305	313	321	329	**2,183**
Total Asset Renewal and Upgrades	**739**	**1,747**	**2,525**	**3,330**	**4,534**	**4,647**	**4,763**	**4,882**	**5,005**	**5,130**	**37,301**

Note: Numbers may not add due to rounding.

Source: Clarence Valley Council, *Application Part A May 2016,* Worksheet 6.

B Clarence Valley Council's projected revenue, expenses and operating balance

As a condition of IPART's approval, Clarence Valley Council is to report annually against its projected revenue, expenses and operating balance as set out in its LTFP (shown in Table B.1).

Revenues and operating results in the annual accounts are reported both inclusive and exclusive of capitals and contributions. In order to isolate ongoing trends in operating revenues and expenses, our analysis of the council's operating account in the body of this report excludes capital grants and contributions.

Table B.1 Summary of projected operating statement for Clarence Valley Council, 2016-17 to 2024-25 ($000) with SV

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Total revenue	86,935	94,767	96,929	102,002	106,503	109,139	111,842	114,610	117,450
Total expenses	93,176	90,776	88,846	87,756	88,649	90,531	92,372	94,329	96,353
Operating result from continuing operations	-6,240	3,991	8,083	14,246	17,854	18,608	19,470	20,281	21,097
Net operating result before capital grants and contributions	-10,113	-3,078	4,014	10,075	13,580	14,226	14,978	15,678	16,378

Note: Numbers may not add due to rounding.

Source: Clarence Valley Council, *Application Part A May 2016,* Worksheet 7.

C Comparative indicators

Performance indicators

Indicators of council performance may be considered across time, either for one council or across similar councils, or by comparing similar councils at a point in time. Table C.1 shows how selected performance indicators for Clarence Valley Council have changed over the four years to 2013-14.

Table C.1 Trends in selected performance indicators for Clarence Valley Council, 2010-11 to 2013-14

Performance indicator	2010-11	2011-12	2012-13	2013-14	Average change (%)
FTE staff (number)	495	512	520	538	2.8
Ratio of population to FTE	105	100	99	95	-3.2
Average cost per FTE ($)	66,941	68,428	68,642	65,093	-0.9
Employee costs as % operating expenditure (General Fund only) (%)	28.9	30.6	30.7	34.4	6.0
Consultancy/contractor expenses ($m)	20.5	21.2	19.9	20.1	-0.7
Consultancy/contractor expenses as % operating expenditure (%)	14.5	15.6	14.3	16.2	3.9

Note: Except as noted, data is based upon total council operations that include General Fund, Water & Sewer and other funds, if applicable.

Source: OLG, unpublished data.

The above table shows that:

- Total employee numbers have increased by 8.7% from 495 in 2010-11 to 538 in 2013-14. In 2013-14, Clarence Valley Council had the highest number of employees of any Group 4 council, well above the average of 320 full time employees. This may reflect that Clarence Valley Council is responsible for water and sewerage functions and operates Care and Support services, unlike some Group 4 councils.
- The number of residents serviced by each employee has reduced from 105 in 2010-11 to 95 in 2013-14, a decline of 9.5% or by 3.2% annually.
- Employee costs have increased steadily as a percentage of operating expenditure, with a 6.0% increase over the four years from 2010-11 to 2013-14. However, the average cost of each employee has gradually declined.
- Expenditure on consultancy and contractor expenses has been relatively constant, at around $20 million pa over the period. They comprise largely recurrent annual operating contracts, with consultancies forming a minor portion of the costs.[40]

[40] Clarence Valley Council, Email to IPART, 26 April 2016. Council has advised that contract costs include: waste collection, management of caravan parks, swimming pools and sports facilities, community support care workers, lifesaving patrols and security services.

We note that the special variation 'Base Case', which includes all of Clarence Valley Council's committed cost savings, includes employee cost savings of around 0.5% per year from 2018-19 to 2021-22, followed by growth of up to 1.3% out to 2024-25.[41]

Our 2015 FFTF review found:

- The council was not Fit for the Future, as it did not satisfy criteria 2 to 4 of the FFTF criteria.
- The council satisfied the scale and capacity criteria. The Independent Local Government Review Panel (ILGRP) report identified options for a North Coast JO with Coffs Harbour City, Bellingen Shire and Nambucca Shire Councils; no merger option was suggested.[42]
- The council did not meet the sustainability criterion for the operating performance ratio to break even over three years. The operating performance ratio however was forecast to improve from -21.7% in 2016-17 to -5.7% by 2019-20. This was due to proposed improvement measures including the special variation, user charges and fees increasing by 10% per year for 4 years commencing 2016-17 and service reviews.
- The council met the efficiency criterion, due to a forecast decline in real opex per capita from $1,690 in 2014-15 to $1,400 in 2019-20.
- The infrastructure backlog and asset maintenance ratios did not meet the benchmarks, as:
  - the infrastructure backlog ratio was forecast to slightly improve from 6.4% in 2014-15 to 4.9% by 2019-20, but would not meet the 2% benchmark, and
  - the asset maintenance ratio was forecast to improve from 64.7% in 2014-15 to 79.9% by 2019-20, but would not meet the benchmark of being more than 100% over 3 years.

General comparative indicators

Table C.2 compares selected published and unpublished data about Clarence Valley Council with the averages for the councils in its OLG Group, and for NSW councils as a whole.

As indicated in section 3, Clarence Valley Council is in OLG Group 4. Unless specified otherwise, the data refers to the 2013-14 financial year.

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41 Clarence Valley Council, *Application Part A May 2016*, Worksheet 7.

42 Independent Local Government Review Panel, *Revitalising Local Government - Final Report*, October 2013.

Table C.2 Select comparative indicators for Clarence Valley Council, 2013-14

	Clarence Council	OLG Group 4 average	NSW average
General profile			
Area (km^2)	10,411	-	-
Population	51,346	-	-
General Fund operating expenditure ($m)	92.6	-	-
General Fund operating revenue per capita ($)	1,471	1,380	1,857
Rates revenue as % General Fund income (%)	37.0	43.9	48.9
Own-source revenue ratio (%)	59.1	69.2	73.8
Average rate indicators[a]			
Average rate – residential ($)	844	922	743
Average rate – business ($)	2,216	3,326	2,781
Average rate – farmland ($)	1,208	1,927	2,293
Socio-economic/capacity to pay indicators[b]			
Average annual income for individuals, 2011 ($)	34,988	44,351	49,070
Growth in average annual income, 2006-2011 (% pa)	3.4	4.5	5.2
Average residential rates 2013-14 to average annual income, 2011 (%)	2.4	2.1	1.6
SEIFA, 2011 (NSW rank: 153 is least disadvantaged)	13	-	-
Outstanding rates and annual charges ratio (General Fund only) (%)	6.5	4.9	5.5
Productivity (labour input) indicators[c]			
FTE staff (number)	538	320	294
Ratio of population to FTE	95	125	127
Average cost per FTE ($)	65,093	77,772	78,374
Employee costs as % operating expenditure (General Fund only) (%)	34.4	37.8	38.1
Consultancy/contractor expenses ($m)	20.1	6.2	8.3
Consultancy/contractor expenses as % operating expenditure (%)	16.2	7.9	10.5

a Average rates equal total ordinary rates revenue divided by the number of assessments in each category.

b Average annual income includes income from all sources excluding government pensions and allowances.

c Except as noted, data is based upon total council operations, including General Fund, Water & Sewer and other funds, if applicable. There are difficulties in comparing councils using this data because councils' activities differ widely in scope and they may be defined and measured differently between councils.

Source: OLG, unpublished data; ABS, *Regional Population Growth, Australia,* August 2013; ABS, *Estimates of Personal Income for Small Areas, 2005/06 to 2010/11*, October 2013; ABS, *Socio-Economic Indexes for Areas (SEIFA) 2011*, March 2013 and IPART calculations.