



Hawkesbury City Council

extraordinary
meeting
business
paper

date of meeting: 17 April 2012
location: council chambers
time: 6:30 p.m.



mission
statement

***“To create opportunities
for a variety of work
and lifestyle choices
in a healthy, natural
environment”***

How Council Operates

Hawkesbury City Council supports and encourages the involvement and participation of local residents in issues that affect the City.

The 12 Councillors who represent Hawkesbury City Council are elected at Local Government elections held every four years. Voting at these elections is compulsory for residents who are aged 18 years and over and who reside permanently in the City.

Ordinary Meetings of Council are held on the second Tuesday of each month, except January, and the last Tuesday of each month, except December. The meetings start at 6:30pm and are scheduled to conclude by 11:00pm. These meetings are open to the public.

When an Extraordinary Meeting of Council is held it will usually start at 6:30pm. These meetings are also open to the public.

Meeting Procedure

The Mayor is Chairperson of the meeting.

The business paper contains the agenda and information on the issues to be dealt with at the meeting. Matters before the Council will be dealt with by an exception process. This involves Councillors advising the General Manager at least two hours before the meeting of those matters they wish to discuss. A list will then be prepared of all matters to be discussed and this will be publicly displayed in the Chambers. At the appropriate stage of the meeting, the Chairperson will move for all those matters not listed for discussion to be adopted. The meeting then will proceed to deal with each item listed for discussion and decision.

Public Participation

Members of the public can request to speak about a matter raised in the business paper for the Council meeting. You must register to speak prior to 3:00pm on the day of the meeting by contacting Council. You will need to complete an application form and lodge it with the General Manager by this time, where possible. The application form is available on the Council's website, from reception, at the meeting, by contacting the Manager Corporate Services and Governance on 4560 4426 or by email at arouse@hawkesbury.nsw.gov.au.

The Mayor will invite interested persons to address the Council when the matter is being considered. Speakers have a maximum of five minutes to present their views. If there are a large number of responses in a matter, they may be asked to organise for three representatives to address the Council.

A Point of Interest

Voting on matters for consideration is operated electronically. Councillors have in front of them both a "Yes" and a "No" button with which they cast their vote. The results of the vote are displayed on the electronic voting board above the Minute Clerk. This was an innovation in Australian Local Government pioneered by Hawkesbury City Council.

Planning Decision

Under Section 375A of the Local Government Act 1993, details of those Councillors supporting or opposing a 'planning decision' must be recorded in a register. For this purpose a division must be called when a motion in relation to the matter is put to the meeting. This will enable the names of those Councillors voting for or against the motion to be recorded in the minutes of the meeting and subsequently included in the required register.

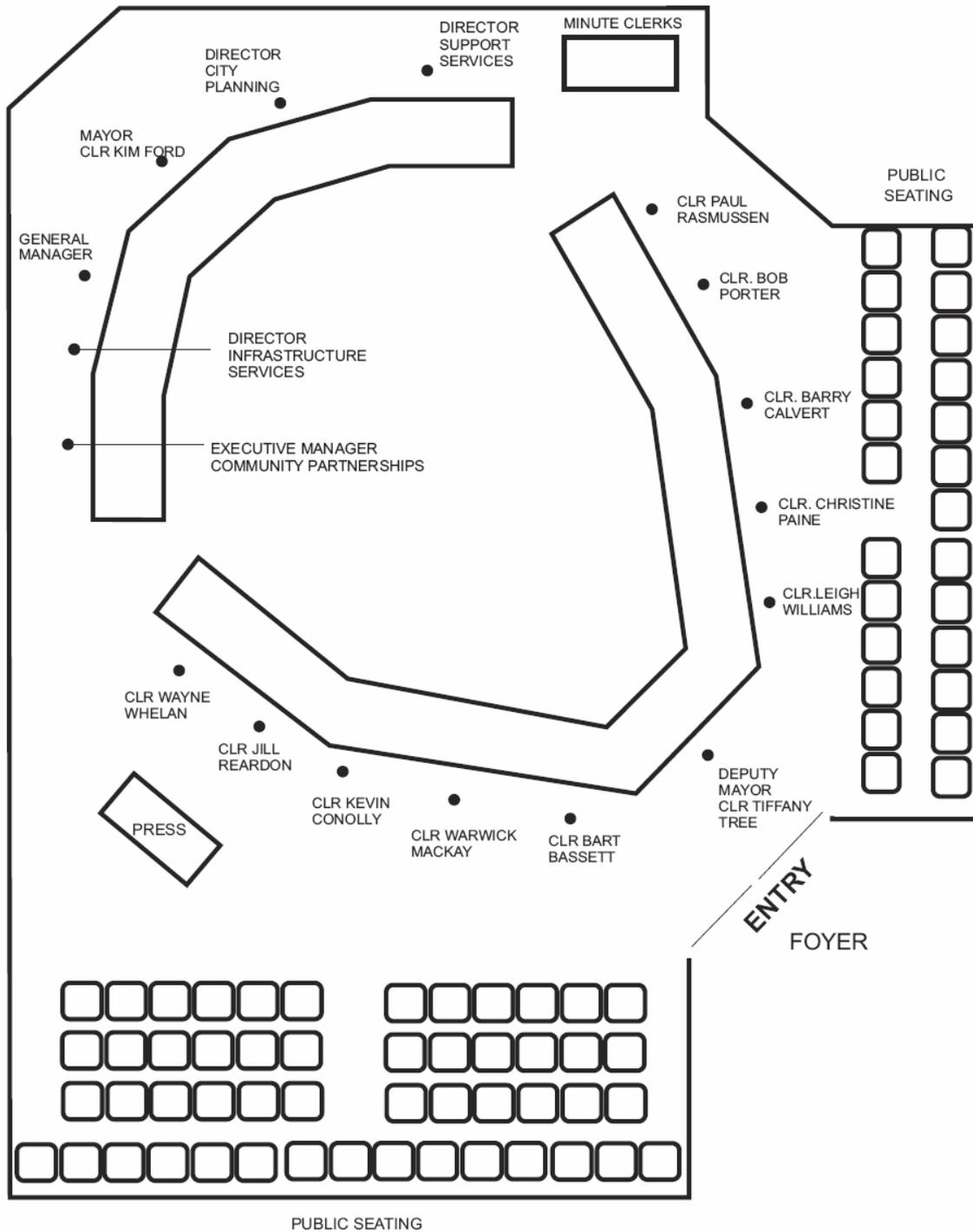
Website

Business Papers can be viewed on Council's website from noon on the Friday before each meeting. The website address is www.hawkesbury.nsw.gov.au.

Further Information

A guide to Council Meetings is available on the Council's website. If you require further information about meetings of Council, please contact the Manager, Corporate Services and Governance on, telephone (02) 4560 4426.

council chambers



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SECTION 4 - Reports for Determination

GENERAL MANAGER

Item: 44 **GM - Draft Delivery Program 2012-2016 and Draft Operational Plan 2012/2013 - (79351, 95496, 96332)**

REPORT:

Executive Summary

The purpose of this report is to submit the Draft Delivery Program 2012-2016 and Draft Operational Plan 2012/2013 for Council's consideration. These documents have been prepared in accordance with the requirements of Parts 1 and 2 of Chapter 13 of the Local Government Act (the Act) and associated Guidelines issued by the Division of Local Government (DLG).

To date Council has been operating under the provisions of the Local Government Amendment (Planning and Reporting) Act 2009 which provides transitional provisions for phasing in the legislative requirements of the Integrated Planning and Reporting framework. These provisions allowed for councils to continue operating under the legislative requirements in place prior to the Amendment Act until such time as their group commences under the new Integrated Planning and Reporting framework. Council is a Group 3 Council for the purpose of implementing the Integrated Planning and Reporting framework. Council is to be fully compliant by June 2012. The documents presented are designed to achieve this requirement.

In accordance with the transitional provisions outlined above, in the last two years the Draft Management Plan had been prepared in line with the Management Plan requirements under the former Chapter 13 of the Act.

The ultimate adoption of the documents now presented to Council, subject to any amendments considered appropriate by Council and following public consultation, will enable Council to meet the State Government's requirements to have an Integrated Planning and Reporting system in place by June 2012.

The major directions identified by the community form the basis of the Hawkesbury Community Strategic Plan 2010-2030. The principal activities identified in this Plan are incorporated into the Draft Delivery Program 2012-2016.

The subsequent Draft Operational Plan 2012/2013, which sets out the actions for implementing the relevant part of the Draft Delivery Program, is divided into two parts. Part 1 consists of the required project programs and activities of the year and the Statement of Revenue Policy. Part 2 consists of the Draft Estimated Income and Expenditure for 2012/2013 (which forms part of the Statement of Revenue Policy) to support Council's activities and specific programs identified in the Draft Operational Plan 2012/2013.

The report recommends that the information contained within this report is received and that the Draft Delivery Program 2012-2016 and Draft Operational Plan 2012/2013 be adopted for exhibition purposes and be advertised in accordance with the requirements of the Act. The report also recommends that an Extra-Ordinary Meeting of Council be held on Tuesday, 19 June 2012 to consider any public submissions received in respect of the Draft Delivery Program 2012-2016 and the Draft Operational Plan 2012/2013, consider the adoption of these documents and to make and fix rates and charges for the year ended 30 June 2013.

Consultation

Subject to the Council adopting the Draft Delivery Program 2012-2016 and Draft Operational Plan 2012/2013, after making any amendments it may consider appropriate at this meeting, it is proposed that it will be placed on public exhibition from Thursday, 3 May 2012 for the minimum 28 day period. Following this period a summation of any submissions received will be presented to an Extra-Ordinary Council Meeting to be held on Tuesday, 19 June 2012 to consider the submissions received and adopt the Draft Delivery Program 2012-2016 and Draft Operational Plan 2012/2013 as well as setting rates and charges. A council must adopt its Operational Plan by 30 June and set its rates for a financial year by 31 July of that year.

Background

1. Introduction

I am pleased to submit the Draft Delivery Program 2012-2016 and Draft Operational Plan 2012/2013 for Council's consideration.

The DLG has initiated planning and reporting reform for NSW local governments and in October 2009 the Local Government Amendment (Planning and Reporting) Act 2009 commenced. This reform replaces the former Management Plan and Social Plan with an integrated framework, consisting of a hierarchy of documents, which include a long-term Community Strategic Plan and a Delivery Program supported by a Resourcing Strategy for each elected council term. An Operational Plan is then developed for each year to outline the specific details of Council's activities and the Budget, and then report on the progress of its activities to the community through the Annual Report.

The legislation allowed for a provision for a transitional arrangement giving councils time to implement the new integrated planning framework over the 2010/2012 period. Council has been placed in Group 3 under the transitional provision for phasing in the Local Government Amendment (Planning and Reporting) Act 2009 of the Integrated Planning and Reporting framework. This means Council will need to implement the framework by 1 July 2012.

In light of the new legislative requirements, Council has initiated the Community Engagement Strategy and prepared and adopted the Hawkesbury Community Strategic Plan 2010 – 2030 in October 2009. Council has, in the previous two years, been phasing in the new planning provisions incrementally in its Management Plan process. The first transitional Management Plan was prepared for the 2010/2011 financial year. Further transition was undertaken for the Draft Management Plan 2011/2012.

The ultimate adoption of the Draft Delivery Program 2012-2016 and Draft Operational Plan 2012/2013 now presented to Council, subject to any amendments considered appropriate by Council and following public consultation, will enable Council to meet the State Government's requirements to have an Integrated Planning and Reporting system in place by June 2012.

The preparation of the Draft Delivery Program 2012-2016 and Draft Operational Plan 2012/2013, specifically the Estimated Income and Expenditure 2012/2013 within the Statement of Revenue Policy, was particularly difficult taking into consideration the increase in costs and the limits placed on revenue by way of rate-pegging and statutory limits on fees and charges. Managing the diverse and growing expectations of the community, with Council's capacity to deliver within its limited financial scope, is a challenging task.

The State Government has assigned the task of setting the annual rate cap increase available to councils to the Independent Pricing Regulatory Tribunal (IPART). IPART has since announced the 2012/2013 rate cap for New South Wales at a level of 3.6%. In setting this level IPART indicated that an amount of 0.4% had been included to "off-set" the effects of the "carbon tax". However, this amount is to be "recouped" over the next two years by a reduction in the rate pegging increase allowed for those years.

2. Competition Policy

Under an agreement reached between the Federal Government the States in April 1995, all levels of Government, including Local Government, are required to review their practices and introduce a competitive approach to their business activities.

The Local Government Association has negotiated a policy statement applicable to Local Government with the State Government of New South Wales regarding competition policy, which has been effective from 1 July 1997.

As a result of this agreement business activities owned by Council with turnover in excess of \$2 million are required to adopt a competitive approach and carry all appropriate overheads attributable to that operation.

For the 2012/2013 financial year Council will have two business activities with turnover in excess of \$2 million, being Sewerage Services and the Hawkesbury Leisure Centres, which are categorised as Category 1 Businesses.

3. Strategic Issues

Over many years now, and increasingly so since the introduction of the Local Government Act 1993, all Councils in New South Wales have had to address the issue of becoming involved in the delivery of a wider range of services. This has largely been required to be achieved without corresponding growth in available resources to provide these services as well as meeting the increasing expectation of the communities they serve.

Examples of these increasing roles are the provision of community services; planning controls and requirements; and many environmental issues. At the same time the State and Federal Governments have withdrawn from or reduced funding for many services, leaving Local Government to provide the additional funding.

Council needs to ensure that it develops a financial position that enables it to take advantage of opportunities that arise from time to time such as strategic land acquisitions and planned major infrastructure improvements and also take advantage of development opportunities that enable Council to supplement, on an ongoing basis, its revenue base independent of rate income.

Without a sound financial base, it is not possible to respond positively to such opportunities and capital expenditures, due to financial limitations such as rate pegging. Therefore, Council needs to be vigilant in respect of its expenditure as divergence from its planned path together with the impact of rate pegging failing to match inflationary pressures all impact upon the Council's financial base.

4. Delivery Program and Operational Plan

As indicated at the commencement of this report Council has prepared and adopted its Community Strategic Plan and in proceeding through the transitional provisions of the Integrated Planning and Reporting Requirements, is now also required develop and adopt a Delivery Program and an Operational Plan.

In complying with the requirements of the Act, the Delivery Program must:

- Detail the principal activities to be undertaken by the council to implement the strategies established by the community strategic plan within the resources available under the resourcing strategy;
- Include a method of assessment to determine the effectiveness of each principal activity detailed in the delivery program in implementing the strategies and achieving the strategic objectives at which the principal activity is directed.

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The Draft Delivery Program 2012-2016 is presented to Council in accordance with the transitional provisions. However, as the Act requires that a *"council must establish a new delivery program after each ordinary election of councillors to cover the principal activities of the council for the 4-year period commencing on 1 July following the election"* the current Program will need to be reviewed by the incoming Council after September of this year. This will need to occur after the Community Strategic Plan has been reviewed by the incoming Council as this is also a requirement of the Act.

The document that subsequently flows from the Delivery Program is the Operational Plan. The Operational Plan must:

- Be adopted before the beginning of each year and detail the activities to be engaged in by the council during the year as part of the delivery program covering that year;
- Include a statement of the council's revenue policy for the year covered by the operational plan. The statement of revenue policy must include the statements and particulars required by the regulations which currently include details of:
 - Estimated income and expenditure;
 - Ordinary rates and special rates;
 - Proposed fees and charges;
 - Council's proposed pricing methodology;
 - Proposed borrowings.
- Statements with respect to such other matters as may be prescribed by the regulations.

Details as required by the Act and associated Guidelines issued by the DLG in this regard have been included in the documents prepared and comprising the Council's Delivery Program 2012-2016 and Draft Operational Plan 2012/2013.

The Draft Delivery Program 2012-2016 and Draft Operational Plan 2012/2013, in the form of three booklets, have been distributed under separate cover. These booklets consist of:

- Draft Delivery Program 2012-2016
- Draft Operational Plan 2012/2013 – Part 1:
 - Activities
 - Rates
 - Fees & Charges
 - Pricing Methodology
 - Borrowings
- Draft Operational Plan 2012/2013 – Part 2:
 - Estimated Income and Expenditure

5. Statement of Revenue Policy

A main element of the Draft Operational Plan 2012/2013 is the Statement of Revenue Policy. This Statement includes:

- Estimated Income and Expenditure
- Ordinary Rates and special rates
- Proposed fees and charges
- Council's proposed pricing methodology
- Proposed Borrowings

Estimated Income and Expenditure 2012/2013

A major component of the Statement of Revenue Policy is the Estimated Income and Expenditure for the 2012/2013 financial year. This document includes a high level Council Budgeted Income Statement for 2012/2013, Divisional Budget Estimates, a Ten Year Capital Works Plan 2012-2022, and the Infrastructure Renewal Program.

The overall Council net result for 2012/2013 is budgeted to be a balanced position. This position will be reviewed on a quarterly basis and the revised position reported to Council through Quarterly Budget Review Statements. Over the last number of years quarterly reviews have resulted in either favourable net results or a balanced position being maintained. Resulting surpluses have been placed in an internally restricted Contingency Reserve to fund future deficits if required. Some of these surpluses have been reallocated to accelerate infrastructure renewal.

Whilst a balanced budget position is proposed for 2012/2013, it is to be emphasised that ongoing infrastructure funding issues remain a significant and concerning issue requiring continuous consideration and attention. Council is currently in the process of developing Asset Management Plans and a Long-Term Financial Plan with the aim of establishing the funding gap and to propose strategies to address this gap. These strategies may include, but are not limited to alternative revenue sources; service levels reviews and future special rate variations.

In preparing the 2012/2013 Estimated Income and Expenditure, the Ten Year Capital Works Plan and the Infrastructure Renewal Program the following matters were taken into consideration:

- Linkages to the Draft Delivery Program 2012-2016
- Projects identified in the Draft Operational Plan 2012/2013
- Maintenance of current service levels
- Infrastructure renewal priorities
- Alternative revenue sources and the continuation of current sources
- Cost - effectiveness of current programs
- Continuous efficiency improvements
- Maintenance of adequate reserve funds
- Recognition and costing of long-term liabilities
- Council's long-term financial sustainability.

Link to Draft Delivery Program 2012/2016 and Draft Operational Plan 2012/2013

The Hawkesbury Community Strategic Plan includes identified milestones to be achieved between 2009 and 2012. The Draft Income and Expenditure estimates to 2012/2013 include funding for the relevant milestones:

- Updating heritage list in Hawkesbury LEP
- Implementation of Asset Management System
- Implementation of Mobility Plan including Pedestrian Access and Bike Plan
- Development and implementation of a tourism strategy
- Reviewing and updating of Council's long-term financial plan

Projects and services identified in the Draft Operational Plan 2012/2013 have also been funded, including:

- Implementation of Plans of Management for Parks
- Preparation of a planning proposal for additional heritage items
- Finalisation of the Floods and Risk Management Study and Plan for Hawkesbury River
- Preparation of a Rural Lands Strategy
- Preparation of the Hawkesbury River Estuary Plan
- Reviewing the Hawkesbury Community Strategic Plan 2010-2030

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The budgeted amounts also include allocations in line with Council resolutions throughout the 2011/2012 year and other matters involving external organisations. These include provisions for contributions to the Local Government Shires Association towards the Constitutional Recognition of Local Government of \$8,308 (annual contribution over three years), and an increase in the annual contribution to the Hawkesbury River County Council of \$24,798.

Income and Expenditure Estimates Assumptions

The 2012/2013 Draft Income and Expenditure have been based on a combination of index factors. The indexation utilised for cost and revenue escalations are shown in the following table:

INDEX FACTORS	2012/2013
Employee Cost Increase	3.25%
Consumer Price Index (CPI)	3.25%
Interest	5.00%
Rate Pegging	3.60%
Statutory Fees	As prescribed

Operating Revenue

Operating Revenue including income from fees and charges for services, statutory fees, interest revenue and other income, has been increased with the applicable index and taking into consideration current and expected trends and the economic climate. Where possible, fees have been set at a full cost recovery level, including expected applicable increases for 2012/2013, mostly CPI.

Council's main revenue source, rating income has been increased by the rate-pegging limit for 2012/2013 of 3.6%. Further details on the rating income is provided later in this report under the heading, General Rates 2012/2013. The increases applicable to Annual Charges income including Domestic Waste Charges, Sewerage Charges and Sullage Charges have been determined after consideration of long-term reserve levels required to be maintained. Further details on these charges are also provided later in the report under the heading, Utility Rates and Charges.

Operating Expenditure

Council's main items of operating expenditure include Employee Costs and Materials and Contracts and other expenditure such as contributions. Employee costs and labour intensive operating expenditure have been increased by the award increase of 3.25% and step advancements where applicable. Materials and contracts have been increased by at least CPI and / or agreed contract increases where these are known. Other expenses such as contributions were based on CPI increases or on advice if available. Cost estimations, where applicable, also reflect new or revised legislative requirements, cost shifting from other levels of government and increased community expectations.

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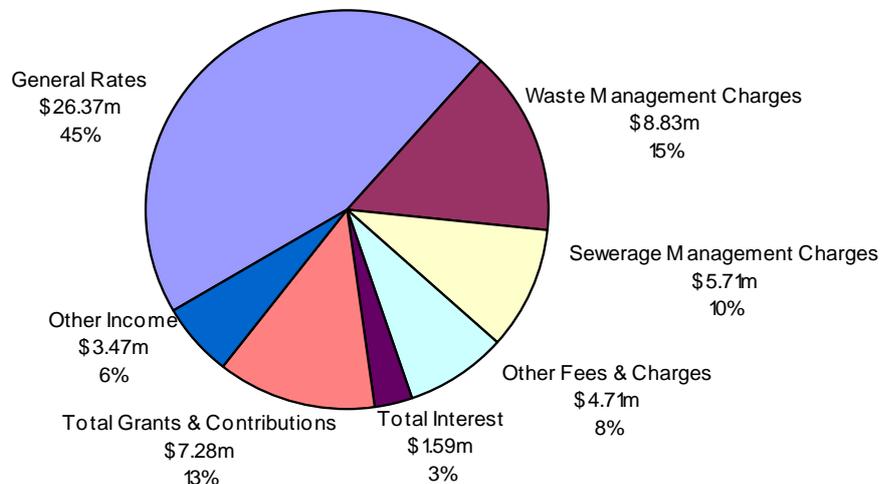
Sources of Revenue

Council's estimated revenue from ordinary activities for 2012/2013 is as follows:

Source of Revenue	Amount \$
General Rates	26.37M
Utility Rates & Charges	14.54M
Grants and Contributions	7.28M
Fees & Charges	4.71M
Other Operating Income	3.47M
Interest	1.59M
TOTAL	57.96M

These respective portions of each revenue source are further represented in the following graph:

Income 2012/2013



General Rates 2012/2013

Council's current rating structure provides for three different types of ordinary rates: residential, farmland and business. The rate type applicable to a particular property is determined on the basis of the property's rating categorisation. All properties are categorised in accordance with the provisions set out in the Local Government Act, 1993.

Council levies general land rates on properties in its Local Government Area (LGA) predominantly based on an *ad valorem* basis. This means that rates applicable to each property are determined by reference to the latest land value provided by the Valuer General (VG), multiplied by the rate in the dollar set by Council for the year. The rate in the dollar for the year is determined in conjunction with the rate pegging limit set

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by the IPART, so that the total rate income received will not exceed the permissible income limit. The rate-pegging limit set by IPART for the 2012/2013 rating year is 3.6%. This increase has been applied when determining the Notional Yield permitted for 2012/2013.

It is noted that 0.4% of the rate – pegging increase is aimed at off-setting “carbon tax” effects. However, IPART has indicated that this portion of the increase will be recouped over the next two years by way of a reduction in what the increase would otherwise have been.

As stated above, the rates levy applicable to each property fluctuates depending on the Valuer General’s land revaluations, which occur on a 3 year cycle. The rates levy applicable to each property can vary significantly as a direct result of changes in land values, with increases for some ratepayers being offset by decreases for others. These changes do not change Council’s overall rating income, but merely redistributes the levy applicable to each rateable property in the LGA.

The Valuer General revalued the properties in the Council LGA in 2011, to be used for rating purposes from 1 July 2012 onwards until the next revaluation. Accordingly, these valuations have been used to determine the rate in the dollar applicable to the 2012/2013 rating year. The next revaluation will occur towards the end of 2014.

At the Council Meeting held on 14 February 2012, consideration was given to a report regarding the 2011 VG Land Revaluations applicable to rating for the 2012/2013 financial year.

At this meeting Council resolved that:

“A report be submitted to Council, following a presentation at a Councillor Briefing Session, regarding an appropriate rating model that would limit potential movement in the average residential rates payable in 2012/2013 as a result of the latest revaluation of properties within Council’s area, generally and as far as practicable, to an amount of plus or minus 10% of the rates payable in 2011/2012, including the potential allowable rate pegging increase and, if necessary, such model to incorporate the use of a “rural residential” sub-category as defined in the Act, varying residential rates, base rates and/or a minimum rate.”

In line with the above resolution, a Councillor Briefing Session was held on 6 March 2012. Subsequently a report providing an overview of the financial modelling undertaken, including combinations of different rating methods and the use of rating sub-categories as permitted by the Act, aimed at limiting movements in residential rates payable within an acceptable range, was considered by Council on 13 March 2012.

A number of scenarios were modelled, with Scenario 3 being the only scenario resulting in a minor improvement on the current rating structure and method. This Scenario was based on:

- The establishment of a Rural Residential sub - category as defined in the Act
- Ad Valorem with Minimum Rate applied to the Residential properties (excluding those defined as rural residential)
- A Base Rate applied to Rural Residential properties

The Base Rate producing a result as close as practicable to the Council Resolution of 14 February 2012 was 10%.

At the meeting held on 13 March 2012, Council resolved as follows:

“That the component of Council’s Draft Statement of Revenue Policy for 2012/2013 in relation to proposed rates for that year be prepared generally on the basis of Scenario 3 as outlined in the report as well as the use of a Base Rate and Ad Valorem rate for the Business Rate Category with the resulting rating structure generally complying with the following parameters:

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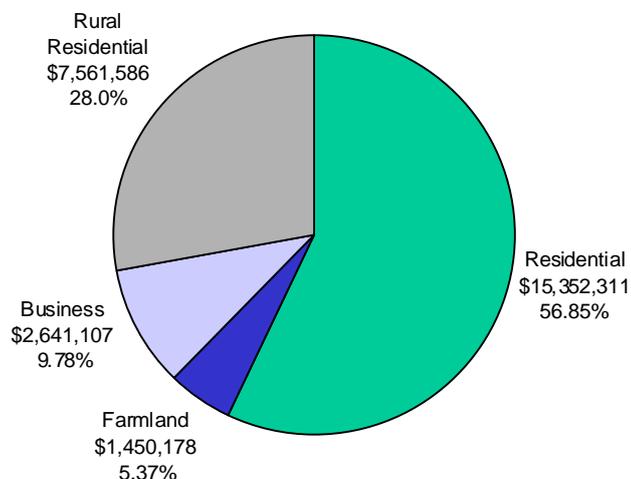
1. *The proportion of the Notional Yield being raised from the Business Rate Category being approximately 9.78%, being the same proportion as raised from that Category in 2011/2012.*
2. *The Business Rate Category having the Base Rate set at a level that provides for the Ad Valorem component of that category to be approximately the same rate in the \$ as the proposed Residential Category rate in the \$.*
3. *The rate in the \$ to be applied to the Farmland Rate Category being approximately 80% of the proposed Residential Rate Category rate in the \$."*

The Draft Statement of Revenue Policy 2012/2013 has been prepared in accordance with the above resolution. The following table summarises the proposed Notional Yield from each respective category and sub-category thereof, the applicable Ad Valorem rate in \$ and applicable Base Amounts or Minimum Amounts.

Rate Category	Rating Assessments	Ad valorem Rate in \$	Minimum Rate	Base Amount	Notional Yield	% of Notional Yield
Residential	18,152	0.325402	\$485.00	-	\$15,352,311	56.85%
Residential-Rural Residential	4,259	0.292983	-	\$190.00	\$7,561,586	28.00%
Business	1,510	0.325402	-	\$199.92	\$2,641,107	9.78%
Farmland	631	0.263468	\$485.00	-	\$1,450,178	5.37%
Total	24,652				\$27,005,182	100.00%

The following chart provides a break down of rates income from each category and sub-category:

General Rates 2012/2013



Utility Rates and Charges

The 2012/2013 Draft Statement of Revenue Policy proposes the following increases in Utility Rates and Charges:

- Residential Sullage
 - Inside sewerage area + 27.35%
 - Outside sewerage area + 13.20%
- Commercial Sullage
 - Inside sewerage area + 24.84%
 - Outside sewerage area + 9.81%
- Sewerage + 5.0%
- Domestic Waste Management + 3.0%
- Commercial Waste Collection + 12.0%

Sullage Charges

Council maintains an internally restricted reserve to fund its Sullage Program. All funds received in relation to sullage charges are quarantined to fund the operational cost of running the Program, as well as provide for future rehabilitation works.

As part of the 2012/2013 budget process, the Sullage reserve current and on-going balance has been assessed and has resulted in the proposed increases being required to ensure sufficient funds are available in the reserve for future rehabilitation works. Whilst no fee increases were required over the last four years, the Three Towns Sewerage Scheme has resulted in a significant reduction in the number of properties requiring a sullage service. It is noted that the connection rate of connection to Sydney Water has significantly exceeded what was anticipated. The reduction in the income base is not necessarily offset by a corresponding reduction in the costs of providing the service, especially whilst scattered unconnected properties within sewerage areas still require a sullage service.

In order to encourage unconnected properties within the sewerage areas to connect to the Sydney Water Scheme, and in an attempt to reduce the impact on those properties that do not have the option to connect to a sewerage scheme, differential rates are proposed for each respective group, for both residential and commercial properties.

Sewerage Charges

In accordance with legislative requirements, Council maintains an externally restricted reserve for the Sewerage Management Program. All funds received through annual sewerage charges are quarantined to fund on-going program operational costs, and asset renewal and replacement. The Sewerage Management Program is self-funding, so it is essential to ensure that funds required are available within the Sewerage Reserve. As part of the 2012/2013 budget process, the 10-Year Plan was reviewed for the Sewerage Operating Program, the Sewerage Capital Program and the S64 Program respectively.

Based on the resulting projections, it is proposed that the sewerage charges are increased by 5% for the 2012/2013 financial year. This and any future adjustments to charges are intended to ensure that adequate funds are available for the maintenance, renewal and replacement of the LGA sewerage network infrastructure.

Domestic Waste Management and Commercial Waste Collection

The Minister has not specified a percentage in terms of Section 507 of the Local Government Act 1993 by which the amounts of annual charges for domestic waste management services may be varied for the rating year commencing July 2012. This has the effect that no ministerial limitation is placed on variations to the charge. However, the amount of the charge remains subject to Section 504(3) of the Act and

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councils need to review their waste management operations in order to determine the appropriate current and future costs to be included as part of the reasonable cost determination.

In line with legislative requirements, Council maintains a Domestic Waste Management Reserve. In line with the above direction, as part of the 2012/2013 budget process, Council has undertaken a thorough review of its Domestic Waste Management Program costs and the resulting funding requirements for 2012/2013 and future years.

Council currently provides the Domestic Waste Service through internal resources. The Service currently utilises the Hawkesbury Council Waste Management Facility to dispose of the garbage collected. Whilst this practice results in savings from additional transportation costs that Council would incur if it utilised an alternate disposal site, the Service is not protected from the impact of significant increases in the S88 Waste Levy imposed by the Office of Environment and Heritage. For 2012/2013, the S88 levy will increase to \$93.30 per tonne, an increase of 18.7% on the 2011/2012 rate. Further substantial increases are expected in future financial years.

Taking into consideration the current and projected adequate reserve levels over the coming 10 years, at this stage there is no requirement to pass on the full increase of the S88 Levy on to ratepayers for the 2012/2013 financial year. The proposed increase of 3% is therefore considered adequate at this time.

Details on services included in the Domestic Waste Charge can be found in the Draft Operational Plan 2012/2013 – Part 1.

The proposed increase for the Commercial Waste Charge is based on expected increases applicable to similar Sydney Metropolitan Area waste management facilities at 12%.

Rates and Charges Concessions

Concessions on the rates and charges levied are available to eligible pensioners. Council has in excess of 3,000 eligible pensioners who receive concessions on their annual rates and charges. Council also offers a number of rating concessions to pensioners over and above the mandatory concessions. No State Government subsidy is received against these additional concessions. The Act provides for pension rebates of up to 50% of the aggregated ordinary rates and domestic waste service charges, to a maximum of \$250.00. Council is reimbursed 55% of this concession by the State Government, and funds the remaining 45% (up to \$112.50 per property).

A concession is also available to eligible pensioners who are subject to the residential connected charge under the Windsor Sewerage Scheme. The rebate granted represents 50% of the annual charge. For 2012/2013 this will be \$285.00 per annum. While Council receives partial reimbursement of the subsidy, it funds the remaining balance, which for 2012/2013 will be \$236.87 per property.

Council also fully funds a pensioner concession for sullage charges, which for 2012/2013 will be \$792.75 for properties inside the sewerage areas, and \$704.67 for those outside.

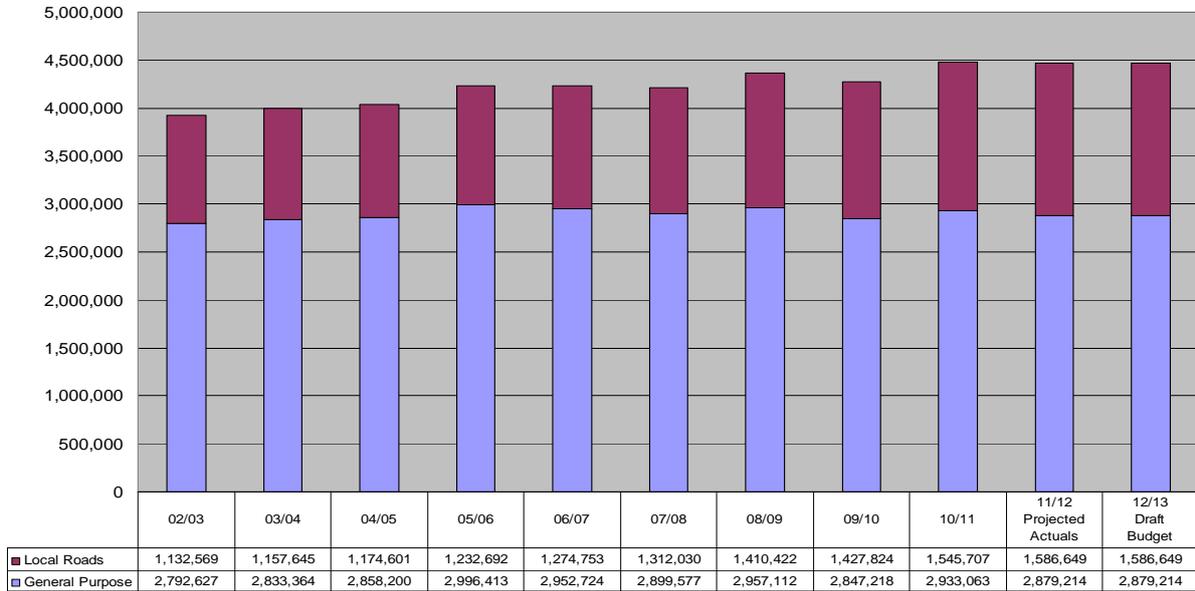
Financial Assistance Grant

Council receives Financial Assistance Grants from the Federal Government. The Financial Assistance Grant consists of General Purpose and Local Road Components. The following graph outlines the Financial Assistance Grants received by Council from 2002/2003 to 2011/2012. The graph also shows that Council has budgeted for these grants in 2012/2013 to remain at the same level as those received in 2011/2012.

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Financial Assistance Grants 2002 – 2013



Major Fees and Charges

For 2012/2013, it is estimated that Council will receive approximately \$4.71 million in fees and charges. The level of income from fees and charges is dependant on the level of activity and the pricing structure adopted by Council.

The following table below summarises the major sources of fees and charges income as budgeted in 2011/2012 and as estimated in the Draft Estimated Income and Expenditure for 2012/2013:

Summary of Major Fees and Charges

Fee	2011/12 Original Budget \$	2012/13 Draft Budget \$	Increase/ (Decrease) \$
Building & Development			
<i>Construction Certificates</i>	351,000	374,000	7%
<i>Development Applications</i>	490,6000	434,7000	-11%
<i>Sect 149 Certificates</i>	133,500	131,000	-2%
Animal Management	512,850	521,422	2%
Parking Patrol	420,000	450,000	7%
Pool Patrol	145,000	154,712	7%
Cemeteries	168,925	178,486	6%
Septic Tanks Inspection & Permits	243,510	244,205	0.3%
TOTAL MAJOR SELECTED FEES	2,465,385	2,488,545	1%

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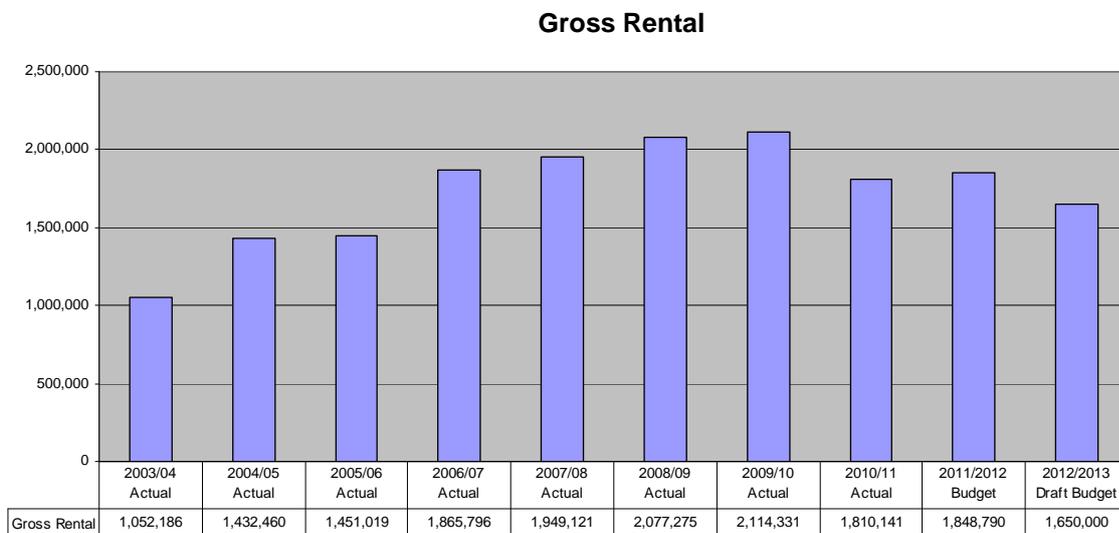
Other Income

Rental Income

Council has a diverse and extensive property portfolio. Council currently has approximately 91 properties available for lease, which continue to provide a vital alternate source of income for Council.

It is anticipated that Council will receive in excess of \$1.6 million gross rental in 2012/2013, with some vacancies budgeted for. A net rental income of in excess of \$0.84 million is expected for the 2012/2013 financial year.

The following graph shows the levels of gross rental Council has received from 2003/2004 to 2010/2011 and the budgeted amounts for 2011/2012 and 2012/2013:



Interest Earnings

Council's interest earnings are based on the amount of cash held for investment and expected return to Council.

Council manages its investments in accordance with Council's Investment Policy which was adopted by Council in June 2011.

Council has a conservative investment strategy, with its total investment portfolio being bank deposits and on-call accounts. As at 29 February 2012, 84% of the portfolio is currently invested with 1st Tier Institutions, with the remaining 16% being invested with 2nd Tier Institutions. The latter are limited to \$0.25 million per institution and are protected by the Financial Claims Scheme.

Council adopts a prudent approach when investing funds, to ensure maximum returns are obtained whilst maintaining the liquidity requirements in line with Council's Investment Policy. Council also takes into consideration advice provided by Council's Independent Investment Advisor, who was first appointed in 2008.

In April 2012, the Reserve Bank maintained official interest rates at a cash rate of 4.25%.

Economic forecasts indicate that the cash rate may drop to 4% by September 2012. The impact of economic conditions and unforeseen events is difficult to predict, therefore at this stage, it is deemed prudent to maintain interest revenue at a conservative level.

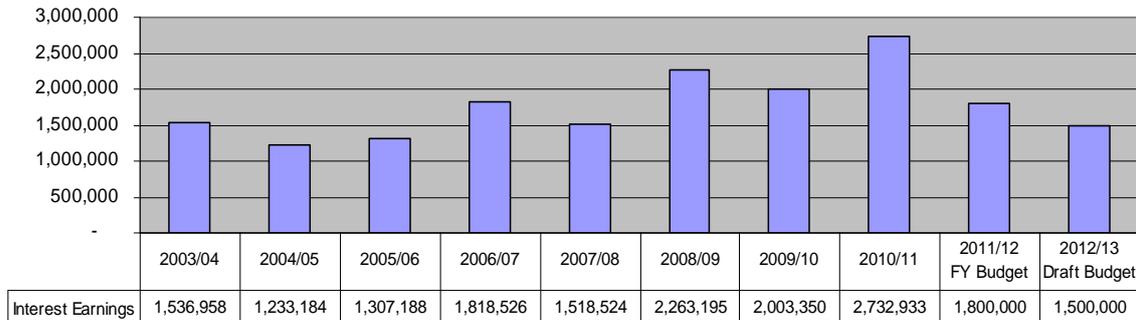
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The interest rate used to estimate interest earnings on Council's investment portfolio during 2012/2013 is 5%.

The following graph outlines the interest earnings from 2003/2004 through to the projected earnings for 2011/2012 and 2012/2013.

Interest Earnings



Expenditure

Employee Costs

The projected 2012/2013 increase in employee costs is estimated at \$0.9 million, which includes an allowance for the Award increases of 3.25% and salary system increments, etc and proposed new or altered positions outlined later in the report. Employee costs for outdoor staff are costed across the various works that are carried out. This results in the increase in outdoor staff employee costs not being reflected in employee costs in budgeted financial statements, as these costs are included as part of various works costs, part of which are capitalised.

In addition, as part of the 2012/2013 budgetary process various new positions were sought by different areas within the Council. The requests were thoroughly reviewed and prioritised by senior management, resulting in the following new and altered positions, being proposed for 2012/2013.

Position	Directorate	Hours per Week	Approximate Cost 2012/2013	Comment
Library Assistant	Support Services	2.5	\$3,623	Increase in hours to current positions in order to have sufficient resources for re-shelving and housekeeping in the public library
Weekend Gallery Assistants	Support Services	10	Nil	Resource transferred from Casual position in order to save Council approx \$3,500 per year
Weekend Museum Assistants	Support Services	12	Nil	Resource transferred from Casual position in order to save Council approx \$4,300 per year
Administration Officer - Property	Support Services	14	\$21,956	Increase in hours to current position in order to deal with increasing workload as a result of legislation changes in relation to GIPA.

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Position	Directorate	Hours per Week	Approximate Cost 2012/2013	Comment
Asset Engineer	Infrastructure Services	35	\$84,121	Resource required to support the development, implementation and maintenance of Council's Asset Management System funded from Sewerage Reserve.

All the above positions have been included in the amount budgeted for employee costs.

Capital Budget

Another challenge encountered in the budgeting process has been ensuring sufficient funding for adequate asset management. Council's infrastructure, comprising an extensive road network, parklands, community buildings, and sewerage networks, needs to be adequately funded in line with a sound asset management approach. Capital funding included in this Operational Plan is, in majority, asset replacement or renewal. It should be noted that expenditure on the provision of new assets is limited to ensure the ongoing burden of maintenance is financially sustainable in the long term. For 2012/2013 it is proposed to allocate in the vicinity of \$11.6 million to capital works. This does not include expenditure in the Infrastructure Renewal Program, which is outlined later in this report.

The below table provides a summary of the proposed capital works expenditure contained within the Draft Operational Plan 2012/2013.

Category	Draft Budget 2012/2013 \$
Parks Infrastructure	940,316
Council and Community Buildings	1,814,833
Sewerage Infrastructure	2,928,500
Roadworks	2,928,928
Information Technology	415,000
Plant, Equipment and Fleet	2,300,858
Cultural Resources	291,955
TOTAL	\$11,620,390

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Some of the major projects that are proposed to be funded within the Capital Works Program within the Draft Estimated Income and Expenditure for 2012/2013 include the following:

• Slopes Road	\$ 236,600
• Grose Vale Road, North Richmond	\$ 316,000
• Freemans Reach Road, Freemans Reach	\$ 115,000
• Raymond Street, Freemans Reach	\$ 160,000
• Old Pitt Town Road, Oakville	\$ 160,000
• Pitt Street, Richmond	\$ 370,000
• Roberts Creek Crossing	\$ 234,000
• Hawkesbury Sports Council Contribution	\$ 398,820
• Memorial Park, Kurrajong	\$ 150,000
• Skate Facility Bligh Park, South Windsor	\$ 150,000
• Senior Citizen Centre Extension	\$1,469,733
• Administration Building	\$ 159,100

Infrastructure Renewal Program

In addition to the Capital Works Program, an amount in excess of \$1.49 million is proposed to be spent under the Infrastructure Renewal Program for 2012/2013.

The table below provides a summary of the proposed capital works expenditure contained within the Infrastructure Renewal Program for 2012/2013.

Program	Draft Budget 2012/2013 \$
Roadworks	839,009
Buildings	123,493
Parks and Recreation	525,800
TOTAL	\$1,488,302

Some of the major projects that are proposed to be funded within the Infrastructure Renewal Program 2012/2013 include the following:

• Road Rehabilitation	\$312,682
• Road Shoulder Renewal	\$ 98,909
• Unsealed Roads Grading and Re-sheeting	\$115,000
• Kerb, Guttering & Drainage	\$162,418
• Bridge Replacement	\$150,000
• Pathway Renewal and Park Fencing	\$ 60,000
• Macquarie Park	\$150,000
• Parks Furniture Replacement	\$ 50,000
• Hawkesbury Sports Council	\$140,000
• Hawkesbury Leisure Centres	\$ 70,800
• Smith Park Amenities	\$105,000

6. Future Financial Sustainability

Council's ongoing financial sustainability is a major objective when developing the Council's annual budget. At the same time, endeavours are made to continue to renew Council's infrastructure, maintain essential services and keep increases to ratepayers affordable.

Significant advances have been made during recent budgets to reduce operational costs and to direct rate revenue and operational savings towards funding future infrastructure works.

This strategy is not sustainable over the long term, without future reviews of:

- Service levels requirements
- Capital works programming and prioritisation
- Internal and external borrowings; and
- Rates modelling and future rate increases.

In general, current operational service levels are maintained in the 2012/2013 Draft Budget. However, the growing gap between available revenue generated by rate pegging and declining revenue streams as a result of reduced activity coupled with rising operating expenses is placing increasing pressure on the service level/cost containment mix of this Budget.

7. Proposed Borrowings

During February 2012, Council lodged its intention to borrow an amount up to \$5,000,000 under the Local Infrastructure Renewal Scheme (LIRS) administered by the DLG. The LIRS provides for subsidised interest loans to be utilised for accelerated infrastructure works. The Scheme provides for an interest subsidy of 4%. It is intended that if successful, the loan funds would be utilised to fund an accelerated timber bridge replacement program.

At the time of preparing the 2012/2013 Statement of Revenue Policy, Council is not in a position to ascertain whether its application under the LIRS has been successful. Consequently, no provision for new borrowings has been included in the 2012/2013 Estimated Income and Expenditure Statement.

Should Council be successful with its application under LIRS, the necessary budget adjustments will be incorporated in the relevant Quarterly Budget Review Statement during 2012/2013.

8. Appreciation

The effort of all staff, in preparing the Draft Delivery Program 2012-2016 and Draft Operational Plan 2012/2013 is very much appreciated given the major changes continuing to occur during the year. It is also pleasing to see the co-operative approach by the Directors and Managers to bring down a "balanced budget" with the objective of providing the works and services able to be provided by Council within existing financial restrictions as seen from a corporate viewpoint. This has also been in the midst of significant work being undertaken to meet the Integrated Planning and Reporting reforms.

9. Adoption of Budget for Year Ended 30 June 2013

As mentioned earlier in this report, assuming Council finalises the Draft Delivery Program 2012-2016 and Draft Operational Plan 2012/2013 at this Meeting, it is anticipated that advertising of the Draft Delivery Program 2012-2016 and Draft Operational Plan 2012/2013, will commence for the minimum 28 day period from Thursday, 3 May 2012. During the exhibition period, any person may make a submission to Council.

Council will be able to hold an Extra-Ordinary Meeting of Council on Tuesday, 19 June 2012 to adopt the Delivery Program and Operational Plan, incorporating Council's Estimated Income and Expenditure and associated documents, and make and fix the rates and charges for the year ended 30 June 2013.

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Conformance to Community Strategic Plan

The proposal is consistent with the Shaping Our Future Together Directions statement;

- Be financially sustainable to meet the current and future needs of the community based on a diversified income base, affordable and viable services.

and is also consistent with (or is a nominated) strategy in the Community Strategic Plan being:

- Maintain and review a sustainable long term financial framework.

Financial Implications

The adoption of the recommendation in this report will result in the Draft Delivery Program 2012-2016 and Draft Operational Plan 2012/2013, including the Statement of Revenue Policy, as outlined in this report and detailed within the attachments, being placed on exhibition, and subject to Council resolutions arising and public submissions received, being adopted for the financial year 2012/2013.

RECOMMENDATION:

That:

1. The General Manager's report regarding the Draft Delivery Program 2012-2016 and Draft Operational Plan 2012/2013 be received.
2. The Draft Delivery Program 2012-2016 and Draft Operational Plan 2012/2013 be adopted for exhibition purposes and be advertised in accordance with Sections 404 and 405 of the Local Government Act, 1993.
3. An Extra-Ordinary Meeting of Council be held on Tuesday, 19 June 2012 to consider any public submissions received in respect of the Draft Delivery Program 2012-2016 and Draft Operational Plan 2012/2013, and to consider the adoption of these documents and to make and fix rates and charges for the year ended 30 June 2013.

ATTACHMENTS:

- AT - 1** Draft Delivery Program 2012-2016 and Draft Operational Plan 2012/2013 Parts 1 and 2 (to be *distributed under separate cover*).

oooO END OF REPORT Oooo



extraordinary
meeting

end of
business
paper

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