

## 7. Draft Financial Strategy

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Presenting draft Financial Strategy to guide principles for the preparation of a 10 year Financial Plan to support the Community Strategic Plan and Asset Strategic Plans..

**General Manager**

### BACKGROUND

10 Councillors have considered an overview and details of the proposed Financial Strategy at workshops during 2008 and 2009. The intent of the Financial Strategy is to recognise the current financial capacity of the council and explore means to alter the revenue mix and to provide or expand infrastructure, facilities and services to the community.

The importance to align the Financial Strategy with planning for our population, our infrastructure, our economy and our property assets is recognised in the attached draft. As separately workshopped last year, an appraisal of surplus council property capable of sale, lease or development is underway, that will form a Land Investment Strategy to be presented to Council later this year.

### ISSUES

20 The Council must position its finances 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 has prepared 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 during 2009.

The key principles outlined in the Strategy to raise capital finance and increase the range of operational revenues to service debt or match grants are listed below:

- 30 • raise debt in accord with policy, serviced by new revenues including lease, caravan parks, user charges, development contributions, special rate variations, and 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, by:
  - 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,
- 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 subsequent years.

### Assumptions

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 and Greenfield subdivisions, creating opportunities through development levies to sponsor, support or provide services identified in the social, cultural and disability plans deferred from current budgets.

The Financial Strategy assumes:

- 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 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.

### **Assets**

Infrastructure and facility projects will be drawn from adopted plans of management and other infrastructure plans, subject to more detailed design and estimates. Those projects will also be prioritised in accord with the settlement hierarchy established in the 20 Year Plan and updated in the Community Strategic Plan.

Other community infrastructure projects, including some identified through the recent Federal Government Regional Local Community Infrastructure (RLCIP) Grant Program, may also be considered through the Financial Strategy and proposed "Community Partnership Fund".

### **Financial**

Subject to Councillors supporting the Strategy principles contained in the attachment, and on the basis that the list of actions proposed in the executive summary are endorsed, staff will commence preparing a Financial Plan. In noting the new section 94 development contribution plan and section 94A development levy plan are scheduled for 2009, it is proposed receipts from development and land sale activity identified in the strategy, be held in reserve until the next budget cycle.

The Financial Plan will be informed by the section 94 plans and should be presented to Councillors later this year following further workshops and be structured into the 2010/2011 Budget.

### **RECOMMENDATION**

1. That the Financial Strategy as attached be adopted and accompanying actions be endorsed
2. That the Financial Strategy be placed on exhibition for 28 days in conjunction with the 2009/10 Management Plan.