



Hawkesbury City Council

extraordinary
meeting
business
paper

date of meeting: 10 April 2017

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 generally held on the second Tuesday of each month (except January), and the last Tuesday of each month (except December), meeting dates are listed on Council's website. The meetings start at 6:30pm and are scheduled to conclude by 11pm. These meetings are open to the public.

When an Extraordinary Meeting of Council is held, it will usually also be held on a Tuesday and 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 items 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 by 3pm on the day of the meeting, of those items they wish to discuss. A list of items for discussion will be displayed at the meeting for the public to view.

At the appropriate stage of the meeting, the Chairperson will move for all those items which have not been listed for discussion (or have registered speakers from the public) to be adopted on block. The meeting then will proceed to deal with each item listed for discussion and decision.

Public Participation

Members of the public may address Council on any items in the business paper other than the Confirmation of Minutes; Responses to Questions from Previous Meeting; Mayoral Elections; Deputy Mayoral Elections and Committee Elections.

To register, please lodge an application form with Council prior to 3pm on the day of the meeting. The application form is available on Council's website, from the Customer Service Branch or by contacting the Corporate Services and Governance Manager on (02) 4560 4444 or by email at council@hawkesbury.nsw.gov.au

The Chairperson will invite registered persons to address Council when the relevant item is being considered. Speakers have a maximum of five minutes to present their views. The Code of Meeting Practice allows for three speakers 'for' a recommendation (i.e. in support), and three speakers 'against' a recommendation (i.e. in opposition).

All speakers must state their name, organisation if applicable (after producing written authorisation from that organisation) and their interest in the matter before speaking.

Voting

The motion for each item listed for discussion will be displayed for Councillors and public viewing, if it is different to the recommendation in the business paper. The Chairperson will then ask the Councillors to vote, generally by a show of hands or voices. Depending on the vote, a motion will be 'Carried' (passed) or 'Lost'.

Planning Decision

Under Section 375A of the Local Government Act 1993, voting for all Planning Decisions must be recorded individually. Hence, the Chairperson will ask Councillors to vote with their electronic controls on planning items and the result will be displayed on a board located above the Minute Secretary.

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.

Business Papers

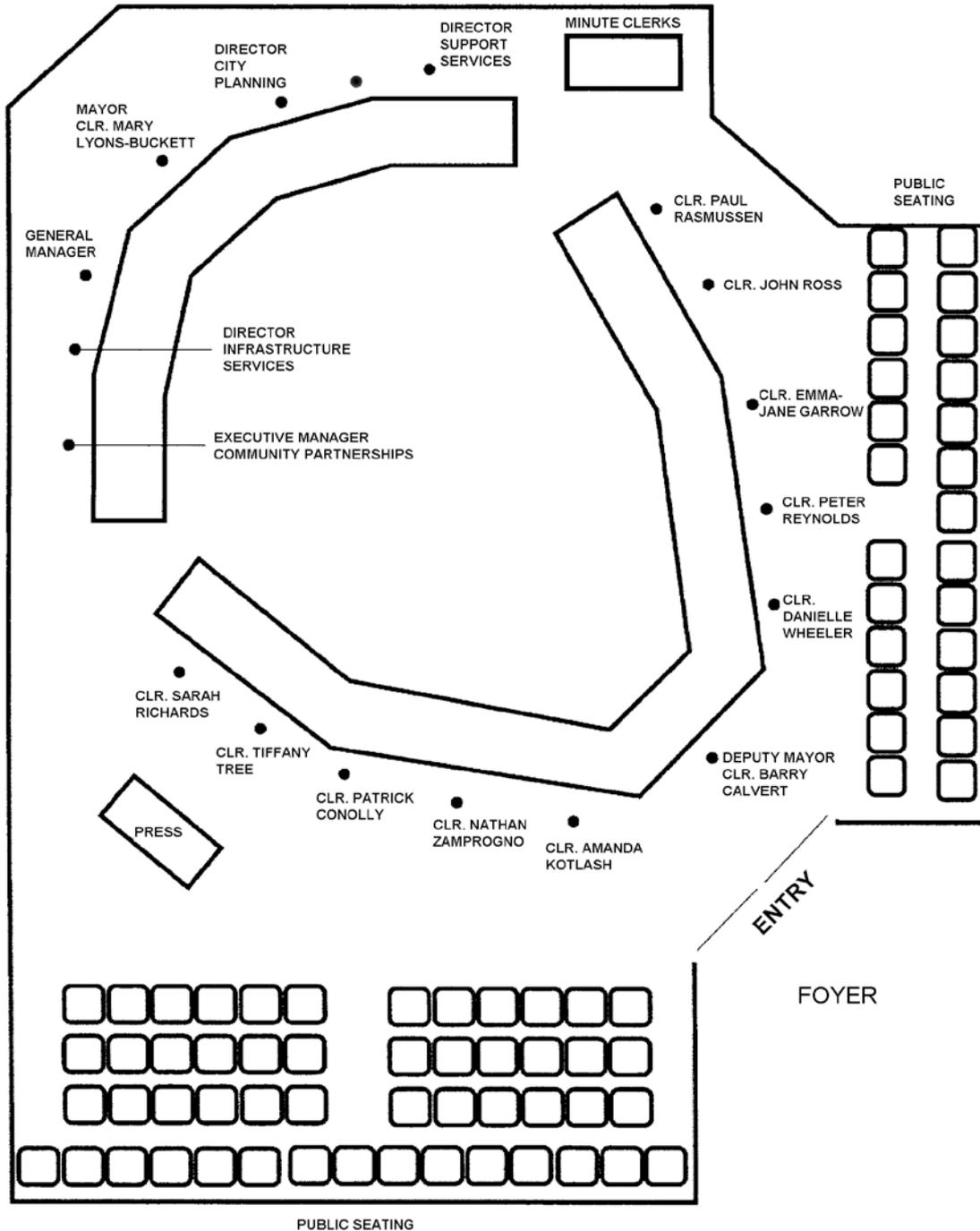
Business papers can be viewed online from 12pm on the Friday before the meeting on Council's website <http://www.hawkesbury.nsw.gov.au>

Hard copies of the business paper can be viewed at Council's Administration Building and Libraries after 12pm on the Friday before the meeting. The business paper can also be viewed on the public computers in the foyer of Council's Administration Building.

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 Corporate Services and Governance Manager on (02) 4560 4444.

Hawkesbury City Council



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 - Acknowledgement of Indigenous Heritage**
- **APOLOGIES AND LEAVE OF ABSENCE**
- **DECLARATION OF INTERESTS**
- **REPORTS FOR DETERMINATION**
 - General Manager**

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Reports for Determination

GENERAL MANAGER

Item: 68 **GM - Draft Resourcing Strategy 2017-2027, Draft Delivery Program 2017-2021 and Draft Operational Plan 2017/2018 - (79351, 95496, 96332)**

REPORT:

Executive Summary

The Hawkesbury Community Strategic Plan (CSP) 2017–2036 was adopted by Council on 28 March 2017. The CSP, supported by a Resourcing Strategy, forms the basis of, and will be implemented through the four year Delivery Program 2017-2021, with the first year of the Program being reflected in the 2017/2018 Operational Plan.

The purpose of this report is to submit the Draft Resourcing Strategy, the Draft Delivery Program 2017–2021 and the Draft Operational Plan 2017/2018 for Council to adopt to place on public exhibition.

The 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 then Division of Local Government (DLG).

This report recommends that the information contained within this report is received and that the documents included as attachments under separate cover be adopted for public 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 13 June 2017 to consider any public submissions received in respect of the exhibited documents, the adoption of these documents and to make and fix rates and charges for the year ended 30 June 2018.

Consultation

It is proposed that the Draft Resourcing Strategy, the Draft Delivery Program 2017-2021 and the Draft Operational Plan 2017/2018 be placed on public exhibition 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 13 June 2017. At this meeting, Council is to consider the submissions received and adopt the Draft Resourcing Strategy, the Draft Delivery Program 2017-2021, the Draft Operational Plan 2017/2018, as well as setting rates and charges for the year ending 30 June 2018. A council must adopt its Operational Plan by 30 June each year and set its rates for a financial year by 31 July of that year.

Background

1. Integrated Planning and Reporting Framework

The Integrated Planning and Reporting Legislative regime consists of a hierarchy of plans that guide the operations of Council over at least the four year term of Council. This hierarchy starts with the highest document, the CSP (minimum outlook of 10 years), then the Delivery Program (principal activities over the next four years or the term of the current Council), Operational Plan (annual actions and budget) and a Resourcing Strategy for implementing the Delivery Program and Operational Plan. All these plans must be integrated with clear links from the CSP to the annual actions and budget allocations.

The Integrated Planning and Reporting Framework is summarised in the image below.



The Hawkesbury Community Strategic Plan (CSP)

The CSP is the highest level plan that a council will prepare. It is a long term plan that identifies the main priorities and aspirations for the future of the local government area. The CSP establishes the strategic objectives together with strategies for achieving those objectives. The CSP is to:

- address civic leadership, social, environmental and economic issues in an integrated manner
- be based on social justice principles of equity, access, participation and rights
- be adequately informed by relevant information relating to civic leadership, social, environmental and economic issues
- be developed having due regard to the State government's State Plan and other relevant State and regional plans of the State government.

While Council has a custodial role in initiating, preparing and maintaining the CSP on behalf of the Hawkesbury local government area, it is not wholly responsible for its implementation. Other partners, such as State agencies and community groups may also be engaged in delivering the long-term objectives of the plan.

In accordance with legislative requirements, the newly elected Council has reviewed the CSP and adopted the Plan at its meeting on 28 March 2017. The review of the CSP was supported by a comprehensive Community Engagement Strategy (CES).

The Resourcing Strategy

The CSP provides a vehicle for expressing long-term community aspirations. However, these will not be achieved without sufficient resources (i.e. time, money, assets and people) to actually carry them out. The Resourcing Strategy identifies and summarises these resources within the following:

- Long Term Financial Planning
- Workforce Management Planning
- Asset Management Planning.

Long Term Financial Planning

The Long Term Financial Plan (LTFP) is the document where long term community aspirations and goals outlined within the CSP are tested against financial realities. The LTFP provides a dynamic framework, in which Council maintains financial sustainability in the delivery of its core functions and assists in measuring the performance of implementing objectives within the CSP.

The LTFP contains a set of financial projections and assumptions covering a period of 10 years.

Workforce Management Planning

The Workforce Management Plan (WMP) will assist Council to plan for the future, anticipate change, and manage the workforce to meet the outcomes of Council's DP. It provides a framework for making decisions that align with meeting the strategic goals of the community and it identifies how future staffing and skill needs will be met.

Asset Management Planning

Council's infrastructure assets include assets such as roads, bridges, stormwater drainage, sewerage, solid waste, footpaths and cycle-ways, buildings, sporting fields and playgrounds, recreation facilities, parks and reserves. Non-infrastructure assets include land, motor vehicles, plant and equipment, office furniture, office equipment, art works, heritage collections and library books. These assets enable Council to provide residents, businesses and visitors with a wide range of services which attempt to meet their social, economic, environmental and recreational needs.

Asset Management Planning (AMP) is intended to establish the framework, strategies and processes required to improve the management of assets to enable Council to deliver upon the corporate goals and strategies and achieve the outcomes set in the CSP.

The Draft Resourcing Strategy 2017–2027 is distributed under separate cover as Attachment 1 to this report.

The Delivery Program

The Delivery Program translates the community's strategic goals systematically into actions. These are the principal activities to be undertaken by Council to implement the strategies established by the CSP within the resources available under the Resourcing Strategy. The Delivery Program is designed to be the single point of reference for all principal activities undertaken by the Council during its four year term of office. These principal activities are directly linked to the Focus areas in the CSP.

The Draft Delivery Program 2017–2021 is distributed under separate cover as Attachment 2 to this report.

The Operational Plan

The Operational Plan contains the actions that are intended to be undertaken over the following twelve months. These actions are again directly linked to the CSP via the Strategies and principal activities listed in the Delivery Program. The Operational Plan also contains the annual budget and the Council's Statement of Revenue Policy for the next twelve months.

The Operational Plan spells out the details of the Delivery Program by identifying the projects, programs and the activities to be engaged in by Council during the year to achieve the commitments made in the Delivery Program.

The Draft Operational Plan 2017/2018 is distributed under separate cover as Attachment 3 to this report.

The Integrated Planning and Reporting Legislation requires the above documents to be directly linked, show links to (and be consistent with) the State Strategies and sets the timeframes for the review and adoption of the above. The Legislation also requires quarterly financial reporting, six monthly reporting of the progress of implementing the Delivery Program and Operational Plan, an annual report of all the above and also an end of Council electoral term report indicating the progress of the Council in implementing the Delivery Program. All these reports are considered at a publically available Council Meeting.

2. Challenges

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.

The Draft Operational Plan 2017/2018, being the first year of the Draft Delivery Program 2017-2021, was constructed on the basis of maintaining current service levels, the retention of Council's existing assets portfolio, Council's direction as provided through adopted Strategies, Plans and Resolutions, and in line with the community's expectations provided in the Community Survey and two rounds of community consultation in August 2016 and February 2017.

The preparation of the Draft Operational Plan 2017/2018, as in previous years, was difficult due to various factors outside Council's control limiting Council's ability to raise revenue required to sustain existing service levels.

The fundamental structural issue underpinning Council's on-going financial sustainability challenge, is the fact that on-going revenue available for Council is simply not sufficient to fund the expenditure required to be undertaken to provide Council's wide range of services, maintain its infrastructure assets to a satisfactory and safe standard, and meet all legislative requirements.

Council has limited control on the income it can generate. The major source of income, being rates, is capped by rate-pegging, a number of fees are statutory or somewhat controlled, and where there is any level of discretion, a balance between cost-recovery for Council and affordability by users plays a major role. Given restrictions on the income side, the process of "balancing" the budget is mostly based on a reduction in the budget for expenditure, progressively resulting in expenditure on assets declining in real terms year on year.

The preparation of the Operational Plan is a lengthy and complex process involving significant business knowledge input by Management across Council, and hours of discussions and strategy development by Council's Executive Team, with the attendance of nominated Councillors. This thorough process is necessary to ensure that the limited funding available is allocated appropriately across the various services to ensure continuation of current service levels, appropriate management of risk and ultimately the maximum allocation of funding towards infrastructure works.

3. Draft Operational Plan 2017/2018 - Actions

The Draft Operational Plan 2017/2018 details the Actions, including required resources, that will be undertaken during 2017/2018 financial year, being the first year of the Draft Delivery Program 2017-2021. The Plan also details Council's Statement of Revenue Policy, incorporating the proposed Rates, Annual Charges, Fees and Charges and Borrowings.

The development of the Plan takes into consideration, to the extent possible, the community's expectations. These expectations are considered in addition to technical and legislative requirements when considering the allocation of funds available to various services and associated service levels.

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The outcome of the recent consultations on the CSP indicated that the community wanted Council to:

- strengthen communication and engagement with community
- secure its financial sustainability
- support volunteerism and advocate for public transport and health services
- improve health of waterways and minimise ecological impact of development
- promote recycling and resource re-use and reduce illegal dumping
- upgrade roads, bridges, drainage, public toilets, parks and buildings
- advocate strongly to the NSW Government for improved infrastructure
- plan for more sustainable and balanced development
- build on the area's heritage to promote tourism
- collaborate to increase local employment, affordable housing and community safety.

Taking into account the above, services and service levels relating to program and service areas, where the community is generally satisfied, have been maintained and maximum possible available funding has been allocated to road infrastructure.

In accordance with the community's feedback and Council's direction, additional funds or resources have been allocated as follows:

- Digital Media and Community Engagement Resources - \$128K
- Additional Planning Resources - \$128K
- Additional Regulatory Resources - \$50K
- Asset Management Resources - \$60K
- Podcasting (funding available in IT Reserve)
- Traffic Study - \$100K
- Heritage - \$95K.

Limited funding means that not all the community's expectations can be met, or can only be partially addressed at this time.

Projects, Program and Activities and Funding for 2017/2018

The Draft Operational Plan 2017/2018 outlines the Delivery Program Activities with associated Actions proposed to be delivered in 2017/2018. These actions are funded to the extent possible, within the Estimated Income and Expenditure component of the Plan. As an action may be funded through various budget line items, or conversely, a budget line item may address multiple actions, a direct one for one link between an action and a budget line item may not always be possible.

Some examples of how actions relating to each of the Focus areas are reflected in Council's proposed outputs, and the allocated amounts, are as follows:

- ***Our Leadership***

Customer Service - Action 1.2.3(1) - \$1.2 million
Communicating with and engaging the community - Actions 1.2.1(1)(3) and 1.2.2 - \$156K
Companion Animal Services - Action 1.4.2(4) - \$224K

- ***Our Community***

Hawkesbury Sports Council Action 2.3.4 – \$1.1 million
Library Services Action 2.5.2(2) – \$2.2 million
Emergency Services Action 2.3.2(5) – \$1.7 million

- ***Our Environment***

- Waste Education Program Action 3.3.2(1), (2) and (3) – \$92K
- Noxious Weed Management Action 3.3.1(2) – \$169K
- Bushland Regeneration Action 3.1.3 – \$335K

- ***Our Assets***

- Building Works Action 4.3.5(2) – \$4.9 million
- Stormwater Drainage Works Action 4.2.1(5) – \$677K
- Roads and Footpaths Actions 4.1.3(4) and (5) - \$11.3 million

- ***Our Future Together***

- Events Program Action 5.6.1 – \$239K
- Local Business Development Actions 5.7.1(4) and (5) – \$228K
- Tourism and Visitor Services Action 5.7.2 – \$446K

4. Budgeted Operating Result

The 2017/2018 Budget results in an Operating Deficit, with operating expenditure, including Depreciation, budgeted to exceed the budgeted recurring income, resulting in a budgeted Operating Deficit of \$4.8 million.

As in previous years, a "Balanced" Budget is being submitted for consideration by Council. Income estimated to be generated and available for next year has been fully allocated to expenditure on programs and works. As detailed in this report, the Community Strategic Plan and the Delivery Program are reflected in the Actions for the next financial year and funded through the proposed budget.

However, as highlighted over the last few years, balancing the budget year on year has had, and will continue to have, an impact on Council's financial on-going sustainability. The underlying issue of the 'silent' consumption of assets, Depreciation, continues to be a critical issue for this Council to address. For 2017/2018, it is estimated that the annual Depreciation cost will be in the order of \$18.5 million. The Depreciation cost represents the rate of consumption of Council's assets.

Depreciation is a real cost and should be funded. Each year, expenditure on Assets should equal Depreciation. This would ensure that assets do not deteriorate to become a backlog. Council currently does not have the funds to do this. Council's assets have over the years continued to deteriorate as a result of continuous underspending on maintenance and renewal. The impact of continuously underspending on infrastructure assets in the past is now starting to become visible and based on current levels of expenditure will continue to deteriorate leaving future generations with the associated financial burden.

Balancing the Budget, or in other words, reducing overall expenditure in line with overall income, on an going basis by only looking at the expenditure side, results in less than optimal decision making, funds spent on infrastructure assets being reduced in real terms and essential works often having to be postponed, resulting to increased risk to Council.

The implementation of a number of financial sustainability strategies will ensure that Operating Deficits do not continue into the future.

5. Implementation of Financial Sustainability Strategies

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.

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In 2017/2018, Council will be implementing a number of financial sustainability strategies as detailed in its Fit For The Future Plan. This Draft Operational Plan includes the following strategies and associated financial impact:

- no CPI on non-asset services – savings of \$241K in operating expenditure
- operational efficiencies – savings of \$310K in operating expenditure
- Stormwater Charge and Program – increase of \$513K in operating income
- review of fees towards cost-recovery – increase of \$31K in operating income
- review of insurance model – savings of \$38K in operating income
- Integrated Capital Works – increase of \$686K in capital renewal
- sustainable growth – increase of \$134K in operating income
- Regional Strategic Alliance - savings of \$17K in operating expenditure

The strategies above have resulted in additional funds being made available to continue to sustain existing programs and service levels relating to non-infrastructure assets, additional funding above CPI being allocated to asset maintenance and renewal, as well as funds being made available for resourcing enhanced services in line with the community's expectations and Council's direction.

As detailed in the Table below, Council is not budgeted to meet all the necessary benchmarks in 2017/2018 and will need to continue to implement these strategies over the next four years, with a view to all the necessary benchmarks being met by the end of a four year period.

Benchmark	Target	Draft Budget 2017/2018	Result
Operating Performance Ratio	At least break even over term	-0.069	✘
Own Source Revenue	60% min. level of own revenue	85.2%	✔
Building/Infrastructure Renewal Ratio	Ratio of >100% renewals = depreciation	72.4%	✘
Infrastructure Backlog Ratio	Ratio of <2% (of write down values)	1.57%	✔
Asset Maintenance ratio	Ratio of >100% to prevent deterioration	97.8%	✘
Debt Service Ratio	Up to 20% of revenue	1.12%	✔
Operating Expenditure per capita	Decline in per capita expenditure over time	Decreasing	✔

The implementation of Council's Fit For The Future Plan over the coming years will gradually address the structural funding shortfall which has, to date, characterised Council's annual budgets.

The Resourcing Strategy, Delivery Program and Operational Plan being submitted for Council's consideration make reference to the main financial sustainability strategy included within Council's Fit For The Future Plan, being a proposed Special Rate Variation to be implemented from 1 July 2018. The Special Rate Variation process includes comprehensive community engagement, the re-exhibition of corporate plans to reflect the community's feedback, and requires Council's formal approval to apply to the Independent Pricing and Regulatory Tribunal. The scope of including reference to the process within the documents referred to in this report is limited to indicate to the community Council's intention to commence the process required to be followed to apply for a Special Rate Variation. The adoption of the attached documents does not constitute an adoption of any of the options presented in regard to the proposed Special Rate Variation.

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During the preparation of the 2017/2018 Operational Plan, Council has also identified a number of services and service delivery model to be reviewed during 2017/2018 to ensure services provided are in line with the community's expectations and that they are delivered in the most cost-effective way possible. The identified reviews include:

- the operation of the Lower Portland Ferry
- Septic Safe Program
- Companion animal and stock animals services
- Self Insurance Model – Workers Compensation
- membership of WSROC
- Waste Management Facility
- sewer business model
- maintenance of non-Council owned cemeteries
- internal audit service model
- review of aquatic facilities
- review of rebates.

6. Draft Operational Plan 2017/2018 - Estimated Income and Expenditure

The estimated income and expenditure for 2017/2018 has been based on a combination of index factors as follows:

- Rate Pegging - 1.5%
- Income CPI – 3.0% or trend
- Interest Rates – 2.8%
- Expenditure CPI – 0% for non-infrastructure related expenditure
- Expenditure CPI - 2.5% or applicable contract increases for infrastructure related expenditure
- Employee Costs – 2.5% based on the Award increase (assumed).

Income

For 2017/2018, a total income (including capital income) of \$74.63 million has been budgeted for, to be received from various income sources, as shown in Figure 1 below:

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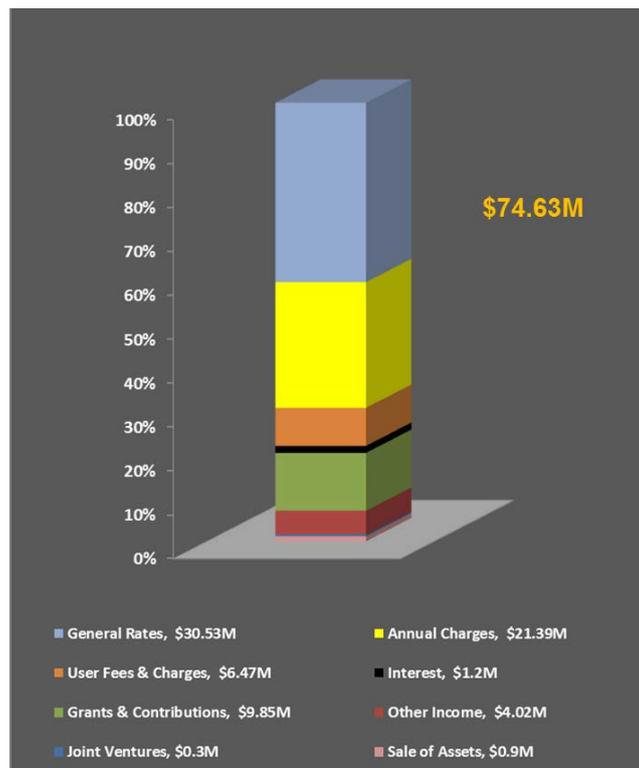


Figure 1: Funding Sources

Rates and Annual Charges

As shown in Figure 1 above, Council's main revenue source is General Rates, which for 2017/2018, net of rebates is \$30.53 million, representing 41% of the total estimated revenue. Rating income has been increased by the rate-pegging limit for 2017/2018, being 1.5%.

Council will raise a further \$21.39 million in Annual Charges, being Waste Charges, Sewer, Stormwater Management and Sullage. Funds generated through these programs are restricted to be utilised within the program to which they relate.

User fees and charges and other income

Income including revenue raised through 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 2017/2018.

Income from user fees and charges and other income is estimated at \$10.49 million. This income includes, but is not limited to:

- Building and Development - \$2.1 million
- Regulatory Activities - \$943K
- Property Portfolio - \$2.0 million
- Waste Management Facility Dividend - \$621K
- Interest - \$924K.

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Interest Income

A further \$1.2 million is estimated to be received through interest earned on Council's investment portfolio and interest charges on overdue amounts.

Council's estimated interest earnings are based on the amount of cash held for investment and expected return to Council. All of Council's investments are in term deposits, resulting in a portfolio with no exposure to capital loss.

Amounts held in investments are fully allocated to fund the Operational Plan Actions, including capital works. Timing differences between the receipt of income and payment of expenses provide the opportunity to invest funds until they are required and earn interest thereon. A prudent approach is taken 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.

It is to be noted that, the majority of the invested funds are restricted to specific programs and cannot be spent on anything else. The remaining unrestricted amounts are required to be called upon to pay bills, and cannot therefore be spent on actions not included in the budget for the year.

Grants and Contributions

Approximately \$9.85 million or 13% of the 2017/2018 revenue will be achieved through Grants and Contributions. With regard to grants, a conservative approach is taken whereby known ongoing grants are budgeted for, and matching funding for applications in progress is provided where relevant. Targeted applications are ongoing and if funding is secured through the financial year, it is reflected in Quarterly Budget Reviews.

Major Operating and Capital Grants include

- Financial Assistance Grant \$4.2 million
- Roads to Recovery Grant \$0.8 million
- RMS Regional Roads Grants \$1.0 million
- RMS Other Grants \$0.5 million
- Library Grants \$0.2 million

Council receives Financial Assistance Grants from the Federal Government. Due to fluctuations in the amounts from year to year, the budgeted amount for 2017/2018 has been reduced by 1%, or by \$42,000 on the amount received in 2016/2017.

Joint Ventures

An increase in equity of \$0.3 million is budgeted to be received from Council's equity in Civic Risk Mutual - Council's cooperative insurance pool.

Sale of Assets

The 2017/2018 Budget includes an amount of \$0.9 million to be received from sale of assets as part of routine asset replacement processes.

Expenditure

Council incurs a range of operating and capital expenses in delivering its programs. The main expenditure elements are Employee Costs, Material and Contracts, Borrowing Costs, Other Expenses, Depreciation and Capital Works, (comprised of Infrastructure Renewal, New Infrastructure, Plant and Equipment and Other Assets).

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For 2017/2018 the total funding available to fund services of \$74.63M has been fully allocated to expenditure on providing services to the community.

Figure 2 shows the categories of expenses and amounts budgeted for 2017/2018.

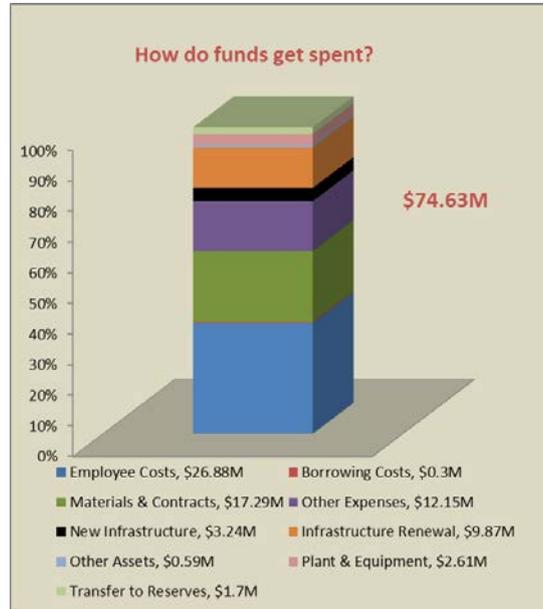


Figure 2: Expenditure

Employee Costs

Services to the community and works are delivered through a combination of Council staff and contractors. With the majority of activities being resourced internally, employee costs of \$26.9 million constitute 36% of the total expenditure.

A significant portion of this amount relates to staff fixing roads, mowing the parks, collecting our garbage, collecting stray animals, ensuring compliance etc. Council staff also serve our ratepayers through our Customer Service Centre, Development Application processing etc. Administration staff are required to support other functions such as financial management, legislative reporting, Council meetings and contract management.

Employee costs estimated for 2017/2018 are based on the current staff establishment with the addition of three proposed new positions and additional resourcing for a number of enhanced services. The Budget for Employee Costs has been based on an Award increase of 2.5%.

Proposed new positions and associated annual costs are as follows:

- Digital Media and Community Engagement - \$88K
- Development Services Support - \$74K
- Town Planning - \$79K.

Materials and Contracts

Council supplements its internal staff resources with external contractors, consultants and professional services. The costs of these external services, and the costs of materials used to deliver services is represented by the Material and Contracts amount, which for 2017/2018, is budgeted at \$17.29 million or 23% of operating costs.

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Amounts budgeted reflect the cost applicable for 2017/2018, or the applicable contract annual cost escalation. This estimate is based on what is required to at least maintain existing service levels for services the community can see, but have reduced in real terms in relation to expenditure on Council's Infrastructure assets, the impact of which may not be visible yet.

Other Expenses

In addition to the above costs, Council also incurs a range of Other Expenses, estimated at \$12.15M or 16% of total costs for 2017/2018. These expenses include:

- Utilities and Street Lighting \$1.9 million
- Contribution to Emergency Services \$1.2 million
- Insurance \$0.9 million
- Corporate IT Expenses \$0.9 million
- Operational Contribution to Sports Council \$0.8 million
- Members Fees and Expenses \$0.4 million
- Postage and Printing \$0.2 million
- Bank Charges \$0.2 million
- Licences and Memberships \$0.2 million
- Hawkesbury Leisure Centres Subsidy \$0.2 million
- Section 356 Expenditure \$0.1 million
- Section 88 Waste Levy Contribution \$3.4 million

Borrowing Costs

An amount of \$0.3 million is included in the 2017/2018 Operational Plan for borrowing costs relating to funds borrowed under Local Infrastructure Renewal Scheme Loan to fund the Timber Bridge Replacement Program currently in progress. Allowance has also been made for adjustments relating to fair valuation of financial liabilities and provisions.

Capital Works

As detailed earlier in the report, Council's infrastructure, comprising of an extensive road network, parklands, community buildings, and sewerage networks, needs to be adequately funded in line with a sound asset management approach.

For the 2017/2018 financial year, it is proposed to undertake Capital Works amounting to \$16.3 million, of which \$1.67 million is funded under the Infrastructure Renewal Program.

The focus continues to be on asset renewal, with \$9.87 million being budgeted for renewal or replacement of existing assets, and \$3.24 million for new assets.

The 2017/2018 capital works program includes \$10.5 million for Roads Infrastructure, \$1.5 million for Parks and \$0.9 million for Land and Buildings. Details of the works can be found in the Draft Operational Plan 2017/2018 document.

A further \$0.2 million is included for the sewer relining program.

A total of \$3.2 million is included for non-infrastructure assets including cultural resources, information technology and plant and fleet.

Infrastructure Renewal Program

Included in the Capital Works above, are works funded through the Infrastructure Renewal Program. This Program represents the additional rates revenue generated through the special rate rise of 2007/2008 and is aimed at providing additional funding for infrastructure renewal across Council's roads, parks and buildings. The proposed combined amount of \$1.67 million in works represents the full allocation of the special rate rise of 2007/2008 above the Minister's increase indexed by rate-pegging.

It is to be noted, that whilst back in 2007/2008 and the following few years, the additional income generated through the special rate variation, approved at the time, enabled additional infrastructure works to slow down the deterioration trend. This additional revenue, whilst applied specifically to infrastructure works, is progressively having a reduced impact on addressing Council's shortfall in infrastructure spending, due to the overall decline in infrastructure funding in real terms.

7. Revenue Policy

The Draft Operational Plan 2017/2018 sets out the rating structure for the financial year, the annual charges that will apply and details user fees and charges proposed for the year.

General Rates 2017/2018

Council's current rating structure provides for three different types of ordinary rates: residential, farmland and business. The business category includes three sub-categories based on defined business areas. 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 NSW Valuer General, multiplied by the rate in the dollar set by Council for the year.

For the 2017/2018 year, it is proposed to apply the rate-pegging increase of 1.5%, as determined by the Independent Pricing Regulatory Tribunal. The increase equates to \$0.5 million in additional revenue, and in addition to some projected growth, brings the total projected rating revenue, known as the Notional Yield net of rebates, to approximately \$30.5 million.

Land Values

The rates applicable to each property are based on land valuations as determined by NSW Valuer General. The NSW Valuer General revalued properties in the LGA in 2016, with those values first being used for the year commencing July 2017. Council considered a report that detailed the impact of these latest revaluations at its Council meeting on 28 February 2017.

Rating Structure

At its Council Meeting on 31 January 2017, Council considered a report detailing options in regard to the rating structure to be applied from 1 July 2017. Council resolved to adopt a rating structure based on the following principles:

- the removal of a fixed proportion of the Notional Yield applied to each respective category
- a Base Amount to be included on all Rating Categories
- a consistent Base Amount across all Categories
- Minimum Rates removed
- the Base Amount is based on a 30% Base Amount applied to the Residential Category
- the Business ad valorem (rate in \$) based on being double the ad valorem applicable to the Residential Category
- the ad valorem rate applied to the Farmland Category is 90% of ad valorem rate applied to the Residential Category
- Rural Residential Sub-Category is removed.

The 2017/2018 Statement of Revenue Policy contained within the Operational Plan has been based on the principles above. The proposed rating structure to apply from 1 July 2017 is summarised in the table below.

EXTRAORDINARY MEETING**Meeting Date:** 10 April 2017**Table 1: Rating Structure**

Rate Category/ Sub-Category	No. of Properties	Rateable Land Value	% Land Value	Notional Yield	% of Notional Yield	Ad valorem Rate in \$	Base Amount	Base Amount % of Yield
Residential	23,521	\$10,663,435,023	87.20%	\$26,347,099	85%	0.172083	\$340	30.35%
Business Area 1	750	\$392,395,048	3.21%	\$1,605,490	5%	0.344166	\$340	15.05%
Business Area 2	331	\$175,158,662	1.43%	\$715,377	2%	0.344166	\$340	15.05%
Business Area Other	428	\$274,206,972	2.24%	\$1,089,247	4%	0.344166	\$340	15.05%
Farmland	572	\$723,491,000	5.92%	\$1,314,984	4%	0.154875	\$340	14.79%
Total	25,602	\$12,228,686,705	100%	\$31,072,197	100%			

Annual Charges

In addition to General Rates, Annual Charges for the Waste Services and Sewerage or Sullage services are applicable. The increases for these charges generally reflect the cost of delivering the respective programs and the necessary funding to be maintained for future asset renewal. Management regularly reviews these programs and the long term strategic direction to ensure these services are delivered in the most cost-effective way.

Increases applicable for 2017/2018 are as follows.

- Waste Management Charges + 3.5%
- Sewer Management Charges + 9.5%
- Sullage Charges + 3%

Domestic Waste Management and Commercial Waste Collection

The Domestic Waste Management Service for 2017/2018 includes the applicable bin service, the recycling bin service, the kerbside collection service, and, if applicable, the green waste service.

The Minister has not specified a percentage in terms of Section 507 of the Act by which the amount of the annual charges for domestic waste management services may be varied for the year commencing July 2017. 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 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.

Council currently provides the Waste Service through a combination of internal resources and contractors. The Hawkesbury Waste Management Facility is used as the disposal site for waste collected. The major impact on the cost of providing this service in 2017/2018 and future years is the increases in Section 88 Waste Levies imposed by the Office of Environment and Heritage. Taking into account all costs incurred to provide the waste service, including the Section 88 Waste Levy of \$138.30 per tonne, an increase in the annual charges for the waste service of 3.5% is required.

The Domestic Waste Management and Commercial Waste Collection charges proposed for 2017/2018 are summarised in the Table below:

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Table 2: Domestic Waste Management and Business Waste Collection

Charge 2016/2017	Description	Charge 2017/2018
DOMESTIC		
Without Garden Organics Service		
\$515.21	240 litre bin - Weekly	\$532.47
\$325.90	140 litre bin - Weekly	\$336.82
\$325.90	240 litre bin - Fortnightly	\$336.82
\$228.84	140 litre bin – Fortnightly	\$236.51
With Garden Organics Service		
\$588.96	240 litre bin - Weekly	\$608.69
\$399.65	140 litre bin - Weekly	\$413.04
General Services		
\$148.92	Availability - Weekly	\$153.91
\$74.46	Availability - Fortnightly	\$76.95
\$86.43	240 litre additional garden organics bin	\$89.33
\$86.43	240 litre additional recycling bin	\$89.33
POA	Multiple waste collection service	POA
BUSINESS		
\$711.02	240 litre bin - Weekly	\$734.84
\$435.10	140 litre bin - Weekly	\$449.68
\$86.43	240 litre additional garden organics bin	\$89.33
\$86.43	240 litre additional recycling bin	\$89.33
POA	Multiple waste collection service	POA

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 the on-going operational costs incurred in providing the service, the on-going network maintenance and renewal and major capital works planned for future years.

The required charge for 2017/2018 is based on ensuring sufficient funds are available to address all these costs, taking into account current reserve levels. Based on these projections, it is proposed that the sewerage charges are increased by 9.5% for the 2017/2018 financial year.

The Sewerage charges proposed for 2017/2018 are summarised in the table below.

EXTRAORDINARY MEETING**Meeting Date:** 10 April 2017**Table 3: Sewerage Charges**

Charge 2016/2017	Service	Charge 2017/2018
\$706.46	Residential Connected	\$773.62
\$470.47	Residential Unconnected	\$515.16
\$822.34	Business Category 1 (<1,000L/day)	\$900.46
\$4,123.23	Business Category 2 (1,000-5,000L/day)	\$4,514.94
\$8,213.69	Business Category 3 (5,001-10,000L/day)	\$8,993.99
\$16,377.22	Business Category 4 (10,001-20,000L/day)	\$17,933.06
\$16,377.22* (plus volumetric)	Business Category 5 (>20,000L/day)	\$17,933.06*
\$474.06	Business Unconnected	\$519.10

* Plus trade waste excess volume charge of \$2.90 per kilolitre for Category 5 properties

Sullage Charges

Council provides a sullage pump out service to properties that are not serviced by Sydney Water or Council's sewerage network and do not have on-site sewerage management facilities.

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 costs of running the program, as well as providing for future rehabilitation works.

Sullage Charges reflect cost-recovery of the cost to provide the service. With the reduction in properties on sullage over the last couple of years, without a corresponding decrease in contract costs, the charge per property needs to be increased to cover costs. The utilisation of Council's Sullage service is not mandatory and ratepayers have the choice to go to a private operator, which based on some research, charge higher fees than Council.

As part of the Draft Operational Plan process, the sullage current and projected reserve balances have been assessed and has resulted in the proposed increase of 3% being required to ensure sufficient funds are available to fund the program and associated future costs.

Table 4: Sullage Charges

Charge 2016/2017	Service	Charge 2017/2018
\$1,967.14	Fortnightly Residential	\$2,026.16
\$3,934.32	Weekly Residential	\$4,052.32
\$158.27	Emergency Service	\$163.02
\$126.05	Extra Service	\$129.83
\$21.66	Commercial per 1,000L; min 2,500L	\$22.31

Stormwater Management Service Charge

The Office of Local Government released guidelines in July 2006 that provides assistance to councils to raise additional funding through the Stormwater Management Service Charge to support them in improving the management of urban stormwater in NSW. This follows the gazettal of the Local Government Amendment (Stormwater) Act 2005. The income raised from this charge can only be used to undertake new/additional stormwater management services.

EXTRAORDINARY MEETING**Meeting Date:** 10 April 2017

Feedback provided by the community during consultation conducted in August 2016 and February 2017 indicated that the current service level provided by Council's stormwater infrastructure was insufficient and additional expenditure was required.

In order to meet this expectation, it is proposed to levy a Stormwater Management Service Charge from July 2017 on all rateable residential and business properties, within an urban area that contains an impervious surface (i.e. car park, concrete slab or building).

It is projected that this charge will enable an additional \$513K worth of new stormwater infrastructure to be constructed and \$5K towards the establishment of a water quality testing program. The charges to be levied are as follows.

Table 5: Stormwater Management Service Charge

Category	Annual Charge	Income
RESIDENTIAL		
Residential	\$25.00	\$310,150
Residential Strata	\$12.50	\$26,900
BUSINESS		
Business	\$25.00 per 350m ² , or part thereof, up to a maximum of \$1,500	\$170,125
Business Strata	Pro-rata of the above, based on land valuation apportionment	\$11,750
Total Revenue		\$518,925

The following table represents the expenditure to be funded from the Stormwater Management Service Charges for the 2017/2018 financial year:

Table 6: Stormwater Management Service Charge Expenditure

Project	Estimate
Water Quality Testing Program	\$5,000
Wattle Street, Bowen Mountain – Construct street drainage	\$65,022
Johnston/Hawkesbury Streets, Pitt Town – Relocate drainage system	\$31,261
Bennett Lane Kurrajong Heights – Construct pipeline	\$37,513
Richmond Road, Richmond – Dish drain in open channel	\$81,278
Corner of Francis and Pitt Streets, Richmond – Upgrade drainage system	\$106,286
Teviot and Moray Streets, Richmond – Upgrade drainage system	\$173,809
East Market Street, Richmond – Upgrade in conjunction with relining	\$18,756
Total Works Funded from Stormwater Management Service Charges	\$518,925

The works program detailed above is in addition to stormwater management program of \$1.4M funded from general revenue.

Fire and Emergency Services Levy – NSW Government (FESL)

From 1 July 2017, the NSW Government will abolish the Emergency Services Levy (ESL) on insurance policies and replace it with a Fire and Emergency Services Levy (FESL) paid alongside council rates.

The reform will be a fairer way of raising the money that supports our fire and emergency services and volunteers. Previously only insured property owners contributed directly to the fire and emergency services. Under the FESL, all property owners will contribute.

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The reform will also help reduce the high levels of underinsurance across the State. NSW currently has the highest rate of non-insurance of all states. Removal of the old ESL from insurance policies will help make insurance more affordable, allowing people to protect their properties from fire, floods, storms and other natural disasters.

Revenue raised from the FESL will go to the State Emergency Service, Rural Fire Service and Fire and Rescue NSW. The reform will be budget neutral and will not in any way adversely impact funding to these agencies.

A significant majority of fully-insured residential property owners are expected to be better off under the FESL, with an average saving of around \$47 per year. Discounts will also be available for pensioners.

The FESL will appear on ratepayer's rates notices and is payable to Council. However, Council will not retain any of the funds collected, it will simply be a collection agent for the NSW Government.

Rates and Charges Concessions

Concessions on rates and charges are available to eligible pensioners. Council has in excess of 3,100 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.

Ordinary Rates and Domestic Waste Management

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. Council is reimbursed 55% of this concession by the State Government, and funds the remaining 45% (up to \$112.50 per property).

Sewerage Charge

A concession based on 50% of the applicable charge is available to eligible pensioners who are subject to the residential sewerage connection charge. The mandatory concession relating to the sewerage charges is \$87.50 of which the State Government provides a reimbursement to Council of 55% (\$48.13). This amount has remained unchanged since 1989. Council funds the remaining mandatory concession amount plus an additional amount to bring the total concession amount to \$347.43 per property.

Sullage Service

Council provides eligible pensioners with a pensioner concession based in 50% of the applicable sullage charge. The rebate is fully funded by Council

Fire and Emergency Services Levy – NSW Government (FESL)

A pensioner rebate will apply in regard to the FESL.

8. Adoption of Budget for Year Ended 30 June 2018

As mentioned earlier in this report, assuming Council finalises the Draft Resourcing Strategy 2017-2027, the Draft Delivery Program 2017–2021 and the Draft Operational Plan 2017/2018 at this Meeting. It is anticipated that advertising of the Draft documents will commence shortly afterwards for the minimum 28 day period. During the exhibition period, any person may make a submission to Council.

Council has a scheduled Extraordinary Meeting on 13 June 2017 to consider submissions received and to adopt the Operational Plan as amended, if appropriate, incorporating Council's Estimated Income and Expenditure and associated documents, and make and fix the rates and charges for the year ended 30 June 2018.

EXTRAORDINARY MEETING

Meeting Date: 10 April 2017

Conformance to Community Strategic Plan

The proposal is consistent with the Our Leadership Focus Area directions statement:

- build strong financial sustainability for new and future generations

and is also consistent with the nominated strategies in the CSP being:

- in all of Council's strategies, plans and decision making, there will be a strong focus on financial sustainability
- meet the needs of the community now and into the future by managing Council's assets with a long-term focus
- decisions relating to determining priorities will be made in the long term interests of the community.

Financial Implications

The adoption of the recommendation in this report will result in the Draft Resourcing Strategy 2017-2027, the Draft Delivery Program 2017-2021 and the Draft Operational Plan 2017/2018, including the Statement of Revenue Policy, as outlined in this report and detailed within the attachment, being placed on exhibition, and subject to Council resolutions arising and public submissions received, being adopted for the financial year 2017/2018.

RECOMMENDATION:

That:

1. The report regarding the Draft Resourcing Strategy 2017-2027, the Draft Delivery Program 2017-2021 and the Draft Operational Plan 2017/2018 be received.
2. The Draft Resourcing Strategy 2017-2027 be adopted for exhibition purposes and be advertised for a minimum of 28 days in accordance with Section 405 of the Local Government Act 1993.
3. The Draft Delivery Program 2017-2021 be adopted for exhibition purposes and be advertised for a minimum of 28 days in accordance with Section 405 of the Local Government Act 1993.
4. The Draft Operational Plan 2017/2018 be adopted for exhibition purposes and be advertised for a minimum of 28 days in accordance with Section 405 of the Local Government Act 1993.
5. An Extraordinary Meeting of Council be held on Tuesday, 13 June 2017 to consider any public submissions received in respect of the Draft Resourcing Strategy 2017-2027, the Draft Delivery Program and the Draft Operational Plan 2017/2018, and to consider the adoption of these documents and to make and fix rates and charges for the year ended 30 June 2018.

ATTACHMENTS:

- AT - 1** Draft Resourcing Strategy 2017-2027 (*Distributed under separate cover*)
- AT - 2** Draft Delivery Program 2017-2021 (*Distributed under separate cover*)
- AT - 3** Draft Operational Plan 2017/2018 (*Distributed under separate cover*)

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extraordinary
meeting

end of
business
paper

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