Independent Pricing and Regulatory Tribunal
New South Wales

Special variation and minimum rate increase

Clarence Valley Council 2018-19

Determination

Local Government

May 2018

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Tribunal Members

The Tribunal members for this review are:

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1 Executive summary

The Independent Pricing and Regulatory Tribunal of NSW (IPART) has set the rate peg for 2018-19 at 2.3%. Councils may apply to increase their general income above the rate peg. For most councils, general income consists entirely of rates revenue.

Clarence Valley Council applied for a multi-year special variation to:

- increase its general income by 8.00% each year in 2018-19, 2019-20 and 2020-21, a cumulative increase of 25.97%, and
- retain this increase in its rate base permanently.[1]

The council also applied to increase the minimum amount of its ordinary rates by 7.98% in 2018-19, 7.93% in 2019-20 and 8.01% in 2020-21, a cumulative increase of 25.88%.[2]

IPART has assessed the council's application against the criteria in the Office of Local Government (OLG) Guidelines. This report sets out our decision, and explains how and why we reached that decision. Box 1.1 outlines the context for this process.

1.1 We have approved Clarence Valley Council's application for a special variation and minimum rate increase

We decided to allow the special variation as requested. We also decided to allow the requested increase in minimum rates.

Our decision means that Clarence Valley Council may increase its general income between 2018-19 and 2020-21 by the annual percentages shown in Table 1.1. This will allow the council to improve its financial sustainability and to fund operating and capital expenditure for its key assets - roads, buildings, open spaces and sports facilities.[3]

The annual increases include the rate peg of 2.3% in 2018-19, and an assumed rate peg of 2.5% in future years.[4]

Table 1.1 IPART's decision on Clarence Valley Council's application for a special variation in 2018-19

	2018-19	2019-20	2020-21
Percentage increase approved	8.00	8.00	8.00

1 Clarence Valley Council, *Special Variation Application Form Part A 2018-19 (*Clarence Valley, *Application Part A)*, Worksheet 1.

2 Clarence Valley, *Application Part A*, Worksheet 5a.

3 Clarence Valley, *Application Part A*, Worksheet 6 and Clarence Valley Council, *Special Variation Application Form Part B 2018-19* (Clarence Valley, *Application Part B*), p 17 and *Application Part B*, Attachment, *Use of SRV funds*.

4 The special variation percentage approved will not change to reflect the actual rate peg in future years.

The cumulative increase that we have approved of 25.97% is 18.49% more than the assumed cumulative rate peg for these years. This increase may be retained in the council's general income base permanently.

Our decision to approve the increases in minimum rates means that Clarence Valley Council may set the minimum amount of its ordinary rates up to the amounts shown in Table 1.2.

Table 1.2 IPART's decision on Clarence Valley Council's minimum amount of its ordinary rates

Rating category	2018-19	2019-20	2020-21
Residential Outside Town Areas	$555	$599	$647
Residential A- Angourie, Brooms Head, Diggers Camp, Iluka, Sandon River, Minnie Water, Wooli, Wooloweyah	$555	$599	$647

Box 1.1 Context for IPART's decision

Each year, IPART sets the rate peg, which is the maximum amount by which councils can increase their general income in that year.

Councils may apply for a special variation that allows them to increase their general income by more than the rate peg. For a single year increase, they apply under section 508(2) of the *Local Government Act* 1993 (the Act). For successive year increases (up to a maximum of seven years), they apply under section 508A of the Act.

IPART assesses these applications against the criteria set by the Office of Local Government in its *Guidelines for the preparation of an application for a special variation to general income* (OLG Guidelines).

Councils may also apply to increase their minimum rates above the statutory limit set in the *Local Government (General) Regulation 2005* (clause 126). IPART assesses these applications against criteria for minimum rates increases set by OLG.

The OLG Guidelines emphasise the importance of the council's Integrated Planning and Reporting (IP&R) processes and documents to the special variation process. The IP&R documents, in particular the Delivery Program and Long Term Financial Plan (LTFP), must contain evidence that supports a council's application for a special variation.

The criteria for assessing applications for special variations and increases in minimum rates are listed in Appendix A.

1.2 The council's application meets the criteria

Our decision reflects our finding that the council's current application meets the requirements in the OLG criteria. The council's previous application in 2016 had not fully demonstrated the need for and extent of the rate increases in its IP&R documents and in its community engagement. Our assessment against the criteria is summarised in Table 1.3.

We also found that the council's proposed increases in the minimum amounts of its ordinary rates meets the OLG criteria for minimum rates. Our assessment is summarised in Table 1.4.

Table 1.3 Assessment of Clarence Valley Council's special variation application

1. Financial Need

The council demonstrated the financial need for the special variation (SV):

- Operating Performance Ratio (average 2018-2019 to 2027-28) is
  - 0.48% with SV
  - -4.8 % without SV revenue and assuming SV expenditure.
- Asset renewal ratio is closer to the 100% benchmark averaging 84% to 2026-27 with SV and 65% without SV.
- Infrastructure backlog ratio achieves benchmark (<2%) by 2023-24 with SV.

2. Community awareness

The council demonstrated the community is aware of the rate rise. It:

- used a range of engagement methods to make the community aware of the need for and extent of the rate increase including through public meetings, newspaper and radio advertising, mail-outs, pamphlets and surveys, social media and an on-line rates calculator
- provided detailed explanations about the purpose and impact of the SV and sought feedback, and
- satisfactorily considered community feedback on the rate increase.

3. Impact on ratepayers

Impact on ratepayers will be significant as rates will increase by 26% over 3 years, but reasonable given the council's:

- current rate levels are lower than Group 4 and neighbouring councils
- rates to income ratio while higher than Group 4 is similar to neighbouring councils, and
- need to address financial and asset sustainability.

SV history shows only one temporary rate increase in 2016-17 for 6.5%. The council considers the community has capacity to pay as median weekly rents and mortgage repayments are lower than the NSW median.

4. IP&R documents exhibited

The council adopted its Community Strategic Plan (The Clarence 2027) in June 2017. It updated its IP&R documents clearly setting out the proposed SV, the extent of the proposed rate increases and the impact on ratepayer categories. Between December 2017 and January 2018, it exhibited and invited comment on its:

- Revised Delivery Program and Operational Plan Version 2
- Revised Long Term Financial Plan Version 2, and
- Revised Asset Management Plan Version 2.

The council adopted these IP&R documents on 6 February 2018.

5. Productivity improvements and cost containment

Over the past four years, the council has implemented cost containment and efficiency measures to realise savings of $0.9m per annum from service reductions, system improvements and reviews of contract and loan policies. It has also realised additional revenue of $7.5 m from asset sales. It considers its Fit for the Future (FFTF) 'Improvement Strategies' will generate further efficiencies including:

- a reduction of employee numbers by 27.0 FTE staff
- $8.6 m in savings by 2020-21, and
- a reduction in employee costs of $2.2 million in 2017-18.

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Table 1.4 Assessment of Clarence Valley Council's minimum rate application

1. Rationale	
✓	The council clearly demonstrated the rationale for increasing minimum rates. The purpose of the increase is to: ▼ maintain consistency with its rating structure, and ▼ avoid skewing rate increases towards ratepayers with higher land values.
2. Impact on ratepayers	
✓	The impact on ratepayers is reasonable as: ▼ the current minimum rate ($514) is 47% lower than the average residential rate ($973) in the area, and ▼ maintaining the same percentage increase maintains the relative rating burden across the rate base in the LGA.
3. Community awareness	
✓	The council's consultation was adequate: ▼ while the Council did not clearly show the proposed increases in minimum rates in consultation material, it did clearly show the dollar and percentage increase in minimum amounts in its Delivery Program which it exhibited and consulted on.

1.3 We have attached conditions on how the council can spend its extra revenue

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. Box 1.2 summarises these conditions.

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 over the period 2018-19 to 2020-21 is subject to the following conditions:

- The council uses the additional income from the special variation for the purposes of funding operational and capital expenditure, and improving financial sustainability as outlined in the council's application and listed in Appendix B.
- The council reports in its annual report for each year from 2018-19 to 2027-28 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 C
  - any significant variations from its proposed expenditure as forecast in the current Long Term Financial Plan and the reasons for such variation
  - expenditure consistent with the council's application and listed in Appendix B, and the reasons for any significant differences from the proposed expenditure, and
  - the outcomes achieved as a result of the actual program of expenditure.

1.4 Structure of this report

The rest of this report explains our decision and assessment of the council's application in more detail:

- Chapter 2 outlines the council's application for the special variation and minimum rate increase
- Chapter 3 explains our assessment of the council's application against each criterion
- Chapters 4 and 5 discuss how our decision will impact the council and its ratepayers.

2 Clarence Valley Council's application

Clarence Valley Council applied for a special variation to increase its general income by a cumulative 25.97% over the 3-year period from 2018-19 to 2020-21, and to permanently retain this increase in its general income base.[5] As required under the OLG Guidelines,[6] the council applied for the special variation on the basis of its most recent, adopted Integrated Planning and Reporting (IP&R) documents, in particular the:

- Community Strategic Plan (The Clarence 2027)
- Revised Delivery Program 2017/18 – 2020/21 & Operational Plan 2017/18 Version 2
- Revised Long Term Financial Plan 2017/18- 2026/27 Version 2, and
- Revised Asset Management Strategy 2017/8 to 2026/27 Version 2.

In 2016, the council applied for a special variation of 6.5% pa over 5 years from 2016-17 to 2020-21, a cumulative increase of 37.0%. It also applied to increase its minimum rate by the same percentage amount as the special variation over that period. The purpose of the application was to improve its financial sustainability and reduce its infrastructure backlog and asset maintenance gap.

IPART approved a temporary increase of 6.5% for one year as the council's IP&R documents did not clearly demonstrate the need for the rate increases and the council had not made the community adequately aware of the extent of the rate increases.[7] We did not approve the minimum rate increase because this could introduce a situation where the minimum rate increase was permanent while the special variation increase was only temporary.

The council's current application is broadly consistent with its previous 2016 application. The council estimates that under the proposed special variation its permissible general income would increase from $28.6 million in 2017-18 to $36.1 million in 2020-21. Over the 3-year period of the special variation to 2020-21, this would generate additional revenue of $10.3 million compared to rate increases at the assumed rate peg. This figure would increase to $51.2 million over a 10-year period, as the additional revenue raised would remain permanently in the council's rate base.

The council indicated it intends to use the additional revenue to improve its financial sustainability and fund operating and capital expenditure for its key assets – particularly roads, but also buildings, open spaces and sports facilities.[8] It notes that the current state of its assets is largely a result of a council amalgamation in 2004.[9] Some of the councils that were

5 Clarence Valley, *Application Part A*, Worksheet 1.
6 OLG Guidelines, p 6.
7 As discussed in Chapter 3 we are satisfied that the council has now met the criteria in the OLG Guidelines. Our findings against the criteria are provided in Chapter 3.
8 Clarence Valley, *Application Part A*, Worksheet 6, *Application Part B*, p 17 and *Application Part B*, Attachment, *Use of SRV funds*.
9 Clarence Valley Council was created from the merger of the Copmanhurst, Maclean, Pristine Waters and Grafton councils in 2004.

merged were large rural councils with large networks of sealed and unsealed roads and timber bridges but a very low rate base to fund maintenance and renewal of these assets.[10]

The council's application for a special variation responds to the NSW Treasury Corporation (TCorp) assessment of the council's financial sustainability as well as IPART's Fit for the Future) FFTF review and a FFTF re-submission to OLG in 2018.[11] The council considers it necessary to address its financial and asset sustainability because:

- In 2013, TCorp rated the council's financial sustainability as 'weak' with a 'negative' outlook, based on forecast operating deficits over a 10-year period. A further review in 2016 observed that the council's financial sustainability remained unchanged, although changes in depreciation methodology had a positive impact on the council's operating results and its outlook had improved to 'neutral'. [12]
- In 2015, our FFTF assessment found it did not meet the financial sustainability criteria by the target dates despite a proposed special variation to improve its operating performance ratio. At that time the council proposed a special variation of 8.0% per year over the 5-year period from 2016-17 to 2020-21, a cumulative increase of 47.0%. (Our FFTF assessment is summarised in Box 3.1).
- In 2017, OLG invited the council to submit a proposal for the FFTF Reassessment Round 3 by 16 March 2018.[13] OLG has adopted the same financial benchmarks that applied for the FFTF review but with new target dates for councils to achieve a 'Fit' status.

The council has revised and adopted a number of its FFTF 'Improvement Strategies' which it submits will achieve additional savings[14] as discussed in Section 3.6. Combined with the additional special variation revenue the council forecasts it will meet most of OLG's financial and asset sustainability benchmarks by the new revised timeframes.

The council indicates that over the period 2018-19 to 2027-28 it proposes to spend the additional special variation revenue as follows:

- $11.3 million on increased operating expenditure (asset maintenance), and
- $39.9 million on capital expenditure (asset renewals).[15]

More detail on the council's proposed program of expenditure to 2027-28 is provided in Appendix B.

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10 Clarence Valley, *Application Part B,* p 16.

11 In 2016, the NSW Government gave councils that were not subject to a merger proposal, but did not satisfy the financial criteria in IPART's FFTF assessment, an opportunity to submit revised improvement plans to the OLG for reassessment. See:http://www.fitforthefuture.nsw.gov.au/sites/default/files/FFTF%20Reassessment%20Round%202%20-%20Final%20Report.pdf, accessed 27 March 2018.

12 TCorp, *Clarence ValleyCouncil, Financial Assessment and Sustainability Report*, 12 July 2016, p 4.

13 Clarence Valley, *Application Part B*, p 26.

14 Clarence Valley, *Application Part B,* p 14.

15 Clarence Valley, *Application Part A,* Worksheet 6.

3 IPART's assessment

To make our decision, we assessed Clarence Valley Council's application against the criteria in the OLG Guidelines. 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 D.[16]

Our assessment of the council's application against the criteria is summarised in Table 1.3 and discussed in more detail in the sections below.

3.1 The council demonstrated financial need for the special variation

We found that Clarence Valley Council's IP&R documents clearly set out the need for, and purpose of the requested special variation, which is to:

- fund asset maintenance and renewal, and
- improve financial sustainability.

The council's IP&R documents indicate that the community's priorities are to maintain infrastructure and assets to support the needs of the population.[17] Feedback from the council's consultation showed that the community considered it important for the council to be 'financially sustainable and viable'.[18]

The council has also analysed the financial impact of the special variation on its operating performance and asset sustainability, and canvassed alternative funding strategies.

3.1.1 Impact on council's operating performance

The operating performance ratio (OPR) measures whether a council's revenues fund its costs. The OPR is defined as:

$$OPR^{19} = \frac{Total\ operating\ revenue - operating\ expenses}{Total\ operating\ revenue}$$

Under the special variation scenario, the council forecasts operating surpluses from 2020-21, growing to 3.1% by 2027-28. The cumulative value of these forecast surpluses is $6.9 million to 2027-28.

The improvement in the council's financial sustainability from the additional special variation revenue will allow it to meet the operating performance benchmark (ie, a balanced net

16 See Appendix D. Clarence Valley Council is in OLG Group 4, which is classified as Urban Small/Medium Regional Town/City (population up to 70,000). The group comprises 28 councils, including Singleton, Council, Tamworth Regional Council, Kempsey Shire Council, Richmond Valley Council, Mid-Western Regional Council, and Goulburn Mulwaree Council.

17 Clarence Valley, *Application Part B,* Attachment, *Community Strategic Plan*, p 19.

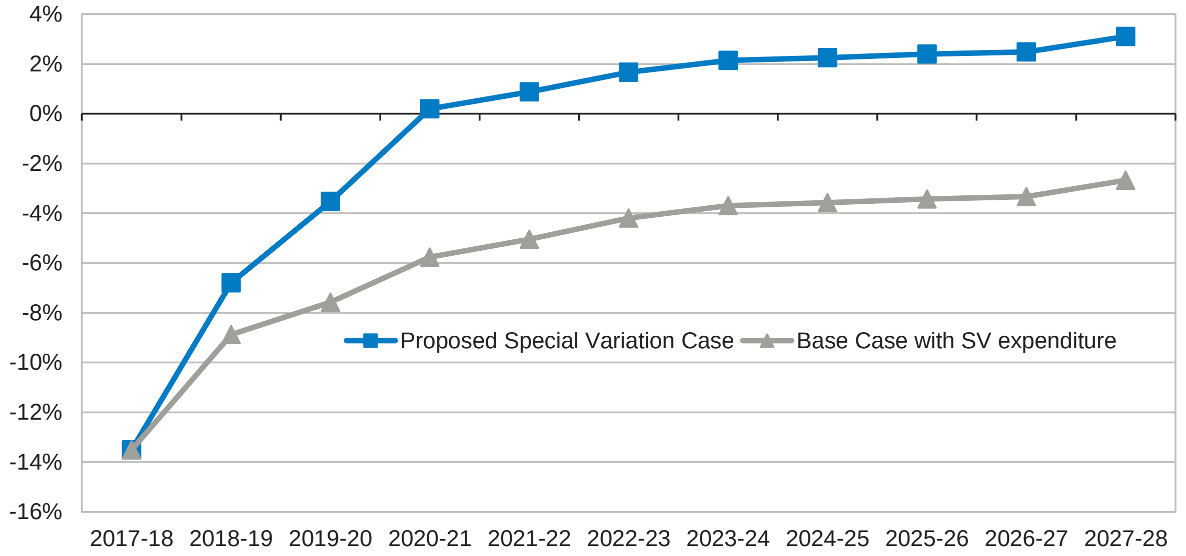
18 Clarence Valley, *Application Part B,* Attachment, *Survey Results*.

19 Expenditure and revenue in the OPR measure are exclusive of capital grants and contributions, and net gain/loss on sale of assets.

operating result) by 2020-21 which is the timeframe set by the OLG's FFTF Reassessment program as outlined in Chapter 2.[20]

Without the special variation, and assuming the council's expenditure is the same as under the special variation scenario, it forecasts consistent operating deficits, as shown by the base case scenario with special variation expenditure in Figure 3.1 and Table 3.1. The cumulative value of these forecast deficits is $43.8 million to 2027-28 under this scenario. Hence, without the special variation, the council's financial sustainability would deteriorate, and it may not generate sufficient funds to address the additional asset renewal and asset maintenance funding required to maintain an adequate level of services for its community.

Figure 3.1 Clarence Valley Council's Operating Performance Ratio (%) excluding capital grants and contributions (2017-18 to 2027-28)



Note: The base case with SV expenditure scenario shows the impact on the council's operating position if the special variation projects were to go ahead without the special variation revenue.

Source: Clarence Valley Council, *Annual Financial Statements*, various; Clarence Valley, *Application Part A, Worksheet 7* and IPART calculations.

Table 3.1 Projected operating performance ratio (%) for Clarence Valley Council's special variation application

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Application - including SV	-6.8	-3.5	0.2	0.9	1.7	2.1	2.3	2.4	2.5	3.1
Base case with SV expenditure	-8.9	-7.6	-5.8	-5.0	-4.2	-3.7	-3.6	-3.4	-3.3	-2.7

Source: IPART calculations based on Clarence Valley, *Application Part A*, Worksheet 7.

20 Clarence Valley, *Application Part B*, p 35.

3.1.2 Impact on council's infrastructure asset renewal ratio

As Chapter 2 noted, the council is planning to spend a substantial component (around 78% or $39.9 million) of its additional special variation revenue on asset renewals. It intends to significantly increase its asset renewal expenditure over the life of its LTFP with some of the additional special variation revenue to fund asset maintenance from 2021-22 onwards. The majority of the renewal expenditure will be on roads.

Table 3.2 shows the projected asset renewal ratio including and excluding the special variation.[21]

With the special variation the council is closer to meeting the benchmark (greater than 100%), averaging 83.5% to 2026-27. Without the special variation the council does not meet this benchmark, averaging 64.7% over the same period.

Table 3.2 Projected asset renewal ratio (%) for Clarence Valley Council's special variation application

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	Average
Application including SV (%)	49.5	64.5	63.3	86.6	95.3	100.0	102.5	93.7	95.8	**83.5**
Excluding SV (%)	41.9	48.8	46.9	60.4	68.6	76.1	84.4	74.2	81.2	**64.7**

Source: Clarence Valley Council, *Revised Long Term Financial Plan 2017/18 to 2026/27 Version 2*, pp vii and xxi.

The additional expenditure on asset renewal will improve the council's infrastructure backlog ratio.

Measured as a percentage of the written down value of infrastructure assets,[22] the infrastructure backlog ratio for 2018-19 was 3%. This is above the FFTF benchmark of less than 2%. With the special variation, the council forecasts the backlog will decline to 1.76% by 2023-24, meeting the benchmark.

Our analysis of Clarence Valley Council's financial need for a special variation is also consistent with our assessment of its FFTF proposal in 2015 which is summarised in Box 3.1.

21 The asset renewal ratio is defined as spending on asset renewals divided by depreciation, amortisation and impairment.

22 Historical cost less accumulated depreciation.

Box 3.1 FFTF Assessment

IPART's Fit for the Future assessment in 2015 found that Clarence Valley Council:

- Did not meet the criterion for financial sustainability overall. Despite a proposed special variation from 2016-17 of 47% cumulative over 5 years, the council forecast it would not meet the operating performance benchmark or asset renewal benchmark by 2019-20. It forecast an improvement in its own source revenue ratio to meet the benchmark by 2019-20.
- Did not meet the criterion for infrastructure and service management. It forecast an improvement in its infrastructure backlog ratio and asset maintenance ratio, however these would still not meet the benchmark by 2019-20. The council met the debt service benchmark in all forecast years.
- Met the efficiency criterion based on a forecast decline in real operating expenditure per capita from $1,690 in 2014-15 to $1,400 in 2019-20.

In February 2018, the council submitted its revised proposal including the current special variation to the OLG's FFTF reassessment process. It forecasts that if the special variation is approved it will achieve the benchmark for the operating performance ratio by OLG's target timeframe of 2021-22. OLG's assessment of Clarence Valley Council's proposal is due on 30 June 2018.

Source: Clarence Valley Council, *Council Improvement Proposal,* June 2015; IPART, *Assessment of Council* Fit for the Future Proposals, October 2015, pp 171-172; Correspondence with Clarence Valley Council, 26 March 2018.

3.1.3 Alternative funding strategies

Clarence Valley Council indicated that over the past four years it has adopted a number of its FFTF 'Improvement Strategies' to address its financial sustainability prior to considering a special variation. It has incorporated savings from these efficiency and improvement measures in its 2017-18 budget. The initiatives include:

- organisational restructures
- asset disposals
- reduction in services, and
- revenue enhancement strategies (eg, fees and charges).[23]

The council notes that it also considered the use of further debt. An Ernst & Young report commissioned by the council indicated it had capacity to increase its debt level from the current $110 million to $131 million across all funds (the council also operates a water and sewer business). However, the 2016 TCorp report recommended against using further debt for its General Fund until operating improvements were achieved, and also because the level of borrowings within its Sewer Fund was already high.[24]

As discussed below in Section 3.6, Clarence Valley Council anticipates its 'Improvement Strategies' will continue to generate further efficiency savings and non-rating revenue to supplement income from the rate base including the special variation income.

[23] Clarence Valley, *Application Part B,* p 92.
[24] Clarence Valley, *Application Part B,* pp 11 and 22.

3.2 The council demonstrated community engagement and awareness

We found that Clarence Valley Council demonstrated that its community is aware of the need for and extent of the proposed rate increase. The council and IPART has received a large number of submissions on the special variation as discussed in Section 3.2.2.

The council identified a need for special variation rate increases in its FFTF proposal in 2015 and following this applied for cumulative rate increases of 37.0% over 5 years from 2016-17 to 2020-21. We approved only the first year of its multi-year application as the council did not meet the criteria related to its IP&R documents and community awareness of the extent of the rate increases.

In April 2017 the council began re-engaging with its community about its proposed special variation to achieve the FFTF Reassessment benchmarks set by OLG. The council updated its IP&R documents which were further revised in late 2017, to clearly set out the need for, purpose, and extent of the proposed special variation. It publicly exhibited these documents as required, and invited feedback from the community.

Between August 2017 and January 2018, in line with its *Community Engagement Plan*,[25] the council undertook comprehensive community consultation to make the community aware of the need for the special variation, the ratepayer impacts and to provide opportunities for feedback. It used a variety of methods which included:

- pop-up information stands and drop-in centres
- public round table and community meetings at various locations
- newspaper media releases and newspaper and radio advertising
- pamphlets and surveys (mail-out and electronic forms)
- social media (eg Facebook), 'frequently asked questions' and a dedicated web page on the council's website, and
- an on-line Rates Estimator.[26]

The council reported that there were 1,479 total visits to the Rates Estimator page on its website, of which 693 visits were unique.[27]

3.2.1 Outcome of consultation with community

Although this criterion does not require councils to demonstrate community support for the special variation, they are required to consider the results of their community consultation in preparing their application.

Feedback from the council's consultation shows that the community is strongly opposed to the special variation.[28] For example, results from the mail-out and electronic survey in September 2017 showed that of the 3,305 respondents:

25 Clarence Valley, *Application Part B*, p 46 and *Application Part B*, Attachment, *Community Engagement Plan*.
26 Clarence Valley, *Application Part B*, pp 46-47.
27 Clarence Valley, *Application Part B*, pp 60-61.
28 Clarence Valley, *Application Part B*, p 59.

- 84% did not support the proposed special variation, however
- 87% considered it 'important' or 'very important' for the council to be financially sustainable and viable, and
- 78% considered their level of understanding of the proposed special variation was 'high' or 'medium'.[29]

The council acknowledged the community's concerns about rate increases but submitted that 'it needs to be responsible and future focussed and make tough decisions based on the evidence and financial figures.'[30] It has also considered some of the concerns raised in written submissions as discussed below.

3.2.2 Submissions from the community

The council received 138 written submissions in response to its special variation consultation. It observed there was overwhelming opposition to the proposed rate increases. The council submitted the main reasons for the opposition were because the community considered:

- the rate increases were unaffordable, particularly for pensioners, some of whom suggested pensioner rebates should be increased
- the council's financial issues were a result of its incompetence, mismanagement or overspending, for example the council should use contractors for seasonal jobs such as lawn mowing and not waste money on constructing a new works depot in South Grafton and the McLachlan Park in Maclean
- councillors who were elected on a 'no rate increase platform' should maintain that position
- the council should seek funding from the NSW Government, and
- areas of high property value should pay more than areas of lower property value; other submitters considered the rate increase would disproportionately impact ratepayers with higher property values.[31]

The council provided the following responses to address the community's concerns:

- it will cap increases for Water and Sewer Charges to a maximum of 1.5% per year to 2020-21 to minimise the impact of the special variation on ratepayers' total bill[32]
- many of the community's suggestions have been incorporated into its Final Improvement Strategies, for example outsourcing some functions, and reducing staff by 27 Full Time Equivalent (FTE) which is forecast to reduce employee costs by $2.2 million in 2017-18
- the construction of the new works depot in South Grafton is to be funded from internal reserves and property sales, which will enable consolidation of the council's civil works operations from five to one depot
- the McLachlan Park project works were completed within scope and budget in line with conditions stipulated by the grant funding body, and

29 Clarence Valley, *Application Part B*, p 59.
30 Clarence Valley, *Application Part B*, p 59.
31 Clarence Valley, *Application Part B*, p 60.
32 Clarence Valley, *Application Part B*, p 65.

- it has applied to increase its minimum rates by the same percentage as the special variation to distribute the rate burden equitably between ratepayers with high and low property values.[33]

IPART received 119 submissions including one petition with 5,448 signatures.[34] The vast majority of these opposed the application, mainly on the grounds of affordability and council inefficiency and mismanagement. These concerns are similar to the feedback received by the council. We note the council's responses to these concerns and that it has decided to apply for the rate increases on the basis of its need to improve its financial and asset sustainability.

3.3 The impact on ratepayers is significant but reasonable

As Chapter 1 discussed, Clarence Valley Council requested a 3-year cumulative increase of 25.97% that will remain permanently in the rate base; 8.0% each year in 2018-19, 2019-20 and 2020-21.

We found that the impact of these increases on ratepayers will be significant but reasonable, given the current average rate levels, the council's special variation history, and the council's current financial and asset sustainability. In reaching our decision we also took into account that the council has examined its community's socio-economic indicators and considers that the community has the capacity to pay the increased rates.

3.3.1 Council's consideration of impact on ratepayers

Clarence Valley Council compared its average rates with selected OLG Group 4 councils (those with a similar population density)[35] as well as its neighbouring councils.[36] It also examined socio-economic indicators such as the median weekly rents and mortgage repayments for its ratepayers compared to ratepayers in NSW.

It concluded that its ratepayers have the capacity to pay the rate levels proposed by the special variation as:

- its average residential rate is similar to, while its business and farmland rates are substantially lower than the average Group 4 council
- compared to its neighbouring councils, its average farmland rate is the lowest, its average residential rate is slightly higher (by 2%) and its business rate is also higher (by 13%) than the average for the respective rate categories of its neighbouring councils
- the median weekly mortgage repayments for the Local Government Area (LGA) are lower than the NSW median (ie, $300 compared to $458), and
- the median weekly rent for the LGA is lower than the NSW median (ie, $255 compared to $380).

33 Clarence Valley, *Application Part B*, p 60.
34 We also received some submissions outside our consultation period.
35 Clarence Valley, *Application Part B*, p 76. The council compared its rates with seven OLG Group 4 councils with a population density per capita/km^2 <10 including Mid-Western Regional, Singleton, Bega Valley Shire, Tamworth Regional , Richmond Valley, Kempsey Shire and Goulburn Mulwaree Councils.
36 The neighbouring councils included Armidale Regional, Bellingen Shire, Coffs Harbour City, Glen Innes Severn, Kyogle Shire, Richmond Valley and Tenterfield Shire Councils.

The council submitted that it has a hardship policy to assist residents that may be unable to meet their financial obligations. The policy provides assistance by writing off interest accrued on unpaid rates and legal costs. However, the council noted that it did not receive any applications for assistance in 2016-17; the year in which its last temporary special variation increase was granted.[37] Some ratepayers have indicated this may be due to the onerous and intrusive process the council has in place for assessing hardship cases.[38]

The council also noted that in response to affordability concerns and to minimise the impact of the special variation on the total rate bill, it will maintain increases for Water and Sewer Charges to a maximum of 1.5% per annum to 2020-21.[39]

3.3.2 IPART's assessment of impact on ratepayers

To assess the reasonableness of the 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 found that since 2007-08:

- The council made one application for a special variation as discussed in Chapter 2 (ie, cumulative 37.0% increase over 5 years from 2016-17) and to increase its minimum rate by the same percentage amount. It was granted an increase of 6.5% in general income for one year in 2016-17 but the minimum rate increase was not approved.
- The average annual growth in residential rates was 3.6% and 2.0% for business rates, which compares with the average annual growth in the rate peg of 2.7% over the same period.

We also compared current rates and socio economic indicators in the LGA with OLG Group 4 and neighbouring councils as shown in Table 3.3.

Table 3.3 Clarence Valley Council - comparison of rates and socio-economic indicators with neighbouring councils and Group 4 averages (2015-16)

Council (OLG Group)	Average residential rate ($)[a]	Average business rate ($)	Median household income (2016)[b]	Average rate to median income ratio (%)	Outstanding rates ratio (%)	SEIFA Index NSW Rank[c]
Bellingen Shire (11)	986	927	51,844	1.9	2.5	63
Coffs Harbour (5)	1,070	4,327	57,564	1.9	6.2	61
Richmond Valley (4)	756	2,027	49,556	1.5	10.3	6
Tamworth (4)	927	2,971	61,360	1.5	3.7	53
Clarence Valley (4)	**878**	**2,310**	**47,320**	**1.9**	**6.7**	**16**
Group 4 average	1,013	3,619	62,656	1.6	4.5	

a The average residential rate (ordinary and special) is calculated by dividing total Ordinary Rates revenue by the number of assessments in the category. Bellingen Shire Council was granted rate increases above the rate peg in 2017-18 and has also applied in 2018-19 for rate increases over 3 years. The table does not capture the increases from this special variations.

b Based on 2016 Census data on median household income.

c The highest possible ranking is 130 which denotes a council that is least disadvantaged in NSW.

Source: OLG, Time Series Data 2015-2016; ABS, *Socio-Economic Indexes for Areas (SEIFA) 2016*, March 2018; ABS, 2016 Census DataPacks, General Community Profile, Local Government Areas, NSW, *Median Weekly Household Income* and IPART calculations.

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37 Clarence Valley, *Application Part B*, p 82.
38 See for example, J Hagger, *Submission to IPART*, 11 March 2018, pp 13-15.
39 Clarence Valley, *Application Part B*, p 65.

Based on 2015-16 data, we found that Clarence Valley Council's:

- average residential rate ($878) was 13.3% lower than the average for Group 4 councils and 4.9% lower than neighbouring councils
- average business rate ($2,310) was 36.2% lower than the average for Group 4 councils and 8.0% lower than neighbouring councils
- average rate to income ratio (1.9%) was higher than the average for Group 4 councils but similar to neighbouring councils
- outstanding rates ratio (6.7%) was higher than the average for Group 4 and neighbouring councils, and
- SEIFA ranking indicates the LGA is relatively disadvantaged compared to most of its Group 4 and neighbouring councils.

Taking all these factors into account, we consider that the impact of the increases is significant, but reasonable.

3.4 The proposed increase in minimum rates is reasonable

Clarence Valley Council also requested a 3-year cumulative increase of 25.88% for its minimum ordinary rates: 7.98% in 2018-19, 7.93% in 2019-20 and 8.01% in 2020-21.

We have decided to approve the minimum rate increases based on our finding that the council meets the assessment criteria for minimum rates, discussed in the sections below.

3.4.1 The council explained its rationale for increasing minimum rates

We found that the Clarence Valley Council explained its rationale for increasing minimum rates.

There are currently 1,988 ratepayers from two residential sub-categories paying the minimum amount ($514 in 2017-18). As seen in Table 3.4 this represents 21.5% and 14.0% respectively of the two sub-categories subject to a minimum rate and 8.8% of all residential ratepayers.

Table 3.4 Clarence Valley Council - Ratepayer assessments on minimum rates

Rating category	Assessments on minimum rates	Total number of assessments	Proportion on minimum rates
Residential- Outside Town Areas	1,674	7,779	21.5%
Residential A – Coastal Villages	314	2,239	14.0%
Residential B, C, E	Nil	12,495	0%
Total Residential	**1,988**	**22,513**	**8.8%**

Note: The council does not have minimum rates for its business or farmland categories.

Source: Clarence Valley, *Application Part A*, Worksheets 3 and 5a and IPART calculations.

The council submitted that it took into account the number of ratepayers on the minimum rate for each sub-category and decided to increase the minimum rate by the same percentage as the special variation to ensure:

- consistency with its rating structure, and
- that rate increases would not be skewed towards other ratepayers with higher land values in the same ratepayer categories.[40]

3.4.2 The impact on ratepayers is reasonable

We consider that the impact of the minimum rate increases is reasonable.

As seen in Table 3.5, the council has proposed a cumulative increase of 25.88% over the next three years for the minimum amount of the two residential sub-categories subject to a minimum amount. This is a similar percentage increase to that proposed for other ratepayers.

Table 3.5 Clarence Valley Council's proposed increases in minimum rates

	Minimum rate 2017-18	Minimum rate 2018-19	Minimum rate 2019-20	Minimum rate 2020-21	Cumulative increase (%)
Residential-Outside Town	$514	$555	$599	$647	25.88%
Residential A – Coastal Villages	$514	$555	$599	$647	25.88%

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

We compared the council's minimum rate with its average residential rate and found that its current minimum rate ($514) is 47% lower than the average residential rate ($973)[41] for the 2017-18 rating year.

As discussed in Section 5, the minimum amount of the residential rate will increase by $41 in the first year and $133 over the 3-year period of the special variation. In comparison, the average residential rate will increase by $78 in the first year and $253 over the 3-year special variation period to 2020-21.

If the rate increase proposed for other rates is not applied to the minimum amount, the increase in rates would disproportionately impact other ratepayers in the same rating sub-categories as well as other ratepayers in the LGA. Applying the same percentage increase across the ratepayer base maintains the same relative rating burden that currently exists between those paying the minimum amounts and other ratepayers.

3.4.3 The council adequately consulted the community

We consider the council has adequately consulted the community on its proposal to increase minimum rates.

Although the council's consultation material did not specifically set out the proposed minimum rate increases, its Delivery Program explicitly set out the impact of the proposed special variation on all rating categories.[42] This included the increases in minimum rates for

40 Clarence Valley, *Application Part B*, p 73.

41 See average residential rate for 2017-18 (Table 5.1) and Clarence Valley, *Application Part A*, Worksheet 5a.

42 Clarence Valley, *Application Part B*, Attachment, *Delivery Program 2017/18-2020/21 & Operational Plan 2017/18*, Appendix D.

the two residential sub-categories subject to a minimum amount. The council exhibited and consulted on its Delivery Program between 15 December 2017 and 25 January 2018.

3.5 The council's IP&R documents were exhibited

The council exhibited its Community Strategic Plan (The Clarence 2027) between 19 May and 16 June 2017 and adopted it on 27 June 2017.[43] It updated its IP&R documents in 2017 with further revisions made to the Delivery Program, Operational Plan and Long Term Financial Plan in late 2017.

Between 15 December 2017 and 25 January 2018, the council exhibited the following documents and adopted them on 6 February 2018:

- Revised Delivery Program 2017/18 - 2020/21 & Operational Plan, 2017/18 Version 2
- Revised Long Term Financial Plan 2017/18 - 2026/27 Version 2
- Revised Asset Management Plan 2017/18 - 2026/27 Version 2.[44]

The adopted Delivery Program and Long Term Financial Plan clearly set out the special variation option, its purpose and the extent of the rate increases in percentage and dollar terms as well as the rate payer impacts on various rating categories.

3.6 The council explained its productivity improvements and cost containment strategies

Clarence Valley Council's application sets out the productivity improvement and cost containment initiatives it has undertaken in recent years and plans to implement in the future.

The council submitted that over the past four years and prior to applying for a special variation it introduced a range of revenue enhancement and cost saving initiatives to address its financial and asset sustainability gap.[45] It provided quantified examples of some of these initiatives as follows:

- $7.5 million in revenue from heavy plant and light fleet disposal and property rationalisation
- $178,730 in revenue from introducing credit card surcharges, collaborative sports tourism marketing with local businesses and financial incentive payments from StateCover
- $504,000 per annum in savings from service reductions – eg, a pool closure and devolving operation and maintenance of some parks, courts and clubs to community groups
- $101,500 per annum in savings from improved data and human resources systems, upgrades to heating, ventilation, air-conditioning systems, improved e-recruitment and procurement systems
- $621,000 in interest savings (over 13 years) and cash flow savings of $3.4 million during the first 5 years resulting from a review of and refinancing loan borrowings

43 Clarence Valley, *Application Part B*, p 83.
44 Clarence Valley, *Application Part B*, pp 89-90.
45 Clarence Valley, *Application Part B*, p 98.

- $170,000 per annum in savings in telecommunications and from reducing outsourcing costs, and
- 4.2 FTE staff reductions through organisational restructures which combined staff reductions in some areas and targeted capability growth in other areas such as asset management.[46]

The council also indicated that it has included revenue and efficiency savings from its FFTF Improvement Strategies in its 2017/18 to 2026/27 Long Term Financial Plan. These strategies include service reviews, changes in service delivery, service and cost reductions and additional revenue making measures. The council expects these initiatives to result in:

- a reduction in staff numbers by 27.0 FTE and a reduction in employee costs of $2.2 million in 2017-18,[47] and
- total efficiency savings of $8.6 million from 2017-18 to 2020-21 to supplement the special variation revenue.[48]

The council is also planning additional asset disposals and productivity and cost containment strategies to generate further revenue and savings in the future.

46 Clarence Valley, *Application Part B*, pp 93-98.

47 The council noted that some FTE positions were vacant. If all staff affected by the organisational restructure elect to take redundancies, this could reduce the estimated savings in 2017-18. Clarence Valley, *Application Part B*, pp 12-13.

48 Clarence Valley, *Application Part B*, p 99.

4 Our decision's impact on the council

Our decision means Clarence Valley Council may increase its general income over the 3-year special variation period from $28.6 million in 2017-18 to $36.1 million in 2020-21. Table 4.1 shows the percentage increases we have approved, and estimates the annual increases in the council's general income incorporating adjustments that will occur as a result of various catch-up and valuation adjustments.

These increases will be permanently incorporated into the council's revenue base. After 2020-21, the council's permissible general income can increase up to the annual rate peg unless we approve a further special variation.[49]

Table 4.1 Permissible general income of Clarence Valley Council from 2018-19 to 2020-21 arising from the special variation approved by IPART

Year	Increase approved (%)	Cumulative increase approved (%)	Annual increase in general income ($)	Permissible general income ($)
Adjusted notional income 1 July2018				28,625,402
2018-19	8.00	8.00	2,290,032	30,915,434
2019-20	8.00	16.64	2,473,235	33,388,669
2020-21	8.00	25.97	2,671,094	36,059,762
2021-2022				
Total increase approved			**7,434,360**	

Note: The above information is correct at the time of the council's application (February 2018).

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

The council estimates that over the three years to 2020-21 it will collect in total, an additional $10.3 million of rate revenue compared to rate increases that are limited to the assumed rate peg.[50]

This extra income is the amount the council requested to enable it to undertake additional operating and capital expenditure to maintain service levels and improve its financial sustainability.

49 General income in future years cannot be determined with precision, as it will be influenced by several factors in addition to 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.

50 Clarence Valley, *Application Part B*, p 5.

5 Our decision's impact on ratepayers

IPART sets the allowable increase in general income, but it is a matter for each council to determine how it allocates any increase across different categories of ratepayer, consistent with our determination.

In its application, Clarence Valley Council indicated it intended to increase rates uniformly by 8.0% per year over the three years, or around 26.0% in total, for each category.

The council has calculated that the:

- average residential rate would increase by 26.0% or $253 over 3 years, or $78 in the first year
- minimum amount of the residential rate would increase by 25.9% or $133 over 3 years, or $41 in the first year
- average business rate would increase by 25.9% or $667 over 3 years, or $204 in the first year
- average farmland rate would increase by 26.0% or $347 over 3 years, or $107 in the first year.[51]

Table 5.1 sets out Clarence Valley Council's estimates of the expected increase in average rates and the minimum amount of the residential rate.

Table 5.1 Indicative annual increases in average rates under Clarence Valley Council's approved special variation 2017-18 to 2020-21

Year	2017-18	2018-19	2019-20	2020-21	Cumulative 2018-19 to 2020-21
Average Residential rate $	**973**	**1,051**	**1,135**	**1,226**	
$ increase		78	84	91	253
% increase		8.0	8.0	8.0	26.0
Minimum amount $	**514**	**555**	**599**	**547**	
$ increase		41	44	48	133
% increase		8.0	7.9	8.0	25.9
Average Business rate $	**2,575**	**2,779**	**3,002**	**3,242**	
$ increase		204	222	240	667
% increase		7.9	8.0	8.0	25.9
Farmland rate $	**1,336**	**1,443**	**1,558**	**1,683**	
$ increase		107	115	125	347
% increase		8.0	8.0	8.0	26.0

Note: 2017-18 is included for comparison. Average rates and percentage increases are rounded to the nearest dollar and decimal place respectively.

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

51 Clarence Valley, *Application Part A*, Worksheet 5a.

Appendices

A Assessment criteria for special variation applications and minimum rate increases

Table A.1 Assessment criteria for special variation applications

Assessment criteria
Criterion 1 – Financial need 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 applying the following two scenarios: ▼ Baseline scenario – General Fund revenue and expenditure forecasts which reflect the business as usual model, and exclude the special variation, and ▼ Special variation scenario – the result of implementing the special variation in full is shown and reflected in the General Fund revenue forecast with the additional expenditure levels intended to be funded by the special variation. Evidence to establish this criterion could include evidence of community need/desire for service levels/project and limited council resourcing alternatives. Evidence could also include analysis of council's financial sustainability conducted by Government agencies.
Criterion 2 – Community awareness Evidence that the community is aware of the need for and extent of a rate rise. The Delivery Program and Long Term Financial Plan should clearly set out the extent of the General Fund rate rise under the special variation. The council's community engagement strategy for the special variation must demonstrate an appropriate variety of engagement methods to ensure community awareness and input occur. The IPART fact sheet includes guidance to councils on the community awareness and engagement criterion for special variations. In particular, councils need to communicate the full cumulative increase of the proposed SV in percentage terms, and the total increase in dollar terms for the average ratepayer, by rating category.
Criterion 3 – Impact on ratepayers is reasonable 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 rate 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.
Criterion 4 – IP&R documents are exhibited 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.
Criterion 5 – Productivity improvements and cost containment strategies 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.
Criterion 6 – Additional matters IPART's assessment of the size and resources of the council, the size of the increase requested, current rate levels and previous rate rises, the purpose of the special variation and other relevant matters.

Source: OLG Guidelines, November 2017, pp 7-9.

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

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

The council will use the additional special variation revenue, above the rate peg, of $51.2 million over 10 years to fund:

- roads maintenance and renewal
- flood mitigation renewal, and
- renewal of sports facilities, open spaces, buildings and swimming pools.[52]

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

52 Clarence Valley, *Application Part A*, Worksheet 6, and Clarence Valley, *Application Part B,* Attachment, *Use of SRV funds*.

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

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	Total
Special variation income above assumed rate peg	**1,632**	**3,373**	**5,293**	**5,426**	**5,561**	**5,701**	**5,843**	**5,989**	**6,139**	**6,292**	**51,249**
Transfers from reserves	0	0	1,436	-578	-623	-235	450	-450	0	0	0
Funding for increased operating expenditures	0	0	0	350	407	765	1,480	2,210	2,954	3,177	11,344
Funding for capital expenditure	1,632	3,373	3,858	5,654	5,777	5,170	3,912	4,229	3,185	3,115	39,905
Other uses[a]											
Total expenditure	**1,632**	**3,373**	**5,293**	**5,426**	**5,561**	**5,701**	**5,843**	**5,989**	**6,139**	**6,292**	**51,249**

Note: Numbers may not add due to rounding. Total special variation expenditure equals funding for increased operating expenditures plus funding for capital expenditure. Any special variation revenue not used for operating expenditure would improve the operating performance ratio.

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

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

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	Total
Road pavement and surfacing renewals	1,281	2,139	1,459	3,228	3,293	3,359	2,347	2,487	1,834	1,717	23,144
Culverts and drainage renewals	350	715	1,046	866	705	359	366	150	150	150	4,857
Shoulder grading and widening renewals	0	0	386	700	637	600	612	624	637	649	4,845
Flood mitigation renewals	0	20	317	117	116	96	72	87	92	74	990
Sports facilities renewals	0	500	650	0	0	0	0	0	0	0	1,150
Open spaces renewals	0	0	0	385	366	438	242	615	257	217	2,520
Buildings renewals	0	0	0	342	635	285	256	263	212	206	2,199
Swimming pool renewals	0	0	0	16	25	33	17	3	3	102	199
Total Asset Renewal	**1,632**	**3,373**	**3,858**	**5,654**	**5,777**	**5,170**	**3,912**	**4,229**	**3,185**	**3,115**	**39,905**
Total Asset Upgrades	0	0	0	0	0	0	0	0	0	0	0
Total Capital Expenditure	**1,632**	**3,373**	**3,858**	**5,654**	**5,777**	**5,170**	**3,912**	**4,229**	**3,185**	**3,115**	**39,905**

Note: Numbers may not add due to rounding.

Source: Clarence Valley, *Application Part B*, Attachment 22, Use of SRV funds, p 19 and *Application Part A*, *Worksheet 6*.

C Clarence Valley Council's projected revenue, expenses and operating result

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 Long Term Financial Plan (shown in Table C.1).

Revenues and operating results in the annual accounts are reported both inclusive and exclusive of capital grants and contributions. 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 C.1 Summary of projected operating statement for Clarence Valley Council, 2017-18 to 2027-28 ($000)

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-2024	2024-25	2025-26	2026-27	2027-28
Total revenue	85,845	88,396	92,254	96,696	97,687	100,097	102,575	105,145	107,811	110,470	113,149
Total expenses	91,522	90,342	91,771	92,900	94,654	96,222	98,151	100,504	102,923	105,376	107,242
Operating result from continuing operations	-5,677	-1,946	484	3,796	3,032	3,875	4,424	4,642	4,888	5,093	5,906
Net operating result before capital grants and contributions	-10,892	-5,750	-3,121	183	834	1,637	2,146	2,323	2,527	2,689	3,442

Note: Numbers may not add due to rounding.

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

D Comparative indicators

Performance indicators

Indicators of council performance may be considered across time, either for one council or for a group of similar councils, or by comparing similar councils at a point in time.

Table D.1 shows how selected performance indicators for Clarence Valley Council have changed over the four years to 2015-16. Table D.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.

Overall, the tables below show that:

- The FTE staff number and the ratio of population to FTE over the four year period to 2015-16 has remained relatively stable. As noted in Section 3.6, the council plans to reduce its employee numbers by 27.0 FTE staff as part of its FFTF 'Improvement Strategies'.[53]
- While the council's average cost per FTE has increased to $71,155 in 2015-16, it is lower than the OLG Group 4 average of $79,862 and the NSW average of $83,193 in the same year. Similarly, its employee costs as a percentage of operating expenditure has increased to 34.9%, but is lower than the OLG Group average of 38.4% and the average for NSW as a whole of 39.7%.

Table D.1 Trends in selected performance indicators for Clarence Valley Council, 2012-13 to 2015-16

Performance indicator	2012-13	2013-14	2014-15	2015-16	Average annual change (%)
FTE staff (number)	520	538	542	550	1.9
Ratio of population to FTE	99	95	95	93.4	-1.8
Average cost per FTE ($)	68,642	65,093	67,876	71,155	1.2
Employee costs as % operating expenditure (General Fund only)	30.7	34.4	32.9	34.9	N/A

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.

53 Clarence Valley, *Application Part B*, p 99.

Table D.2 Select comparative indicators for Clarence Valley Council, 2015-16

	Clarence Valley Council	OLG Group 4 average	NSW average
General profile			
Area (km^2)	10,429	-	-
Population (2016)	51,367	-	-
General Fund operating expenditure ($m)	102.3	63.1	70.2
General Fund operating revenue per capita ($)	1,772	-	-
Rates revenue as % General Fund income	36.5	39.5	43.6
Own-source revenue ratio (%)	58.7	65.8	67.3
Average rate indicators[a]			
Average rate – residential ($)	878	1,013	1,017
Average rate – business ($)	2,310	3,619	5,118
Average rate – farmland ($)	1,279	2,029	2,366
Socio-economic/capacity to pay indicators			
Median annual household income ($)[b]	47,320	62,656	77,272
Average residential rate to median income ratio (%)	1.9	1.6	1.3
SEIFA, 2016 (NSW rank: 130 is the least disadvantaged)	16		
Outstanding rates and annual charges ratio (%)	6.7	4.4	3.6
Productivity (labour input) indicators[c]			
FTE staff (number)	550	343	354
Ratio of population to FTE	93.4		
Average cost per FTE ($)	71,155	79,862	83,193
Employee costs as % operating expenditure (General Fund only)	34.9	38.4	39.7

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

[b] Median annual household income is based on 2016 ABS Census data.

[c] Data includes General Fund, Water & Sewer and other funds, if applicable (unless noted otherwise). 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.

Note: Except as noted, data is based upon total council operations for General Fund only.

Source: OLG, *Time Series Data 2015-2016*, OLG, unpublished data; ABS, *Socio-Economic Indexes for Areas (SEIFA) 2016*, March 2018, ABS, 2016 Census DataPacks, General Community Profile, Local Government Areas, NSW, *Median Weekly Household Income* and IPART calculations.