

**BEGA VALLEY SHIRE
COUNCIL**

**Draft
Financial
Strategy**

March 2009



Bega Valley Shire Council

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Draft Financial Strategy

March 2009

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Executive Summary of Actions

Council Role

Actions

1. Council recognise and advance itself as an Optimalist Council.
2. Articulate the role Council will play (provide, sponsor, agent, broker, contractor, donor, advocate, partner) in the 'Community Strategic Plan' in bringing about the services and ambitions expressed by the community in the 20 Year Plan and community visioning process.
3. Reshape budgets and reporting framework after introduction of new financial software and adoption of Community Strategic Plan towards the key themes identified in that Plan.
4. A quadruple bottom line (QBL) reporting and accounting framework be developed to assist communication of Council's expenditures and investment categorised into environment, social, economic, infrastructure and governance

Population

Actions

1. Undertake population profiling and forecasting per settlement.
2. Prepare a 'State of the Shire' report, integrating information from the statutory State of the Environment Report, Social Plan and Condition of Infrastructure Report to assist strategic plans and financial decisions, and the preparation of the Community Strategic Plan.
3. Revise water and sewerage development servicing plans (DSP) to affirm infrastructure capacity to expand networks and natural resource capacity to harvest and discharge waters.
4. Profile land availability and affordability in settlements, and relevant DCP and contribution plans, to encourage investment and population movements to appropriate settlements where infrastructure capacity exists or is capable of expansion at minimal cost to community..
5. Expand the Land Monitor to reflect unoccupied lots by locality, zoned subdividable land by locality and forecast potential take-up of those lots per year to assist population and development activity forecasting. This will assist budget estimates for DA income and development contributions income

Infrastructure

Actions

1. The infrastructure and facility hierarchy be adopted to inform the asset management plans.
2. Levels of service appropriate to that hierarchy be adopted to inform the asset management plans.
3. Spatially present through the town DCP's, the proposed expansion of infrastructure networks (footpaths, cycleways, boardwalks, jetties and ramps) and rationalised public amenities (toilets, playgrounds), indicating their location and source of funding (debt, development contribution, developer agreement, community projects).
4. Spatially present the condition, loads and priorities of road, bridge, path and drain networks
5. Infrastructure groups and budgets be re-badged to reflect role as Tourism, Environment and Community infrastructure, to support those strategies and be used as council offsets or contributions to applications for grants.
6. Asset management plans and development contribution plans reflect life cycle costs of assets.
7. An infrastructure replacement reserve be established in each Fund
8. Continue development of community partnerships to build and maintain community infrastructure, supported by government grants and council seed funding
9. The LGI asset definitions be adopted and Schedule 7 asset reporting be expanded accordingly, informed by the asset register.

Economy

Actions

1. Acquire web based economic profiling and forecasting information.
2. Prepare Economic Development Strategy.
3. Support Tourism Strategy
4. Assist preparation of Eden Port Masterplan and Merimbula Airport Masterplan.
5. Assist implementation of Tourism Plan strategies and initiatives through rate-variation financed upgrades to tourism and recreation infrastructure.
6. Reassign infrastructure investment and maintenance into "tourism, community, environmental infrastructure"

Ownership

Actions

1. A land investment strategy and policy incorporating the above opportunities be adopted.
2. Negotiations to leverage Council carpark and road reserves to facilitate commercial redevelopment and traffic and carparking improvements to continue.
3. Negotiations to leverage Council land adjacent to Merimbula airport and upgrade airport facilities through renewal of airport lease to improve aviation, tourism accommodation, long stay and long vehicle parking and VIC facilities to continue.
4. Explore opportunities to expand caravan park holdings for recreation infrastructure based on plans of management, and utilisation of airport holdings for tourism infrastructure (including VIC).

Revenue Base

Actions

1. Revise competitive neutrality policy to incorporate the application of dividends and internal rate of return for water and sewer operations.
2. Introduce pay parking to service debt used for CBD improvements or utilise for CBD maintenance and cleaning.
3. Revise revenue policy to incorporate the mix of capital and operating revenues proposed in the financial strategy, including:
 - Public land assembly
 - Debt
 - Planning agreement or development contribution
 - Development incentives
 - Commercial holdings
 - Crown Lease

Financial Plan

1. Prepare Financial Plan based on adopted Financial Strategy principles and the following actions, drawing on infrastructure projects adopted in existing strategies, plans of management and contribution plans.

Principles

- raise debt in accord with policy, serviced by new revenues including lease, caravan parks, user charges, development contributions, special rate variations, dividends
- establish new s94 contribution and s94A levy plans, and planning agreements, differentiating new infrastructure and facilities required through subdivision growth, from upgraded or renewed infrastructure and facilities required through development
- expand land development and leasing activities of council surplus lands and real estate
- nurture community partnerships to build and/or maintain facilities on council land
- narrow the gap of financing: maintenance and operations of infrastructure, operations of facilities, and competitive and grant services
- annually revise development and economic activity through Economic Modeller software and Land Monitor, pooling first and/or second year receipts from development contribution and levies to apply to debt or projects from the second/third budget year

Actions

- General rate variations be sought over ten years to be applied to existing general infrastructure and facilities renewal and replacement.
- Move average general rates towards category average.
- Annual/access charges be revised to recover the cost of provision and debt of infrastructure and management of utility services.
- Usage charges be revised to recover the cost of operations of utility services and marginal costs of operations of other facilities.
- The pricing policy be revised to reflect full cost recovery for services provided in competition.
- Grant applications be revised to recover full costs of governance and organisation support attributed to those projects and services,
- Introduce a Community Partnership Fund and establish business rules for its application.

Financial Strategy

- Council assist preparation of grant applications, traffic control plans and insurance arrangements for projects and events accepted under the Fund
- the charging regime for IT, design, planning and plant services provided to other councils or organisations move from part cost recovery to full cost recovery and ultimately market pricing

Introduction

The Bega Valley Shire is forecast to grow at an annual rate greater than 1% percentage reaching a population of 45,000 by 2026. That population is expected to age to the point that one-third of the population will be 65 years or older. Together with the competing demands of accommodating swelling tourist visitations, retirees and managing a fragile coastal and hinterland environment, the Council must also reposition its financial capacity in the knowledge that traditional taxation bases may shrink, pension impacts will grow, economic cycles and development activity will fluctuate and the mix of roles and functions performed by Local Government may change at the whim of State Government.

Council is preparing a Financial Strategy for its general operations (the Water and Sewer Funds already have strategic business plans and financial models in place) to provide scope to its capacity to provide infrastructure, facilities and services espoused through the Community Strategic Plan developed in 2009. The Strategy presumes:

- Rate pegging will remain
- Pension rebate subsidy will not increase
- Pensioners, subject to rate rebates, will increase
- New development and a growing population will increase loads on existing infrastructure and in turn, the rate of renewal on existing infrastructure and facilities
- As the population ages, the demand and usage of some facilities and services may alter
- In the next 20 years, over 10% of dwellings may be strata/apartments/dual occupancies, in turn maximising use of infrastructure and consuming a smaller proportion of average rates per property to maintain infrastructure
- Subdivision (growth) and building (development) activity will be reviewed each year to monitor demand, contributions received and timing of commencement of new or upgraded infrastructure and facilities.

The Financial Strategy promotes increasing revenue streams (by rates, crown reserve income, development contributions, demand management charges and council land development) while capacity to pay is not eroded by pension rebates growth.

Commercial, industrial and aged care land, appropriately set with respect to the local environs, remains in demand in a sea change area such as the Bega Valley. The Strategy presumes that the rate base will grow as settlements are consolidated in accord with planning strategies through an increase in strata developments, creating opportunities through development levies to sponsor, support or provide services identified in the social, cultural and disability plans deferred from current budgets.

Financial Strategy

Family incomes	families in each income range			
	number	% Bega V families	% NSW families	Bega V's difference
under \$250	261	3%	3%	0.2% less
\$250-\$449	1,265	15%	10%	4.7% more
\$500-\$999	2,629	30%	21%	9.3% more
\$1,000-\$1,399	1,843	21%	17%	3.9% more
\$1,400-\$1,999	935	11%	15%	3.8% less
\$2,000-\$2,999	545	6%	14%	8.0% less
\$3,000+ a week	122	1%	8%	6.1% less
not all stated	1,084	12%	12%	0.2% more
Total	8,684	100%	100%	
average weekly income		\$1,029	\$1,432	28% less

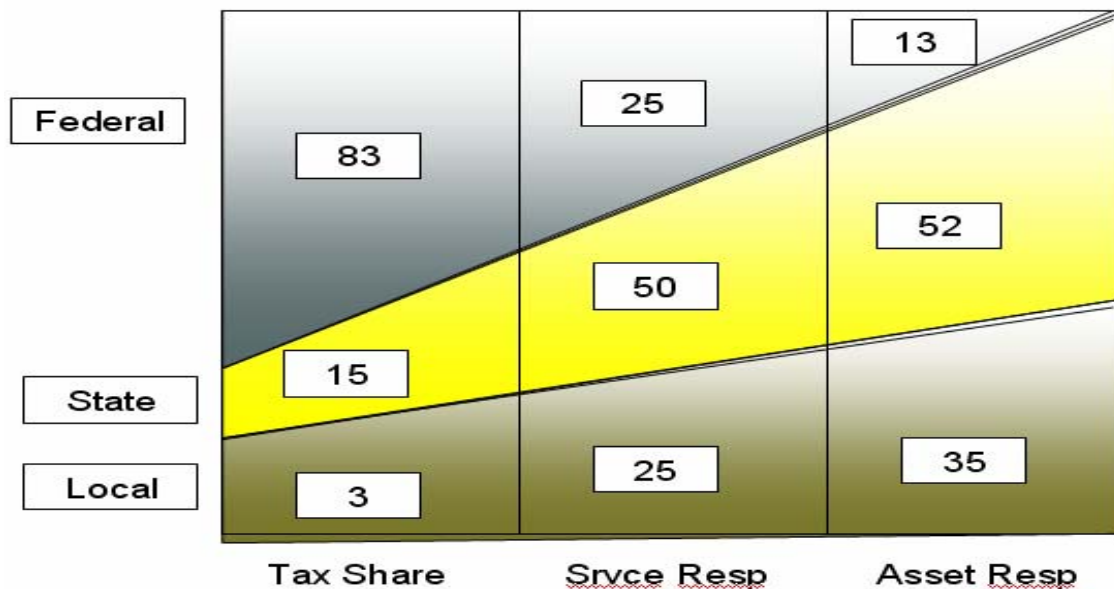
The Financial Strategy assumes, and relies upon, growth in the rateable property base brought about by subdivision and consolidation activity. Council plays a significant role, through its rating policies, economic development policies and its own property development activities, to influence the scale and scope of that growth.

The Financial Strategy will be reviewed each year to reflect the status of development activity, Council land development returns and crown reserve income, whose revenues may be utilised to support expanded services or service debt borrowed to fund new or upgraded facilities. The review may cause deferring, downsizing or deleting some projects if demand (development activity and population growth and mix) slow markedly or government grants and loan interest rates change significantly.

Local Government Inquiry (LGI) 2006

Since the replacement of the Local Government Act (NSW) 1919 with a new one in 1993 (LG Act), the trend towards serving people, not just property, has intensified. Currently local councils' functions cover at least eight R's:

- Roads (including bridges, footpaths, kerbing, drains and street lighting)
- Refuse (including recyclable waste collection and disposal tips)
- Regulation (e.g. town planning, land use zoning, development approvals, safety inspections and environmental controls)
- Recreation (e.g. parks, sport grounds, swimming pools and libraries)
- Relief (e.g. community welfare, childcare, health, education and security)
- Regionalism (e.g. tourist and other forms of economic development)
- Retail services, which are provided by regional and rural councils (e.g. water and sewerage, transport, gas supply, saleyards, aerodromes and caravan parks)
- Rate collections also absorb a council's resources, but of course this activity is only a means to an end.



The Local Government Inquiry into Financial Sustainability 2006 identified between the three spheres of Government, that while Local Governments across Australia gains just 3% of the tax yield, it is responsible for 25% of public services and 35% of the public asset base. A number of related reviews have also taken place such as the Hawker Cost Shifting Enquiry and the IPART Revenue Review.

Anecdotal evidence presented to the Inquiry suggest that most citizens think Local Government earns two to six times the revenue that it actually receives, which may fuel false expectations of what it is capable of doing. Other pressures on councils' limited resources include:

Financial Strategy

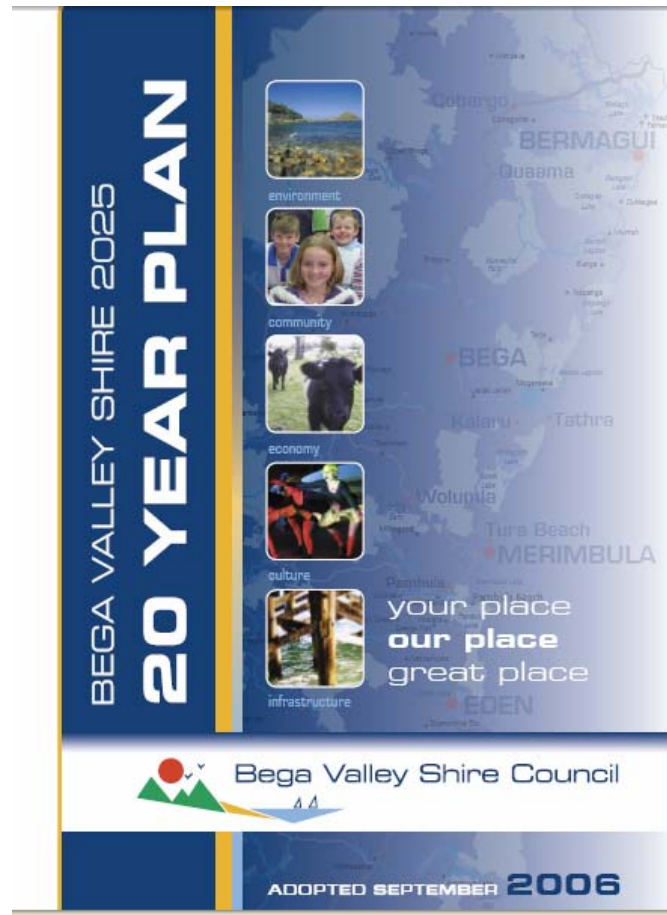
- State and local demands for better environmental management are putting cost pressures on councils;
- As the population ages more retirees will move to coastal and inland regional centres where they expect councils to provide aged care services (e.g. nursing homes and Meals on Wheels);
- Sea- and tree-changers used to city standards demand higher grades of service than non-metropolitan councils can afford

Generally, the Local Government Inquiry (LGI) recommended:

- local Councils should balance general annual operating revenues and expenditures and fully fund routine maintenance (including depreciation);
- with backlogs in renewals, local Council's should generate sufficient budget surpluses to overcome backlogs in 10 years;
- local Councils should borrow between 30% and 60% of the cost of an expanding asset base to ensure intergenerational equity;
- local Councils should keep the ratio of net debt to total annual revenue between 50% and 150%;
- Local Councils should achieve return on assets ranging from 3% to 7%.

20 year Plan

The 20 Year Plan (Your Place, Our Place, Great Place) adopted in 2006 followed an extensive process of community consultation. That 20 year Plan will be refreshed into the 2009 Community Strategic Plan.



The key aspirations of the community in 2006 were that they sought a Shire that:

- Provided *Choice* in recreation, housing, education, employment, retail, health
- Celebrated its *Culture*
- Nurtured its own *Character*
- *Conserved* its natural and built heritage
- Developed in accord with *Capacity* of the environment and infrastructure
- *Connected* people through safe council services, networks and facilities
- Was *Competitive* and attractive to investment, tourism and retirement

What Role Should Bega Valley Shire Council Play

The new Local Government legislation in 1993 freed up councils to embrace a 'maximalist' (people servicing) role, yet by restricting taxes to property rates and retaining rate pegging and regulated fees and charges, in reality, Local Government's capacity has remained constrained to a 'minimalist' (property servicing) role. In the absence of a wider tax base and constraints on other sources of revenue, councils need to curb their recurrent spending ambitions until they have overcome the shortfall in their capital spending on infrastructure renewals (especially roads, pavements, kerbing, public places, etc). In part, the Bega Valley Shire Council embraced that approach through the independent Operational Examination in 2006 – rationalising services, operational facilities and staff, and applying rate variations to build financial capacity to maintain infrastructure.

The LGI suggested there are three distinct future roles appropriate for Local Government. The definition and case for each are set out below:

- **Minimalist:** Councils are the body corporate for the local community and as such should look after the common property and regulate the usage of private properties. This role would ensure that councils live within their resources largely dictated by a single tax base (land rates) subject to a state imposed ceiling (rate pegging).
- **Maximalist:** Councils are the governments of their areas and as such should foster the welfare of the whole community even if this means duplicating the work of other tiers of government. They should undertake such services that local communities want and are prepared to pay for.
- **Optimalist:** Councils are champions of their areas and as such should take a leadership role in harnessing public, NGO and private resources to promote particular outcomes rather than attempt to fund and operate local initiatives on their own. Because of funding constraints an 'optimalist' approach may allow a 'minimalist' resourced council to exercise maximum leverage.

On balance, it is considered Bega Valley Shire Council should position itself as an Optimalist Council.

When considering the key messages and themes emerging from the current 20 year Plan, a Financial Strategy should play a part in bringing about the ambitions of the community.

As an Optimalist Council, we should further examine our ability to bring about a mix of services, infrastructure and facilities within the financial capacity of the community: including:

Financial Strategy

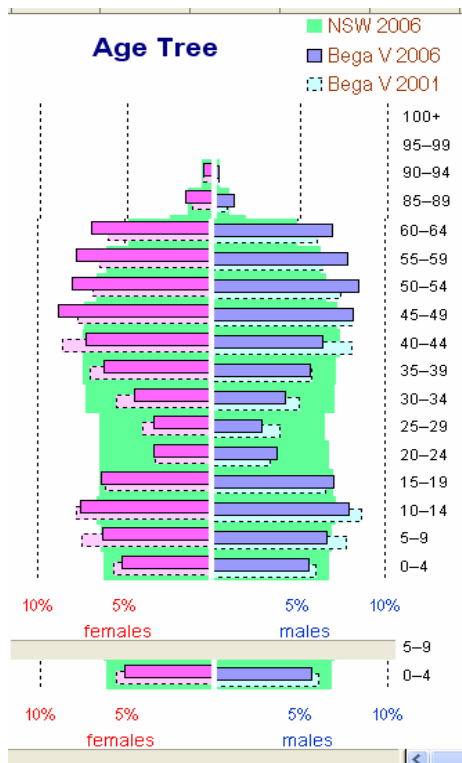
- Leverage our monopoly
- Leverage our capacity
- Be a 'broker' of services
- Be a 'dealer' of infrastructure
- Be a 'catalyst' of investment

Actions

1. Council recognise and advance itself as an Optimalist Council.
2. Articulate the role Council will play (provide, sponsor, agent, broker, contractor, donor, advocate, partner) in the 'Community Strategic Plan' in bringing about the services and ambitions expressed by the community in the 20 Year Plan and community visioning process.
3. Reshape budgets and reporting framework after introduction of new financial software and adoption of Community Strategic Plan towards the key themes identified in that Plan.
4. A quadruple bottom line (QBL) reporting and accounting framework be developed to assist communication of Council's expenditures and investment categorised into environment, social, economic, infrastructure and governance.

Know Our Population

The resident population is expected to grow 40% in the next 20 years with a visitor peak around 100,000. One third of that population is expected to be over the age of 65. Less than 20% of property owners won't permanently reside in the Bega Valley. Household occupancy will shrink to 2.1 persons per dwelling. That will require over 8000 new dwellings, in turn that population will require 4000 new jobs (refer South Coast Regional Strategy).



With that changing demographic, the demand for facilities and services will change. With reference to the comprehensive LEP and companion development control plans, we should forecast subdivision activity and settlement densities based on projections in the South Coast Regional Strategy (SCRS). Accordingly, infrastructure should be placed where the population exists or will concentrate – however, those densities may be limited by the capacity of existing infrastructure to absorb increased loads, or the capacity of the landscape and water resources to enable expansion of that infrastructure.

A number of reports are required to be prepared by local councils in the term of each new council, the timing of which does not necessarily correlate with Census and other ABS material. The reports (State of the Environment Report, Social Plan and Condition of Infrastructure Report) are normally based on the ‘condition-pressure-response’ model and present information on the physical condition, population or asset profile and demands on the environment, infrastructure and people. Often the condition and operation of an asset will influence the health and operation of humans and/or the environment. A ‘State of the Shire’ report, integrating and analysing that information should provide an insight into the priority and preference of council ‘investments’ in infrastructure, services and actions, having regard to the inter-relationships of the natural, built and social environments.

Actions

1. Undertake population profiling and forecasting per settlement.
2. Prepare a ‘State of the Shire’ report, integrating information from the statutory State of the Environment Report, Social Plan and Condition of Infrastructure Report to

Financial Strategy

assist strategic plans and financial decisions, and the preparation of the Community Strategic Plan.

3. Revise water and sewerage development servicing plans (DSP) to affirm infrastructure capacity to expand networks and natural resource capacity to harvest and discharge waters.
4. Profile land availability and affordability in settlements, and relevant DCP and contribution plans, to encourage investment and population movements to appropriate settlements where infrastructure capacity exists or is capable of expansion at minimal cost to community..
5. Expand the Land Monitor to reflect unoccupied lots by locality, zoned subdividable land by locality and forecast potential take-up of those lots per year to assist population and development activity forecasting. This will assist budget estimates for DA income and development contributions income.

Know Our Infrastructure

The LGI also highlighted the backlog in infrastructure renewals and replacements. Based on an asset base over \$800 million, Schedule 7 of the Annual Accounts indicates a capital investment of \$56m is required to bring existing infrastructure and facilities to an appropriate engineering standard in accord with the attached tables:-

Similarly, that Schedule also estimates we under spend maintenance on those assets by approximately \$2.5m per year.

Significant strides have been achieved in recent years through successful general rate variations and appropriate water and sewer charging regimes to narrow the infrastructure maintenance and renewal gap. The 2008/09 budget estimates that the rate of re-seals and re-sheetings has improved, bridge replacements remain inadequate, water/sewer and drainage relining is nearing requirements, while major facilities and structures such as halls and public toilets require significant refurbishment.




Guided by the settlement hierarchies established in the South Coast Regional Strategy and 20 Year Plan, it is appropriate that infrastructure and facility standards be established to optimise and rationalise Council's investment and replacement of assets.

It is suggested that in nominating the hierarchy, the following principles apply:

- Regional or Shire Wide – one facility only, within 45 minutes drive.
- District or Larger Towns– one facility in each of the major settlements (Bega, Bermagui, Eden & Merimbula), within 25 minutes drive.
- Local or Smaller Towns – one facility in each of the villages and towns, within 15 minutes drive.
- Neighbourhood – several facilities in each of the villages and town, within 15 minutes walk or cycle.

Financial Strategy

SHIRE WIDE		<ul style="list-style-type: none"> ▪ Airport ▪ Multi-purpose wharf ▪ Regional hospital ▪ Regional Federal and State government offices ▪ Central waste facility ▪ Indoor aquatic centre 	
REGIONAL CENTRE		<ul style="list-style-type: none"> ▪ Council Administration Centre and main library ▪ Regional Police Command ▪ TAFE/Higher Education institutions ▪ Specialist medical suites ▪ Regional Gallery ▪ Regional sportsgrounds and showgrounds ▪ Rural Fire Service Fire Control Centre 	Bega
LARGER TOWNS		<ul style="list-style-type: none"> ▪ Structured civic open space ▪ Visitor information centre ▪ Transport interchange/terminus ▪ Visiting medical specialist services ▪ Public high school ▪ NSW Fire Brigade fire station ▪ 24-Hour Police Station and Court House ▪ Entertainment opportunities 	Merimbula Eden

SMALLER TOWNS		<ul style="list-style-type: none"> ▪ Government sub agency offices ▪ Council branch office and library ▪ Selected visiting specialist services ▪ Visitor interpretive facilities ▪ Permanent medical services 	Bermagui
		<ul style="list-style-type: none"> ▪ Sporting ground with pavilion ▪ Basic medical services ▪ Limited selection of specialist retail opportunities 	Tathra Pambula
DISTRICT VILLAGES		<ul style="list-style-type: none"> ▪ Basic needs retail services ▪ Police station ▪ Town water and sewer 	Candelo Cobargo Wolumla
		<ul style="list-style-type: none"> ▪ Public transport node ▪ BBQ facilities with shelter ▪ Public toilets ▪ Showgrounds 	Bemboka Kalaru Pambula Beach
LOCAL VILLAGES AND LOCALITIES		<ul style="list-style-type: none"> ▪ Sporting ground ▪ Children's playground ▪ Community hall ▪ Primary school ▪ General store and fuel supply 	Boydtown Wallaga Lake/ Quaama Beauty Point South Pambula Wonboyn Tanja Wyndham Towamba
		<ul style="list-style-type: none"> ▪ Picnic facilities ▪ Community notice board ▪ Rural Fire Service brigade shed ▪ Local recreation facility ▪ School/local bus stop 	Brogno Murrah Barraga Bay Nethercote Burragate Rocky Hall Kiah Yowrie Mogareeka

Financial Strategy

Those principles should guide decisions in providing, upgrading of new infrastructure and facilities, and rationalising existing infrastructure facilities where the capacity has diminished due to change in demographics or poor serviceability.

Once those standards are established and published, we can refine the levels of service (maintenance, cleaning, operating) assigned to those assets with a primary focus on quality of construction to meet climate change and vandalism standards, and frequency of servicing (cleaning and maintenance).

Council should continue its current efforts to build partnerships with local community groups and clubs to build or renew and maintain facilities and reserves such as halls and sporting grounds. Council will assist community in seeking government grants, and may provide 'seed' funding or provision of materials to construct community project infrastructure on council land, based in business case proposals presented to council.

The LGI also recommended a classification system for asset management.

- Maintenance – recurrent expenditure to ensure the asset achieves its useful life.
- Renewal – returns the service potential for the life of the asset up to which it had originally.
- Upgrade – enhances an existing asset to provide a higher level of service or increases the life of the asset.
- Expansion – extends an existing asset at the same standard to a new group of users.

Council has already commissioned the preparation of an Asset Management Plan and asset register across all classes of infrastructure and facilities. The preparation of the register requires:

- the cyclic assessment of the Condition and serviceable life of assets (in turn guiding the revaluation of those assets in accord with financial reporting requirements)
- the assessment of the Pressures (loads, traffic counts, failures, accidents, development activity etc) on those assets
- the assignment of affordable maintenance and renewal programs in Response to the condition and pressure on the assets
- the calculation of life cycle costings for assets
- the assignment of day labour and outsource capacity to service and maintain the assets.

The asset management plans and related development contribution plans will be costed to reflect:

- initial cost of construction or provision of service,
- life cycle cost of maintenance and renewal of the asset, or
- replacement or modification of that asset or service.

Financial Strategy

To assist the strategic assessment of networks and proximity of facilities, as well as presentation to Councillors and community of the condition and priority of networks and facilities, we will progressively publish spatial images of our infrastructure. Similarly, to communicate the siting and circumstances of public domain infrastructure such as footpaths, cycleways, boardwalks and the like, the town DCP's will contain a spatial public domain layer.

Investment in public domain such as foreshores, streetscaping or pathways will be financed by debt, grants, development contributions and developer agreements.

For some major new assets, deferred maintenance may be amortised into a 'sinking fund' to meet renewal of those assets. The Financial Strategy recognises that new subdivision development annually transfers several million dollars of new public infrastructure (general, water, sewer) into Council's ownership. This adds an annual maintenance tail. It is generally accepted that rates (once lots are separately titled) will at least cover the annualised cost of maintenance and renewal of a subdivisions' public infrastructure, as well as assist the maintenance and renewal of roads and facilities that the subdivision may have contributed towards under Section 94.

An infrastructure replacement reserve is proposed in each Fund, notionally securing 1% of the value of new assets acquired annually.

The role infrastructure plays in supporting economic activity and environmental management should not be underestimated. The sense of 'arrival', gateways, presentation and cleanliness of facilities adds to the visitor experience and in turn may influence investment and retirement decisions for example. Once tourism (eg Coastal Wilderness) and other economic development strategies are prepared, the role council plays in designing, siting and timing of infrastructure to support themes and strategies will be important. To assist, infrastructure type and maintenance programs will be re-badged to recognise that role.

Actions

1. The infrastructure and facility hierarchy be adopted to inform the asset management plans, with the terms of reference in accord with the Financial Strategy.
2. Levels of service appropriate to that hierarchy be adopted to inform the asset management plans.
3. Spatially present through the town DCP's, the proposed expansion of infrastructure networks (footpaths, cycleways, boardwalks, jetties and ramps) and rationalised public amenities (toilets, playgrounds), indicating their location and source of funding (debt, development contribution, developer agreement, community projects).
4. Spatially present the condition, loads and priorities of road, bridge, path and drain networks

Financial Strategy

5. Infrastructure groups and budgets be re-badged to reflect role as Tourism, Environment and Community infrastructure, to support those strategies and be used as council offsets or contributions to applications for grants.
6. Asset management plans and development contribution plans reflect life cycle costs of assets.
7. An infrastructure replacement reserve be established in each Fund
8. Continue development of community partnerships to build and maintain community infrastructure, supported by government grants and council seed funding
9. The LGI asset definitions be adopted and Schedule 7 asset reporting be expanded accordingly, informed by the asset register.

Know Our Economy

The 2006 Census indicated the Shire had the following profiles:-

Table 2:

Industry of employers	Bega Valley 2006			Occupations of employed residents	Bega Valley 2006		
	number	% of workers	% in NSW		number	% of workers	% in NSW
retail trade	1,721	13.8%	11.1%	managers	2,037	16%	14%
food and accommodation	1,392	11.2%	6.5%	professionals	1,831	15%	21%
health & social care	1,342	10.8%	10.5%	technicians and tradesmen	1,914	15%	14%
manufacturing	1,150	9.2%	9.6%	community/personal workers	1,237	10%	9%
construction	1,145	9.2%	7.3%	administrative workers	1,419	11%	15%
rural industries	1,036	8.3%	2.7%	sales workers	1,249	10%	10%
education and training	897	7.2%	7.6%	drivers and operators	770	6%	6%
public administration	571	4.6%	6.0%	labourers	1,826	15%	10%
transport and storage	491	3.9%	5.0%	unclear	183	1%	2%
professional services	471	3.8%	7.3%	total employed residents	12,466	100%	100%

Family incomes	families in each income range			
	number	% Bega V families	% NSW families	Bega V's difference
under \$250	261	3%	3%	0.2% less
\$250-\$449	1,265	15%	10%	4.7% more
\$500-\$999	2,629	30%	21%	9.3% more
\$1,000-\$1,399	1,843	21%	17%	3.9% more
\$1,400-\$1,999	935	11%	15%	3.8% less
\$2,000-\$2,999	545	6%	14%	8.0% less
\$3,000+ a week	122	1%	8%	6.1% less
not all stated	1,084	12%	12%	0.2% more
Total	8,684	100%	100%	
average weekly income		\$1,029	\$1,432	28% less

Further economic profiling and forecasting will be secured, to guide where Council's facilitation or intervention should take place. An Economic Development Strategy will be prepared to reflect:-

- Focus of Council and Agency attention on industry groups in economic upswing.
- Facilitating public and private investment in major tourist ports in the Shire (Merimbula Airport and Eden Port).
- Facilitating investment in private tourism infrastructure (attractions, marinas, accommodation) and public investment in waterway, footpath, boardwalk, foreshore and recreation infrastructure and facilities, to support the directions adopted with the Coastal Wilderness Masterplan and Sapphire Coast Tourism Business Plan.
- Supporting major industry investment (retirement, education, retail, agriculture value-add, renewable energy etc).

Financial Strategy

Tourism and agriculture industries remains significant economic drivers for the Shire, though with differing employment profiles. Council has restructured its role in tourism, and is set to extend its role as a support agent for the industry through renewing tourism and recreation infrastructure funded through rate variations.

Beyond employment and economic activity benefits, the expansion or investment in significant retail, retirement and accommodation projects is capable of shifting land values in the shire and subsequent 'rate burden'. Subdivision, consolidation, change of use and subsequent re-valuation of land is capable of adding to the annual rate yield.

Council draft position statement on tourism:

“Council recognises tourism as a key employment and economic development driver for the Shire – often residential or commercial investments are brought about by the experience of visitors who choose to reside, invest or retire here as a result of their visits as tourists. Tourism is acknowledged as a major employer and has significant flow on benefits to other business including retail and construction.

Council sees its role in fostering business development and employment through facilitating the local tourism industry to market the area including through regional, state and national partnerships; and facilitating the local tourism industry to provide attraction, experience and information services for visitors in the shire.

Further, to assist the visitor experience, Council aims to invest in infrastructure that supports the presentation of gateways, town entrances, main streets and recreational facilities of the tourist centres of the Shire”

Council recognises SCT is adjusting into this formative phase, and proposes a special rate variation to assist the transition to the local industry assuming greater responsibility for marketing and information services. Council will form a service level agreement with SCT and the tourism industry to manage that transition.

Progressively, Council aims to move more of the rate variation into other hard infrastructure and economic development initiatives identified in the economic development strategy to be prepared in 2009/10 for future years. This may include facilitating expansion and upgrade of Merimbula Airport and Eden Seaport and other employment generating activities in partnership with industry and government to sustain and expand the economic base of the Shire. It is anticipated that transition over 3 to 5 years Council will clarify the amount required to sustain the activities nominated in the SCT Ltd Business Plan as tourism “soft infrastructure” such as tourism and VIC permanent staff.

Actions

1. Acquire web based economic profiling and forecasting information.

Financial Strategy

2. Prepare Economic Development Strategy, informed by the Financial Strategy.
3. Support Tourism Strategy
4. Assist preparation of Eden Port Masterplan and Merimbula Airport Masterplan.
5. Assist implementation of Tourism Plan strategies and initiatives through rate-variation financed upgrades to tourism and recreation infrastructure.
6. Reassign infrastructure investment and maintenance into “tourism, community, environmental infrastructure”.

What Do We Own That We Can Use

Late in 2008, Councillors held a workshop considering the mix of Council's land holdings across the Shire. Those properties ranged from surplus parcels of land or part reserves, some of which require reclassification and/or rezoning through the comprehensive LEP (CLEP), to substantial holdings that are capable of development, joint venture or sale.

A property register of those holdings has been prepared and will form the basis of a Land Investment Strategy that will recommend properties for reclassification, sale, lease, development or holding as a strategic asset.

In conjunction with the Shire wide review of land valuations undertaken by NSW LPI (Valuer General), it is proposed to commission a valuer to affirm potential uses and values for those properties for Council's future consideration.

In addition, as programs of streetscaping and urban foreshore improvements are undertaken, opportunities to lease roads, paths and reserves will be explored. These include leasing for kiosks or footpath cafés.

A number of commercial buildings are also held by Council, some of which are let for community use at less than commercial rentals. Council has already established a position where the value of a commercial rental will be realised and equivalent donation made to recognise the net contribution made to the tenants – often community groups or VIC's.

The renewal of the Merimbula Airport lease in 2012 presents an opportunity not only to negotiate upgraded commercial aviation travel to the shire, but appropriate upgrades to runway, terminal and aviation-related accommodation and servicing. Long stay vehicle parking and VIC may be incorporated into that renewed development lease. Leveraging council land on Arthur Kaine Drive opposite the airport for tourism accommodation or national park offsets are under discussion. State planning and environmental agency negotiations will be involved.

As also discussed at workshops on traffic and carparking strategies, the use of Council roads or carparks in strategic CBD positions may be used to leverage commercial redevelopment and improve traffic and pedestrian thoroughfare and carparking arrangements. This may include the leasing of airspace above carparks to enable commercial developments. Lease revenues may then service debt for traffic and carparking or supplement development contributions.

Council has recently taken up licences for childcare centres in Bega and Eden, and have opportunities to expand. Similarly Council assists the operation of aged care accommodation – that field may present another area of business expansion.

Business Plans for the Eden and Bermagui Caravan Parks have been prepared and feasibilities into expanding into other caravan parks have been explored to enable net

Financial Strategy

returns from parks to be invested in Council controlled public reserves in the Shire. This in turn may relieve some pressure on rate dollars being spent on capital projects on reserves under plans of management.

Actions

1. A land investment strategy and policy incorporating the terms of the Financial Strategy be prepared.
2. Negotiations to leverage Council carpark and road reserves to facilitate commercial redevelopment and traffic and carparking improvements to continue.
3. Negotiations to leverage Council land adjacent to Merimbula airport and upgrade airport facilities through renewal of airport lease to improve aviation, tourism accommodation, long stay and long vehicle parking and VIC facilities to continue.
4. Explore opportunities to expand caravan park holdings for recreation infrastructure based on plans of management, and utilisation of airport holdings for tourism infrastructure (including VIC).

Build the revenue base

Beyond extending capital revenue streams outlined above, and in acknowledging the limited capacity for growth of the rating or taxation system, a number of other revenue streams should be explored to assist operations.

To fund new public infrastructure and facilities, a mix of the following is proposed:

- **Public land assembly**

Assembling Council-owned public land to facilitate development interest or sale with proceeds used to provide infrastructure or facilities in that locality. This may include creating additional footpath, carpark or reserve space in town centres for commercial licence and lease, with funds used to maintain those new facilities.

- **Debt**

Raising debt against the income of Council to provide new infrastructure. Servicing of some of that debt may be recouped through leasing of crown land developments (such as caravan parks); through public land assembly and sale; or through development contribution plans (for general infrastructure) and development servicing plans (for water, wastewater and stormwater infrastructure).

- **Planning agreement or development contribution**

In accord with NSW legislation, prepare a contributions plan or negotiate agreements with developers to provide public infrastructure or facilities, or public services, as an incentive for additional development rights on private land. Development contributions may be calculated as a percentage of the cost of development, or as a flat charge per tenancy or person.

Development contribution plans will draw on facilities or projects adopted in current plans of management, cultural plan and estuary management plans for example, identifying nett present value (NPV) of those facilities and amortising maintenance and renewal of those assets. When those public facilities cannot be provided on site, a contribution in accord with the development contribution plan may be paid to a public authority. Contributions are made towards upgrading or expanding roads, water, sewer, stormwater, waste, buildings and other infrastructure based on the additional demands or loads placed on the infrastructure by new development.

- **Development incentives**

Identify key sites in urban areas in DCP that are capable of greater density, height or use, in exchange for provision of public facilities on or near that development, eg. public carparking. Incentives such as bonus rights may also be used to dedicate land or contribute to acquire public open space or private lands nominated for environmental protection. Incentives may also be considered where

a key development does not draw on urban utility supplies (water, wastewater, stormwater, energy, waste).

- **Commercial holdings**

Facilitate development of council-owned real estate or commercial holdings to generate cash and long-term returns on investment. This may be through direct conditional sale or partnering with a developer under public private partnership regulations. Those returns may seed other commercial acquisitions or developments, or acquire other community land or facilities strategically appropriate to the demography of the population and geography of the shire.

- **Crown Lease**

Utilise leases or development agreements on crown land under Council care and control to provide public infrastructure or facilities on those crown lands.

- **Return on Assets**

Council's water and sewer operations fall into Category 2 under National Competition Policy. Accordingly, the appropriate organisational share of governance and support can be attributed to those operations. In addition, the Best Practice Pricing Guidelines, following completion of water and sewer business plans and adoption of an integrated water cycle management strategy, permit the derivation of dividends and an internal rate of return on assets notionally set at 2%. Those returns may be applied to general operations or projects by the asset owner (Council). That application of returns from water and sewer operations was confirmed through the 2008 Water Utilities Review by state government.

A number of operational revenues will also be explored including:

- Introduction of dividends derived from water and sewer operations
- Demand management including pay parking
- Commercial leases and extended use of paths and reserves to lease for street kiosks and cafes

Actions

1. Revise competitive neutrality policy to incorporate the application of dividends and internal rate of return for water and sewer operations.
2. Introduce pay parking to service debt used for CBD improvements or utilise for CBD maintenance and cleaning.

Financial Strategy

3. Revise revenue policy to incorporate the mix of capital and operating revenues proposed in the financial strategy, including:
 - Public land assembly
 - Debt
 - Planning agreement or development contribution
 - Development incentives
 - Commercial holdings
 - Crown Lease

Financial Plan

Under the current property rating regime, the taxation base for councils is declining in real terms, while a sea change community such as Bega Valley also attracts a higher proportion of people on fixed incomes or benefits that are subject to pension rebates.

A mix of capital and revenue streams are proposed to expand and upgrade the general infrastructure and facilities network. They include use of debt, development contributions, incentivising key sites, land investment, dividends, community partnerships and commercial leasing in accord with the following principles:

Principle 1 - Debt

In recognition of LGI recommendations, intergenerational equity and a low interest climate, it is appropriate to consider raising debt for new capital infrastructure and facilities in accord with the following principles:

- Match term of debt to life of asset, capped at maximum 20 years.
- Debt raised to match to Government grants supported by community in-kind.
- Establish revenue streams to support payment of debt
 - Lease income (reserves, carparks).
 - Caravan parks income.
 - User charges (eg pay parking).
 - Development contributions (Section 94A).
 - Special rate variations
 - Dividends or ROI from water fund
- Debt raised during stable and relevantly low interest rate climate

Principle 2 - Development contributions

It is intended to restructure funding sources so that ratepayers, through rates and annual/access charges, will pay for existing infrastructure (maintenance, renewal and replacement). Developers will pay appropriate portions for new assets built to service future new residents' needs. This will be achieved through appropriate developer contribution plans.

The Section 94 Development Contribution Plans are under revision and scheduled for exhibition in conjunction with the Comprehensive LEP and DCP's. While it is acknowledged that Council 'acquires' new infrastructure as a result of subdivision activity, often insufficient funds are set aside in future budgets to accommodate maintenance of that infrastructure. The revised Section 94 Contribution Plan will recover 'fair value' of existing assets constructed under former contribution plans as well as an amortised assessment of the life cycle of those assets. The contributions will be capable of servicing

Financial Strategy

debt and will undertake works or projects in accord with the Works Schedule extracted from existing Council Strategic and Management Plans.

A Section 94A Development Levy Plan and a Section 93F Planning Agreements Policy are under preparation. In accord with legislation, the Section 94A Levy Plan will seek a 1% charge on the development value of DA's greater than \$100,000. It is anticipated those levies can be used to service debt and contribute towards the maintenance, renewal and upgrade of existing assets in accord with the adopted Works Schedule, separate to that of the s94 Contribution Plan. It may also be used to expand provision of services traditionally underspent against industry standard, such as library resources.

A table will be prepared to illustrate the anticipated occupation (by buildings) of currently subdivided serviced allotments and the release through subdivision, of other allotments currently zoned and capable of development. That table forms the basis of the Land Monitor required for reporting to NSW Department of Planning. The extrapolation of that Monitor permits the calculation of:

- Potential Section 94A development levies (1% DA value greater than \$100,000 for residential, commercial, tourism, aged care developments) based on the occupation/development of subdivided lots.
- Potential Section 94 and 64 Development Contributions from subdivisions (roads, carparks, headworks).
- Potential DA and certificate application revenues.

As outlined under "Know Our Population", the acquisition of demographic forecasting information will be used to confirm the Land Monitor calculations of occupation of subdivided allotments multiplied by average household occupancy rates to derive population growth.

Principle 3 - Land Investment

Council has a mix of land holdings that are capable of sale, lease, development or leverage. The property audit and valuations will identify the potential 'real estate' capable of divestment or investment.

It is proposed part of the initial returns from sale of surplus operational property identified in the property audit be utilised to 'seed' investment in other land development projects, placing proceeds into a 'property revolving fund'. In that way, it is proposed Council maintain a real estate portfolio to continue to generate development or lease returns.

A schedule will be prepared listing all surplus property or real estate organised into the following:

- Community or operational classified land and zonings
- Freehold or trustee ownership status

Financial Strategy

- Sale, lease, develop, joint venture, or leverage options
- Key sites or corridors to acquire or condition through development applications

Substantial sale or lease proceeds have or can be negotiated leveraging Council road reserve and carparking assets. Examples include:

- The sale of part Zingel Place to facilitate the Woolworths Bega redevelopment.
- The sale/lease of Main Street Merimbula buildings to facilitate the relocation of the Library and the construction/extension of Sapphire Coast Drive into Market Street, and overflow/long vehicle parking near Berrimbool.
- The sale or lease of Palmer Street carpark and/or acquisition of Mobil Service Station site to facilitate Market Street bypass and decked carpark, as well as commercial redevelopment of the Mobil site. Undersupply of car spaces by new development will attract contributions that may be used to deck Alice St carpark.
- The sale, lease or development of Arthur Kaine Drive holding to facilitate VIC and long vehicle parking.
- The renegotiated terms for the Merimbula Airport Lease to incorporate a new air terminal integrated with VIC and long stay parking.
- Introduction of pay parking in high demand/high turnover carparks.
- Widening footpath blisters through streetscaping or negotiated through redevelopment of adjacent commercial sites, to facilitate leasing of footpaths for commercial use.

Principle 4 - Community Partnerships

Taking a lead from the community interest proposing projects capable of funding under the Federal Government Regional Community Infrastructure Program, it is proposed to establish a "Community Partnership Fund" to provide seed funding or sponsorship for community projects constructed on Council property or significant community events that generate economic activity.

Those funds may be applied to match in-kind contributions from community groups that in turn may attract Government grants. A set of business rules would apply that include the following principles:

- Construction, renewal or upgrade of community infrastructure
- Submission of business case and risk assessment
- Built to standard determined by Council on Council property
- Options for leasing or management arrangements by incorporated community groups, management committees or clubs

The council partnerships with Sapphire Coast Tourism Board and town Chambers of Commerce operating VIC's or Sapphire Aquatic Centre Inc operating Pambula pool, may be used as examples.

Financial Strategy

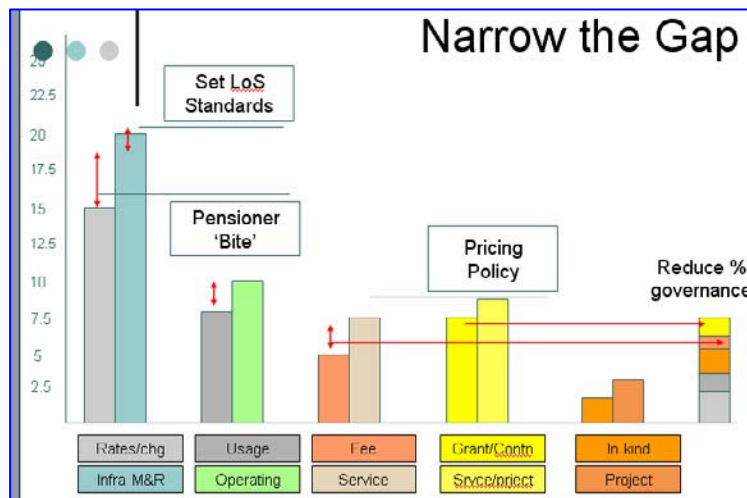
It is considered this approach will potentially reenergise the volunteer movement in the Shire, nurture Council and community relationships, and devote Council and community investment towards infrastructure, projects and events that promote community and environmental well being.

Further it is suggested that Council assist community groups with the preparation of grant applications and prepare traffic control plans. It is acknowledged there will be a 'maintenance tail' for Council once those community projects are completed.

In addition, Council provides in-kind and low cost support to neighbouring smaller councils in the areas of IT, design, planning and plant. It is proposed the charging regime move from part cost recovery to full cost recovery and ultimately market pricing.

Principle 5 - Narrow the Gap

Council's main sources of revenue include rates, annual charges, usage fees, service fees, grants. If we notionally aligned those revenue sources to key areas of expenditure, we may identify the 'gaps' between expenses on maintaining infrastructure; operating utilities and facilities; providing direct services in a competitive environment; and full costs of grant funded services and projects. The following chart illustrates



It is suggested, as outlined in the "Know Our Infrastructure" section, that Council revise the standards assigned for construction and replacement of infrastructure and facilities, and accordingly revise the levels of service to operate and maintain the infrastructure and facilities. In so doing, the cost of providing and maintaining those may be stemmed or reduced. However, the costs of providing and maintaining infrastructure and facilities exceeds CPI substantially – for example the Construction Index is normally 50-70% greater.

It is proposed that a sequence of special rate variations be sought, 'ring fenced' or quarantined to raise and expend funds specifically for the purpose of renewal and replacement of existing infrastructure and facilities. Notwithstanding the growing impact of

Financial Strategy

pension rebates, this will assist narrowing the gap between infrastructure maintenance and renewal, and the rate yields. The LGI refers.

While recognising community service obligations, usage charges should be revised to reflect the real cost of operating water and sewer utilities and facilities such as pools and stadiums.

Council provides a number of services for which a direct fee is applied. These include development applications, grave digging, and vehicle maintenance. In a competitive environment, Council also provides building and compliance certificates and private works. In conjunction with a review of costs to provide those services (procurement, resource consumption, systems and service analysis), the pricing of those services will be reviewed in accordance with an updated pricing policy. Prices will be articulated in accordance with the Local Government Act categories of market, full cost recovery, partial cost recovery and the like.

Council intends to grow its involvement in government grant funded services in the community and environmental fields – this particularly applies where if not for Council's brokerage or agency, those services would not be provided to the community. However, the full costs of Council's governance and support should be recovered through those grants.

Principle 6 - Financial Risk

Part of Council's strategy to facilitate investment in tourism marketing and economic development is to play a part in the suppression of unemployment levels and work participation rates, and in turn suppress growth in pension rebates. Normal economic cycles, tourism seasons and development activity fluctuations are acknowledged. The Financial Strategy is flexible to respond to those fluctuations.

Through the initial strategy initiatives of land sales, leases and new development contribution plans, it is proposed to 'pool' the first year revenues before investing in new or upgraded infrastructure or facilities to be financed either by debt or land sale capital. The Land Monitor will be revised annually to reflect actual v anticipated development and subdivision activity, from which development contributions and levies are derived. That information will be used to adjust the timing of infrastructure and facility expenditure. The projected costs on that expenditure will be revised annually with budgets and the maintenance tails adjusted accordingly.

Financial Plan Actions

1. Prepare Financial Plan based on adopted Financial Strategy principles and the following actions, drawing on infrastructure projects adopted in existing strategies, plans of management and contribution plans.

Principles

- raise debt in accord with policy, serviced by new revenues including lease, caravan parks, user charges, development contributions, special rate variations, dividends
- establish new s94 contribution and s94A levy plans, and planning agreements, differentiating new infrastructure and facilities required through subdivision growth, from upgraded or renewed infrastructure and facilities required through development
- expand land development and leasing activities of council surplus lands and real estate
- nurture community partnerships to build and/or maintain facilities on council land
- narrow the gap of financing: maintenance and operations of infrastructure, operations of facilities, and competitive and grant services
- annually revise development and economic activity through Economic Modeller software and Land Monitor, pooling first and/or second year receipts from development contribution and levies to apply to debt or projects from the second/third budget year
- Build grant funded business in community and environment service fields, to offset rate-funded governance costs.

Actions

- Five general rate variations of 1.5% be sought over ten years to be applied to existing general infrastructure and facilities renewal and replacement.
- Move average general rates towards category average.
- Annual/access charges be revised to recover the cost of provision and debt of infrastructure and management of utility services.
- Usage charges be revised to recover the cost of operations of utility services and marginal costs of operations of other facilities.
- The pricing policy be revised to reflect full cost recovery for services provided in competition.
- Grant applications be revised to recover full costs of governance and organisation support attributed to those projects and services,
- Introduce a Community Partnership Fund and establish business rules for its application.
- Council assist preparation of grant applications, traffic control plans and insurance arrangements for projects and events accepted under the Fund

Financial Strategy

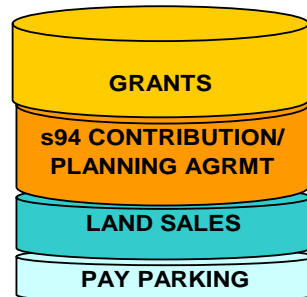
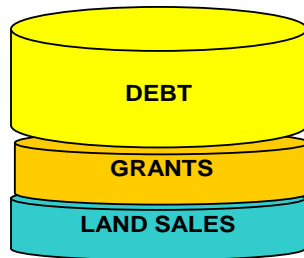
- the charging regime for IT, design, planning and plant services provided to other councils or organisations move from part cost recovery to full cost recovery and ultimately market pricing

Attachments

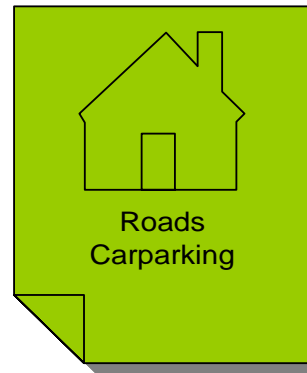
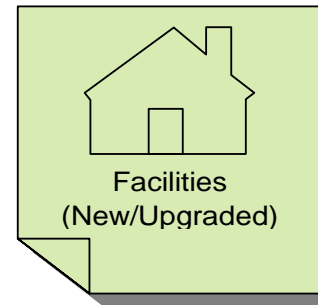
OPERATIONAL REVENUES

- Property Lease
- Caravan parks
 - s94A levy
 - Pay parking
 - Rate Variation

CAPITAL REVENUES



CAPITAL PROJECTS



SOURCE

- Plans of Management
- Recreation Strategies
- Caravan Parks business plans
- s94A Plan

- Carpark Plans
- Infrastructure Strategies
- s94 Plan

Financial Strategy

AMS Register	Asset	Age/Life	Condition	Maintenance schedule (eg MMS)				M&R		Renew		Expand		Upgrade		Operating	
				Structure	Fittings	etc		budget	actual	budget	actual	budget	actual	budget	actual	budget	actual
Buildings	Town Hall	40/10	Fair	xxx				35	26	0	10	0		4000			50
	Supper Room	20/10	Fair		yyyy			10	4	0		0		0			

Asset Condition "Key" - as per NSW Local Government Asset Accounting Manual:

1 Near Perfect	Ranges from New or Good Asset
2 Superficial Deterioration	Ranges from Generally Good to Fair
3 Deterioration Evident	Ranges from Fair to Marginal
4 Requires Major Reconstruction	Ranges from Poor to Critical
5 Asset Unserviceable	Critical, Beyond Repair

ss7	Asset	Age/Life	Condition	WDV	Addition	Deprec	WDV	M&R	Renew	Expand	Upgrade	Asset	Mtc
				01-Jul			30-Jun	Recurrent	Capital		Std \$	Std \$	
Buildings	town hall	40/10	Fair			50	950	26	10	0	0	1300	80
	supper room council office HACC depot ...	20/10	Fair	1000	0			4	0	0	0	400	40

Asset ratio = 72%
(36 MRR / 50 Dep)

Ann MRR gap = \$44

Asset gap = \$350
(950+0-1300)

Financial Strategy

QBL

		Environment	Economic	Social	Governance	Asset	Function	AMS
		(special schedule/ABS report?)					Note 2	
General ledger								
Roads	Job Codes						200	200
	Traffic control			25				
	vegetation control	20						
	pollution control	15						
	SID				10			
	base					50		
	pavement					80		
Town hall				76				

