



Hawkesbury City Council

extraordinary  
meeting  
business  
paper

date of meeting: 21 April 2009  
location: council chambers  
time: 7.00 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 5:00pm with a break from 7:00pm to 7:30pm 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 7:00pm. 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 [fsut@hawkesbury.nsw.gov.au](mailto:fsut@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.

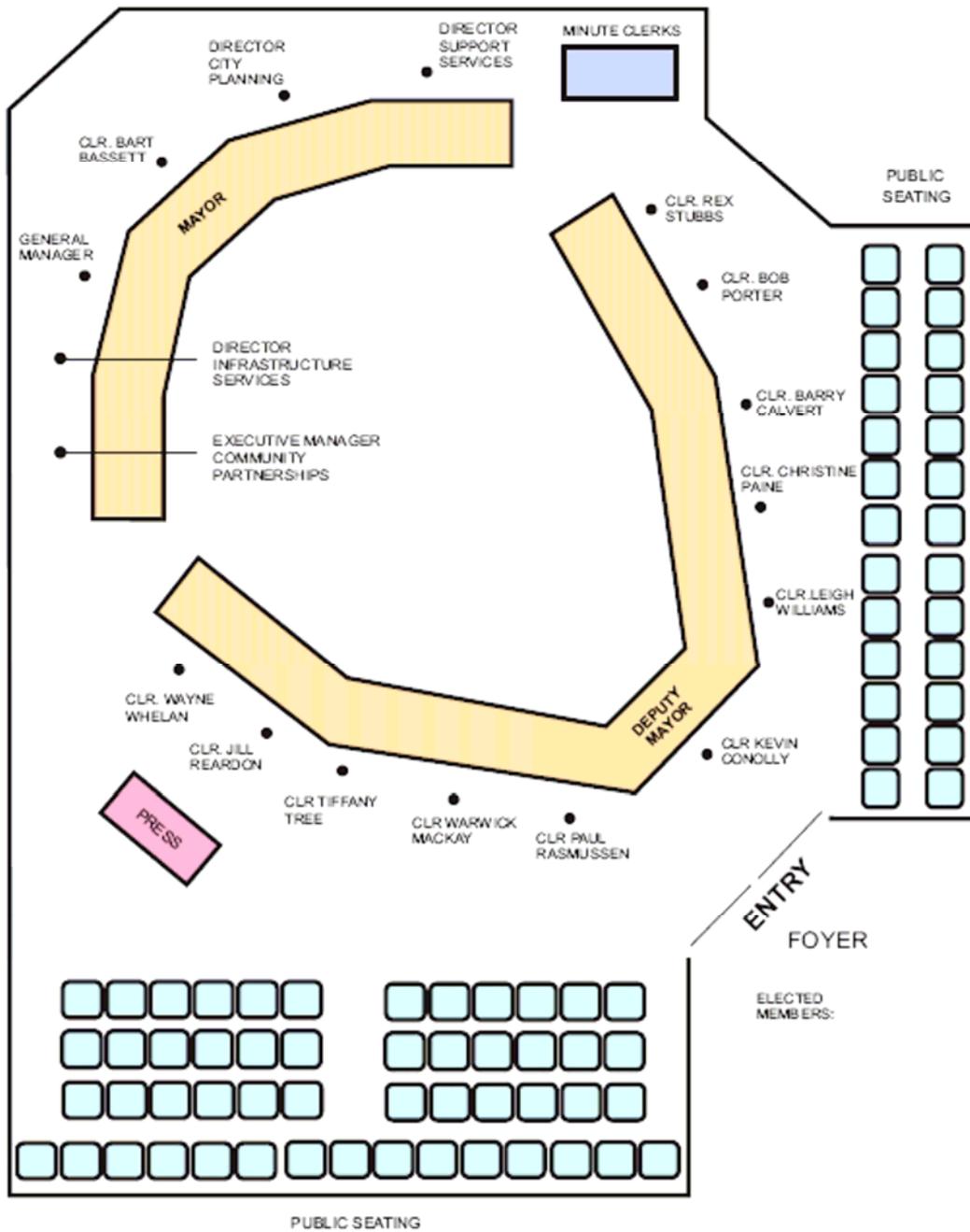
### **Website**

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](http://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.

# hawkesbury city council council chambers



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SECTION 4 - Reports for Determination

GENERAL MANAGER

Item: 71                    **GM - Draft Management Plan 2009/2010 and Draft Budget 2009/2010 - (79351, 95496, 96332)**

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**REPORT:**

**1. Introduction**

I am pleased to submit the Draft Management Plan (incorporating the Draft Budget) for Council's consideration covering the 12 month period ending 30 June 2010. This document, incorporated within three booklets, has been circulated separately to all Councillors.

Under Chapter 13 of the Local Government Act 1993, Councils are required to prepare a Management Plan each year that is to be placed on public display for at least 28 days prior to adoption by the Council (Section 406). The Council's annual budget, together with forecasts for at least the following two years, is an integral part of the Management Plan and is required to be incorporated into that Plan as well as its proposed fees and charges for the period.

The Draft Management Plan has been submitted for consideration by Council. The Council adopted a long term Strategic Plan in the 2004/2005 financial year and undertook a review of its organisational structure to realign the organisation to Council's strategic objectives in January 2005. The structure was again reviewed in June 2007. A process was also commenced to develop a new Community Strategic Plan.

As a result, the 2005/2006 Management Plan was modified to reflect the adoption of the Strategic Plan as a first step. The 2006/2007, 2007/2008 and 2008/2009 documents contained further refinements that had been made in an endeavour to improve the alignment of the Management Plan with the Strategic Plan.

At its meeting on 31 March 2009 Council considered a report on the proposed public exhibition of the new Draft Community Strategic Plan and resolved:

*"That:*

1. *The Draft Community Strategic Plan as attached to the report be adopted for public exhibition purposes.*
2. *The public consultation process as outlined in the report be adopted for the purposes of the public exhibition of the Draft Community Strategic Plan subject to the exhibition period being for 12 weeks.*
3. *A further report be submitted to Council at the conclusion of the public exhibition period."*

As a result of the development of the new Community Strategic Plan, the Draft Management Plan and Budget have not been modified this year. However, in future years these documents will be amended to align as closely as possible to the new Community Strategic Plan and to provide information to support that Plan while also meeting statutory accounting requirements. The ultimate aim will be to establish clearer links between Council's strategic objectives and individual projects, and move towards a simplified format for both the Management and Financial Plans.

No significant changes to the Act have been introduced which will affect the 2009/2010 Draft Management Plan and Budget.

However, it must be stressed that in the current financial climate, and Council's financial position having regard to significant capital projects currently underway, it has once again been difficult to present Council with a "balanced budget". It has been necessary to stringently examine all areas of Council's expenditure to achieve this goal and the budget and other financial proposals will need to be closely monitored and adhered to so as to ensure that Council's financial position does not decline.

## **2. Public Exhibition**

Subject to the Council adopting the 2009/2010 Draft Management Plan and Budget at this meeting it is proposed that it will be placed on public exhibition from Tuesday, 28 April 2009 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, 16 June 2009 to consider the submissions received and adopt the 2009/2010 Draft Management Plan and Budget as well as setting rates and charges. A council must adopt its Management Plan by 30 June and set its rates for a financial year by 31 July of that year.

## **3. Revaluation of Properties within the Hawkesbury City Council Local Government Area**

At its meeting on 10 March 2009 Council considered a report regarding the effects of the latest Valuer General revaluation of properties within the Hawkesbury City Council Local Government Area.

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.

Each year, rates are assessed on the basis of the latest land value provided by the Valuer General, 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 by the Minister, so that the total rate income received will not exceed the permissible income limit.

The Valuer General conducts a revaluation of a Local Government Area approximately every three years. The land values currently used for rating have a base date of July 2005, and have been used for rating purposes since the 2006/2007 rate levy. A revaluation of the Hawkesbury area took place in 2008, which has resulted in the total rateable land valuations increasing from \$7.12 billion to \$7.78 billion, an average increase of 9.39%. These latest valuations will be used for rating purposes for the first time in the 2009/2010 financial year.

Whenever a revaluation occurs, the rating distribution within the Council area changes. Although the total rating income generated for Council is restricted by the rate pegging limit, individual ratepayers will receive varying increase or decreases in their rates, dependent upon how their property has been affected by the revaluation.

In the report Council was presented with various tables that illustrated how different suburbs and townships, as an average, varied in respect to the new valuations.

The report also addressed the current practice utilised by Council in setting the rate in the \$ that provides for the same minimum amount and same ad valorem amount (rate in the \$) being applied to business and residential rates with farmland rates generally being set at approximately 80% of this amount.

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At the meeting held on 10 March 2009, Council resolved as follows:

*"That:*

- 1. The information concerning the revaluation of properties within the Council Local Government Area be received.*
- 2. Council's practice of levying the business and residential ad valorem rate, at the same level, be continued.*
- 3. Council's practice of levying the farmland ad valorem rate at approximately 80% of the residential/business ad valorem rate be continued."*

Accordingly, the 2009/2010 Draft Management Plan and Budget has been prepared on the basis of the business rate being the same as the residential rate and the farmland ad valorem rate being set at approximately 80% of the residential/business ad valorem rate.

At the meeting on 10 March 2009, Council also resolved:

*"That:*

- 1. Staff report back to Council regarding the average land value increase for residential and rural residential land as separate items in respect of Wilberforce and Freemans Reach.*
- 2. Staff report back to Council what Penrith and Baulkham Hills Councils are doing to support large acreage holdings."*

A report will be presented to Council in the near future in respect of the abovementioned resolution.

#### **4. Competition Policy**

Under an agreement reached between the Federal Government and 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 is 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 2009/2010 financial year Council will have two business activities with turnover in excess of \$2 million, being Sewerage Services and the Hawkesbury Leisure Centres, and categorised as a Category 1 Business.

Council has adopted appropriate procedures in relation to the two Category 1 Business Activities and these are detailed in Council's Draft Management Plan 2009/2010 (Booklet 1 – Strategic and Operational Plan).

#### **5. 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 without a corresponding increase in available resources to provide these services as well as meeting the widening expectation of the communities they serve.

Examples of these increasing roles are in 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 develop, 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 levy increases failing to match inflationary pressures all impact upon the Council's financial base.

## **6. Management Plan**

As indicated at the commencement of this report, Council is required under the Local Government Act, to prepare a Draft Management Plan each year outlining its various activities. The Council's Revenue Policy for the next year must also be contained in this Plan.

In complying with the requirements of the Act, the Management Plan must specify the following statements in relation to Council's activities:

- a statement of the principal activities that the Council proposes to conduct;
- a statement of the objectives and performance targets for each of its principal activities;
- a statement of the means by which the Council proposes to achieve these targets;
- a statement of the manner in which the Council proposes to assess its performance in respect of each of its principal activities;
- statements with respect to such other matters as may be prescribed by the regulations.

The Statement of Principal Activities must include the following details:

- capital works projects to be carried out by the Council;
- services to be provided by the Council;
- asset replacement programs to be implemented by the Council;
- sales of assets to be conducted by the Council;
- activities of a business or commercial nature to be undertaken by the Council;
- human resource activities (such as training programs) to be undertaken by the Council;
- activities to properly manage, develop, protect, restore, enhance and conserve the environment in a manner that is consistent with and promotes the principles of ecologically sustainable development;
- activities in response to, and to address priorities identified in, the Council's current comprehensive reports as to the state of the environment and any other relevant reports;

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- programs to be undertaken by the Council to implement its equal employment opportunity management plan.

In addition, the Plan must include statements with respect to the Council's Revenue Policy detailing the following information:-

- a statement containing a detailed estimate of the Council's income and expenditure;
- a statement with respect to each ordinary rate and each special rate proposed to be levied;
- a statement with respect to each charge proposed to be levied;
- a statement of the types of fees proposed to be charged by the Council and the amount of each such fee;
- a statement of the Council's pricing policy with respect to the goods and services provided by it;
- a statement of the amounts of any proposed borrowings (other than internal borrowing), the sources from which they are proposed to be borrowed and the means by which they are proposed to be secured;
- a statement with respect to such other matters as may be prescribed by the regulations.

The Management Plan must specify ordinary or special rates proposed to be levied, particulars regarding fees and charges and Statement of Income and Expenditure over the second and third years covered by the Plan. Details in this regard have been included in the documents prepared and comprising the Council's Draft Management Plan for 2009/2010 for this purpose.

The Draft Management Plan, together with other supporting documentation, in the form of three booklets, has been distributed under separate cover.

The Program Budget for the Council's principal activities are detailed in the Draft Management Plan.

### 7. Budget Position

#### Economic Conditions

As will be appreciated, the current financial situation within Australia, and the rest of the world, is having significant impacts, to say the least, on all organisations. These effects have made it a very difficult task to present Council with a 'balanced budget', particularly in the light of significant reductions in areas of income coupled with ongoing and, in some cases, excessive increases in some areas of expenditure.

#### a. Financial Crisis 2007

- Began to show effects in late 2007, and then fed into the 2009 economic crisis.
- Massive credit squeeze by world banks.
- The All Ordinaries Index in Australia now down by over 40% compared to late 2007.
- Many foreign banks are on government life support – effectively these banks have been nationalised.
- Many businesses that are heavy with debt are experiencing severe difficulties re-financing or raising additional capital.

**b. Economic Crisis 2008**

- Reduced economic growth came on suddenly in late 2008 to early 2009, resulting in many countries being officially in a deep recession.
- The International Monetary Fund recently revised global growth forecasts for 2009 to be negative 1.0%.
- Australia is likely to go into recession in 2009, despite the Federal Government stimulus packages announced.
- The Australian Federal Government is forecast to have a significant deficit for 2008/2009.
- Australian Federal Government stimulus packages:
  - December 2008 – \$10 billion – pensioners, family allowance and first home buyers grant.
  - January 2009 – \$4 billion – construction industry.
  - February 2009 – \$42 billion – schools, housing, roads and one-off handouts to low and middle income earners.
- Annual inflation as at December 2008 is 3.7% - inflation is forecast to slide to 2.6% by June 2010.
- Unemployment as at March 2009 is 5.7% - it is forecast to rise above 7.0% by 2010.
- Interest rates were reduced in April 2009 to 3.00% - the forecast is for further interest rate cuts in 2009 to trough at 2.0% - Australia still has higher interest rates than US, UK and NZ.
- Weakening economic conditions means a record number of companies will be entering insolvency.

**Long Term Financial Aims**

The long term financial aims of Council are:

- To continue to improve Council's financial position so it can meet the infrastructure renewal challenge.
- To ensure operating revenues are sustainable and to consider alternative revenue sources.
- To continue to deliver services in a cost-effective and efficient manner.
- To maintain financial reserves and reserve funds at appropriate levels.
- To identify and quantify long-term liabilities.

**Recent Budgeting Trends**

- Council has reported 10 consecutive favourable Budget Quarterly Reviews up to December 2008.
- At its meeting on 24 February 2009 Council considered a report on the purpose and possible partial use of the Contingency Reserve. At the meeting, Council resolved as follows:

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*“That an amount of \$275,000 be allocated from the Contingency Reserve for the purposes of conducting a supplementary road shoulder maintenance program as identified in Attachment 1 to the General Manager’s report in this regard.”*

- As suggested by Council’s External Auditor, Council remains in a sound and stable financial position, effectively **at the present time**.
- However, ongoing infrastructure funding issues remain a significant and concerning issue requiring continual consideration and attention.

**Notional Yield**

Council's projected Notional Yield from general rate income for 2009/2010, based upon the documentation now before Council, is as follows:

GENERAL RATE TYPE	Actual 2008/2009		Budget 2009/2010	
	\$	%	\$	%
Residential	20,316,780	87.3%	19,816,033	85.0%
Farmland	1,048,003	4.5%	1,193,459	5.1%
Business	1,902,509	8.2%	2,302,666	9.9%
<b>Total Notional Yield</b>	<b>23,267,292</b>	<b>100%</b>	<b>23,312,158</b>	<b>100%</b>
<b>2009/10 Increase</b>			<b>815,926</b>	<b>3.5%</b>
Pensioner Rebates & Growth	(148,068)		(183,584)	
<b>Net Notional Yield</b>	<b>23,119,224</b>		<b>23,944,500</b>	

It is noted that the amounts outlined in the above table only relate to general rates.

**Utility Rates and Charges**

The 2009/2010 Draft Budget proposes the following increases in Utility Rates and Charges.

- Sullage – NIL increase.
- Sewerage – 3.67% to 3.85% increase.
- Domestic Waste Management – 6.81% to 7.02% increase.
- Kerbside Cleanup – NIL increase.
- Commercial Waste Collection – 20% increase.

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**Budget Parameters**

The 2009/2010 Draft Budget has been established based on a combination of index factors utilised. The indexation utilised for cost and revenue escalations include the following -

**Table 1 - Indices utilised**

<b>INDEX FACTORS</b>	<b>2009/2010</b>
Employee Cost Increase	3.50%
Consumer Price Index	3.70%
Cost Escalation	3.00%
Interest	3.25%
Rate Pegging	3.50%
Statutory Fees	0.00%
Growth Rate	0.25%

**Table 2 - Indices utilised**

<b>OPERATING REVENUE</b>	<b>Assumption</b>	<b>Indexation</b>	<b>2009/2010</b>
Fees & Charges for Services	At least to cover cost of providing the service	CPI, Rate Pegging or Wages	3.5% - 3.7%
Statutory Fees	In accordance with legislations	Nil	NA
Interest Revenue	Based on cash balance	ROI	3.0%
Other Income	Based on previous trends	CPI	3.0%

<b>OPERATING EXPENDITURE</b>	<b>Assumption</b>	<b>Indexation</b>	<b>2009/2010</b>
Employee Costs	Based on award and increments	Award, and Increments	3.5%
Materials	Based on previous trends		1.0% - 3.7%
Contracted Services	Based on previous trends		1.0% - 3.7%

Managers were required to project the estimated expenditure and associated revenue streams for each of the activities or services they provide. The budget estimates were then adjusted to reflect actual trends taking into consideration the following factors:

- market forces and price sensitivity;
- cost escalations above the base indexation;
- reduction in revenue streams;
- estimated costs based on previous years actual trends; and
- projected operating costs required to deliver existing services to the community.

**Operational Budget**

As would be appreciated the budget preparation process occupies a considerable period of time within the organisation. To produce a "balanced budget", income and expenditure estimates were closely reviewed and adjusted as necessary. In the event that Council wishes to alter any of these estimates or introduce new items, it is suggested that it would also be necessary for Council to nominate an alternate source of

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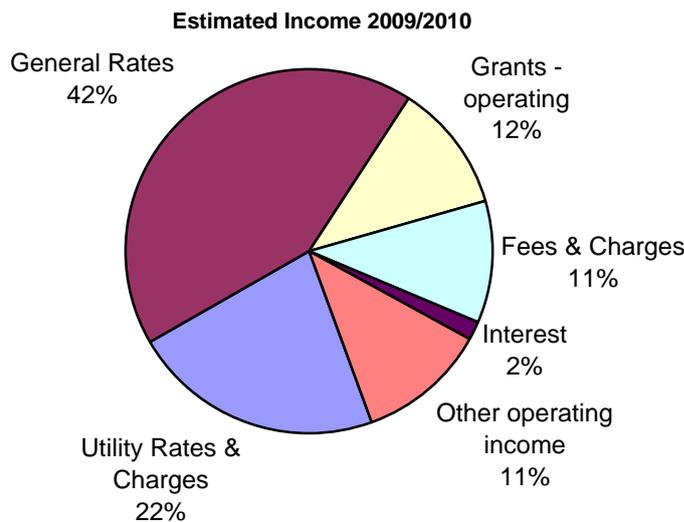
funding from within the Budget from which funds could be deducted in order to increase an item or fund a new item.

**Sources of Revenue**

Council's estimated revenue from ordinary activities for 2009/2010 is as follows:

<b>Source of Revenue</b>	<b>Amount \$</b>
General Rates	23,469,259
Utility Rates & Charges	12,407,941
Grants - Operating	6,397,255
Fees & Charges	6,013,194
Other Operating Income	6,282,475
Interest	930,222
<b>TOTAL</b>	<b>55,500,346</b>

These estimates are further represented in the following graph:



**Rental Income**

Council leases a diverse and extensive range of properties. Council currently has approximately 100 properties under lease, which continue to provide a vital alternate source of income for Council.

It is anticipated that Council will receive in excess of \$1.8 million gross rental in 2009/2010, with some vacancies budgeted for. This represents a decrease in the rental income of approximately \$67,000 on the 2008/2009 Budget.

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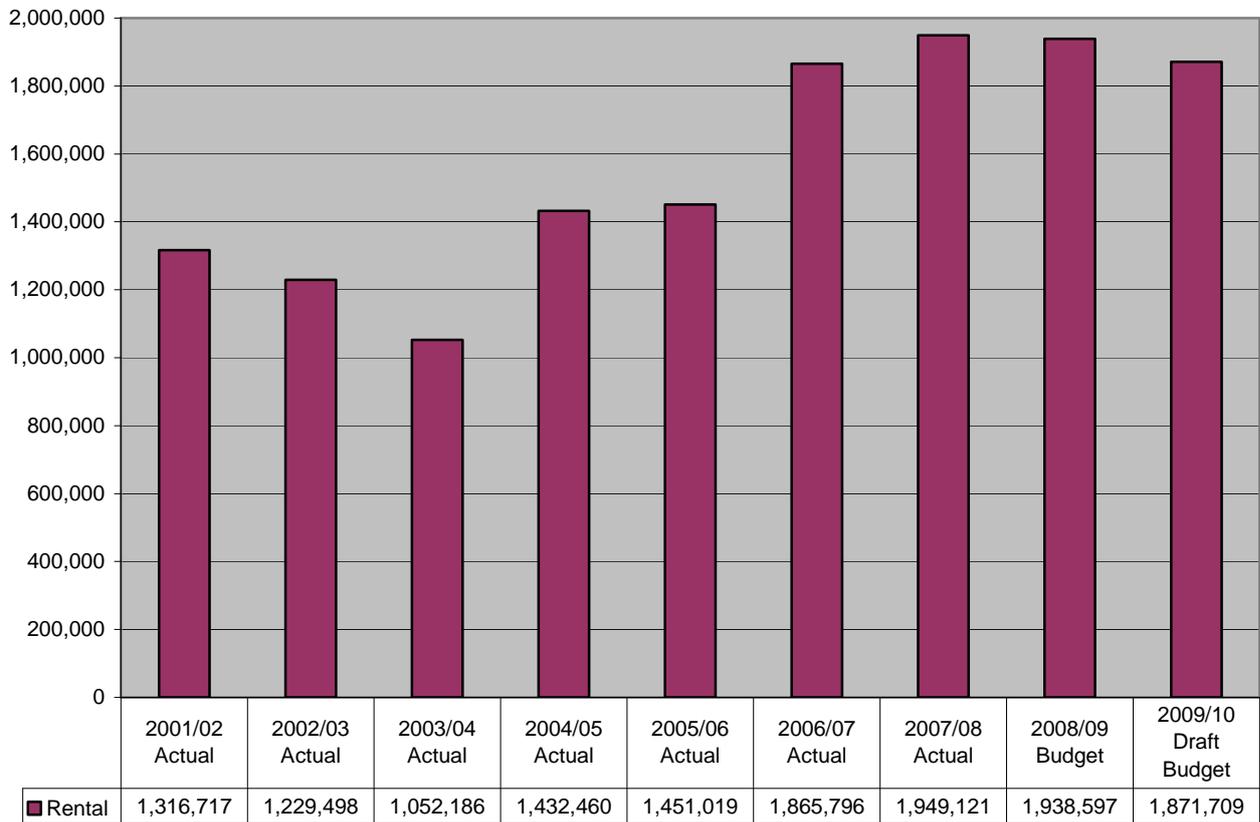
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The property portfolio includes the following range of properties:

Property Category	No. of Properties	Projected Rental Income 2009/2010 \$
Commercial	26	1,179,144
Residential	13	116,000
Retail - Shopping Centres	3	516,903
Other licenses/leases	18	59,662
<b>TOTAL</b>	<b>60</b>	<b>1,871,709</b>

The following graph shows the levels of gross rental Council has received from 2001/2002 to 2007/2008 and the budgeted amounts for 2008/2009 and 2009/2010 (proposed).

**Gross Rental Comparison 2001/2002 to 2009/2010**



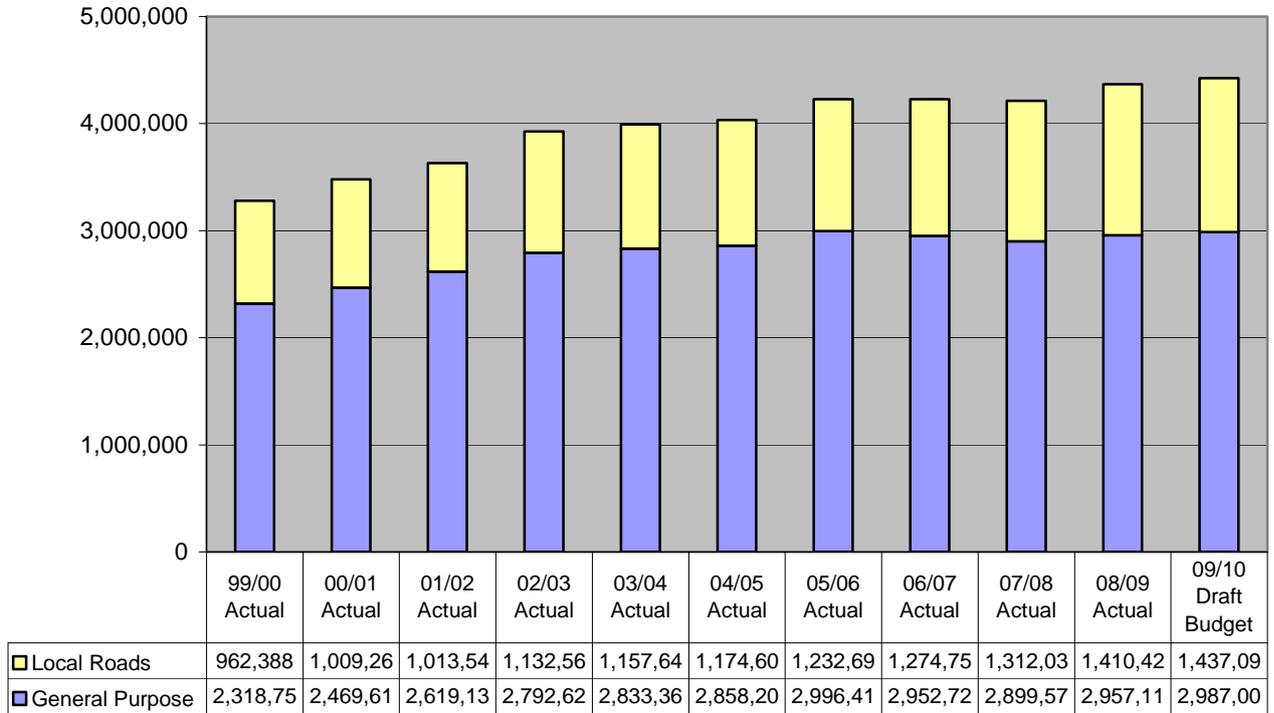
**Financial Assistance Grants**

Council receives Financial Assistance Grants from the Federal Government. The Financial Assistance Grants consist of General Purpose and Local Road Components. The following graph outlines the Financial Assistance Grants received by Council from 1999/2000 to 2008/2009. The graph also shows that Council has budgeted for these grants in 2009/2010 to increase 1.3% over 2008/2009.

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**Financial Assistance Grants - 1999/2000 to 2009/2010**



**Interest Earnings**

Council's interest earnings are based on the amount of cash reserves and the return to Council on these cash reserves.

Council's investment portfolio has been rebalanced during 2007/2008 and Council's interest earnings risk has been significantly mitigated. Council has no exposure to Managed Funds and CDOs, and an independent investment advisor was appointed in May 2008.

At its meeting held on 3 February 2009, Council considered a report on the Federal Government's Guarantee Scheme on deposits and wholesale funding of eligible authorised deposit-taking institutions and resolved as follows:

*"That:*

1. *In respect of Council funds invested with acknowledged tier one major Australian trading banks (ANZ, CBA, NAB and Westpac), that Council accept the coverage available, without cost, from the Federal Government's "Guarantee Scheme", and not optionally guarantee additional funds.*
2. *Council's investments in other banking institutions, not referred to in 1 above, and authorised under the current Ministerial Investment Order and Council's Investment Policy, be limited to an amount equivalent to the level of funds that receive coverage under the Federal Government's "Guarantee Scheme" without additional cost to Council.*
3. *All investments be made in accordance with Council's Investment Policy.*

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4. *Council receive a further report updating Council's Investment Policy following the release of new investment guidelines by the Department of Local Government."*

In February 2009, action was taken to comply with the above resolution, by not optionally guaranteeing amounts invested with the tier one major Australian trading banks (ANZ, CBA, NAB and Westpac), over and above the amounts that are covered by the free Government Guarantee Scheme.

In April 2009, the Reserve Bank cut official interest rates by one quarter of one percent to a cash rate of 3.00%, taking interest rates to their lowest levels since 1960. The Reserve Bank has reduced official interest rates six times since September 2008, with the interest rate reducing overall by 4.25% in this time. This follows 12 consecutive official interest rate rises between May 2002 and March 2008. Despite the Reserve Bank possibly taking a more cautious approach to monetary policy in the coming months, the forecast is for further interest rate reductions in the near future.

The Governor of the Reserve Bank of Australia released the following statement on monetary policy on 7 April 2009:

*"At its meeting today, the Board decided to lower the cash rate by 25 basis points to 3.0 per cent, effective 8 April 2009.*

*Recent information from abroad indicates that the contraction in the global economy continued during the first few months of this year, and most assessments of the near-term outlook have been further marked down. Considerable economic policy stimulus is in train in most countries, the full effects of which are not yet discernible, but which should help contain the downturn over the rest of the year. There are tentative signs of stabilisation in several countries, including China, though it is too early yet to judge how durable these will prove to be.*

*Conditions in global financial markets have continued to improve gradually, helped by progress towards a resolution of banking system difficulties in the United States and other major countries. Sentiment remains fragile, however, and the contraction in economic activity is affecting asset quality of financial institutions.*

*The Australian economy is contracting, though by less than those of its trading partners. Capacity utilisation has fallen from its peak, and will decline further over the rest of the year. With demand for labour weakening, growth in labour costs will probably also fall. Hence inflation over the medium term is likely to be lower than it has been over the past two years. Demand for credit is weak overall, though credit for owner-occupied housing is picking up.*

*There has already been a major change in both monetary and fiscal policy in Australia. Market and mortgage rates are at very low levels by historical standards and business loan rates are below recent averages, reducing debt-servicing burdens considerably. Nonetheless, the Board judged that there was scope for a further modest adjustment to the cash rate. The stance of monetary policy, together with the substantial fiscal initiatives, will provide significant support to domestic demand over the period ahead."*

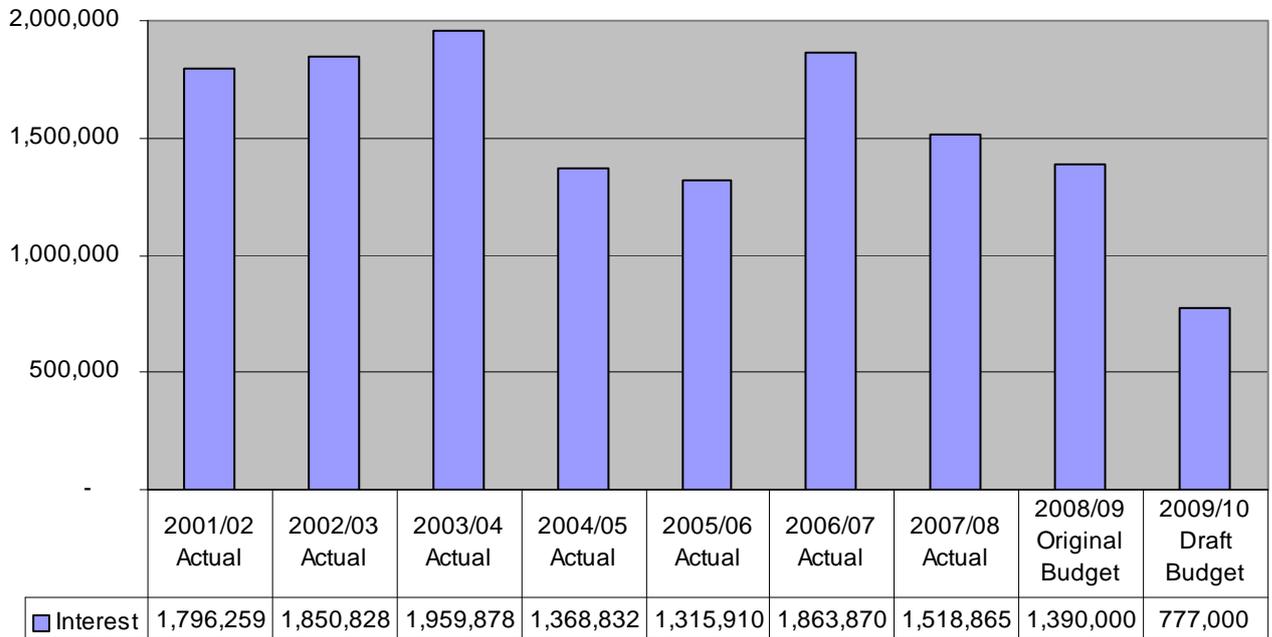
In respect to updating Council's Investment Policy, a report will be presented to Council in the near future.

The following graph outlines the interest earnings from 2001/2002 through to the projected earnings for 2008/2009 and 2009/2010.

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**Interest Earnings 2001/2002 to 2009/2010**



As can be seen due to a reduction in interest rates there will be a significant reduction in the income that the Council receives from its investments in 2009/2010.

**Rural Fire Service (RFS)**

Due to various legislative requirements the Council makes a statutory contribution towards the operation of the Rural Fire Services in its area. The anticipated statutory contribution for 2009/2010 is \$250,319 and provision has been made for this in the Draft Budget. In addition to this funding there are Council overhead costs estimated at \$250,000 and maintenance of Council buildings of \$38,450. Council is also required to make a contribution to the Board of Fire Commissioners with the anticipated amount for 2009/2010 being \$127,000.

A further funding component related to the RFS is the submission made to Council for the provision of discretionary funding for a range of programs which Council may consider. In respect of 2009/2010 the request for discretionary funding totals \$256,000 plus an additional \$61,000 in-kind funding for rates and insurance. The discretionary funding requested by the RFS has been included in the 2009/2010 Draft Budget.

A breakdown of the discretionary funding request for 2009/2010 is as follows:

Item	Discretionary Funding Requested
Employee costs	\$55,000
Telephone	\$25,000
Electrical tagging & Fire extinguisher maintenance	\$10,000
Water	\$2,000
Training	\$7,000
Printing & Stationery	\$35,000
Catering	\$15,000

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Meeting Date: 21 April 2009

Field Day	\$12,000
Vehicle Maintenance & Repair	\$40,000
Mitigation Works	\$10,000
Group Captain Vehicle Replacement	\$45,000
<b>TOTAL</b>	<b>\$ 256,000</b>

### Employee Costs

In the 12 month period prior to the commencement of the 2006/2007 financial year Council reduced employee numbers by 20 staff positions. These reductions were achieved by making positions redundant through either natural attrition of vacant positions and by voluntary redundancies. This resulted in savings in employee costs totalling in excess of \$1m per annum. This reduction represented a 7% decrease in Council's FTE base.

In 2007 the Senior Staff structure was rationalised and two Director positions were eliminated. Since that time the staff establishment list has remained constant.

The projected 2009/2010 increase in employee costs is estimated at \$521,061. It is to be noted that 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.

As part of the 2009/2010 budgetary process a total of six new positions representing 4.2 full-time equivalents were sought by various areas within the Council. Following a review of these requests by Management, no new positions have been included in the 2009/2010 Draft Budget.

### Superannuation Contributions

Due to the performance of the Local Government Superannuation Scheme (LGSS) Retirement & Defined Benefit Scheme, until 2005/2006 Council had enjoyed a "contribution holiday" from required contributions. Advice was received that Council should make provision in the 2005/2006, 2006/2007 and 2007/2008 Budgets for an amount per year equivalent to a 50% employer contribution "holiday". Further advice was received that the 50% employer contribution "holiday" would cease as from 2008/2009.

On 9 March 2009 the LGSS advised the Scheme was in deficit and that contribution rates for 2009/2010 would increase by an extra 140% over and above 2008/2009 contribution rates, and that this increase in contribution rates would last for the next five years.

On 27 March 2009 the LGSS advised that the Trustee of the Scheme had agreed to a revised funding proposal of increased contributions of an extra 100% over and above 2008/2009 contribution rates; however this increase in contribution rates is schedule for the next 10 years. Further, the LGSS advised that the revised funding proposal was dependent on the Scheme exceeding investment returns of 7%. If investment returns for 2009/2010 do not achieve this target, contribution rates for 2010/2011 will be reviewed, which could result in 2010/2011 rates increasing.

The overall effect of the increased contribution rates to the Scheme for the 2009/2010 Draft Budget is an additional cost to Council of approximately \$500,000 over the normally expected contribution by Council towards this Scheme.

### Council Controlled Fees

Council receives annually approximately \$6.0 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.

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Traditionally, Council fees have generally increased in line with the Consumer Price Index rather than the cost of providing the service and this has resulted in income streams not keeping abreast of expenditure increases. In preparing the Draft Budget, Management were requested where possible to ensure that Council controlled fees at least keep abreast with the cost of providing the service.

The following table below summarises the major sources of fees and charges income as budgeted in 2008/2009 and as estimated in the 2009/2010 Draft Budget:

**Summary of major fees and charges**

<b>FEE</b>	<b>Budget 2008/2009 \$</b>	<b>Draft Budget 2009/2010 \$</b>	<b>% Increase / (Decrease)</b>
Building & Development			
- Construction Certificates	493,500	355,000	-28%
- Development Applications	425,000	400,100	-6%
- Section 149 Certificates	149,050	96,500	-35%
Animal Management	452,233	455,950	1%
Parking Patrol	248,256	310,000	25%
Pool Income	116,000	120,060	4%
Cemeteries	135,700	149,150	10%
Inspections & Permits	176,000	233,705	33%
<b>Total Major Fees</b>	<b>2,195,039</b>	<b>2,120,465</b>	<b>-3%</b>

In 1998 the Department of Local Government announced a package of local government regulatory reforms and guidelines to enable more effective council regulation and performance supervision of household septic tanks and other small on-site sewage management facilities. The Local Government (Approvals) Amendment (Sewage Management) Regulation requires owners of relevant premises to apply to the council for approval to operate a system of sewage management. The Council is able to grant a renewable approval (e.g. a sewage management license). The grant of renewable approval allows the Council to monitor performance on a regular basis and to recover an annual renewal fee to cover reasonable costs. When site inspections are required the Council is able to levy an inspection fee.

To ensure the On-site Sewage Management is provided on a full cost recovery basis a pricing structure is proposed to increase the issue of the Approval to Operate (including the site inspection) fee to \$113.50 for the 2009/2010 Draft Budget.

**Statutory Fees**

Council's revenue stream from statutory fees is expected to be approximately \$1.7 million for 2008/2009 or 28% of the total fees and charges received. These fees are controlled by the State Government, and based on past history; they are not increased regularly or in line with cost increases.

**Service Standards**

In general, current operational service levels are maintained in the 2009/2010 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.

The following table contains a comparison of the Budget for 2008/2009 and the 2009/2010 Draft Operational Budget.

**EXTRAORDINARY MEETING**

**Meeting Date: 21 April 2009**

	2008/2009	2009/2010
	ORIGINAL BUDGET	DRAFT BUDGET
	\$	\$
<b>OPERATIONAL ACTIVITIES</b>		
<b>Income from continuing operations</b>		
General Rates (Note 1)	22,692	23,469
Utility Rates & Charges	11,794	12,408
	<b>34,486</b>	<b>35,877</b>
Fees & Charges (Note 2)	5,607	6,013
Grants & Contributions- Operating (Note 3)	6,896	6,397
Interest	1,517	930
Other Operating Revenue	5,727	6,283
<b>Total Income from continuing operations</b>	<b>54,233</b>	<b>55,500</b>
<b>Expenses from continuing operations</b>		
Employee Costs (Note 4)	14,123	14,679
Other Employee Costs	605	571
Materials & Services	22,775	21,859
Borrowing Costs	52	4
Depreciation	7,302	9,194
Other Expenses	9,601	10,803
<b>Total expenses from continuing operations</b>	<b>54,458</b>	<b>57,110</b>
<b>Net Operating result before capital grants &amp; contributions</b>	<b>-225</b>	<b>-1,610</b>
Grants & Contributions - Capital (Note 5)	443	2,721
<b>Net Operating result for the year</b>	<b>218</b>	<b>1,111</b>

	2009/2010
	DRAFT BUDGET
	\$
<b>Source of Capital funding</b>	
Proceeds from sale of assets (Note 6)	781
Depreciation	9,194
Grants & Contributions - capital	2,721
<b>Total funding source</b>	<b>12,696</b>
<b>Application of funds</b>	
Land & buildings	671
Infrastructure	7,201
Plant & equipment	2,541
Other	734
<b>Total Capital expenditure</b>	<b>11,147</b>
<b>Loan Redemptions</b>	<b>3</b>
<b>Net transfer from reserves</b>	<b>64</b>

**EXTRAORDINARY MEETING**

**Meeting Date:** 21 April 2009

	2009/2010
	DRAFT BUDGET
	\$
Net Operating result before capital grants & Cont	1,610
Total source of Capital funding	-12,696
Total Capital expenditure	11,147
Loan redemptions	3
Net transfer from reserves	-64
<b>Projected budget surplus</b>	<b>0</b>

Notes

1. Increase in general rate revenue as a result of 3.5% Rate Pegging and growth in properties.
2. Fees & charges include statutory fees, discretionary fees i.e building & development, animal control, parking and inspections, other income and internal administration recoveries.
3. Financial Assistance Grant is budgeted to increase 1.3% on the amount received in 2008/2009. In the 2009/2010 Draft Budget only Grants that are certain have been included. Other grants may be applied for during the year and will consequently be reflected in quarterly reviews.
4. Employee costs estimated to increase by \$0.52 million. Increases in employee costs are due to award increases, reclassifications and increased superannuation contributions.
5. Capital Grants include Roads to Recovery, Blackspot and RTA grants.
6. Sale of Assets includes the disposal of plant and fleet vehicles.

**Capital Budget**

During 2009/2010 Council proposes to spend in excess of \$9.8 million on 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 2009/2010 Draft Budget.

Program	Draft Budget 2009/2010 \$
Animal Control	20,000
Domestic Waste Management Services	707,500
Building Services	128,710
Sewerage Services	938,500
Property Development	72,800
Waste Management Facility	26,000
Fire Control	113,450
Emergency Services	112,000
Parks & Recreation	646,320
Plant & Depot	815,515

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Roadworks, Drainage & Ancillary facilities	4,691,662
Computer Services & Records	384,000
Cultural Services	344,000
Fleet	753,820
Land Acquisition	50,000
<b>TOTAL</b>	<b>9,804,277</b>

Some of the major projects that are proposed to be funded within the Capital Works Program of the 2009/2010 Draft Budget include the following:

- Hermitage Road – Realignment and widening of road
- Thorley Street flood evacuation completion
- Guardrail Colo Heights – Replace cyclone mesh safety fencing
- Windsor Wharf Replacement
- Webbs Creek Road - Bridge Replacement
- Sewer Pipe Relining Program
- Ownership of recycling bins reverting to Council

**Infrastructure Renewal Program**

In addition to the Capital Works Program, an amount in excess of \$1.3 million is proposed to be spent from the Infrastructure Renewal Program for 2009/2010.

The below table provides a summary of the proposed capital works expenditure contained within the Infrastructure Renewal Program of the 2009/2010 Draft Budget.

<b>Program</b>	<b>Draft Budget 2009/2010 \$</b>
Roadworks	785,421
Buildings	137,000
Parks	420,000
<b>TOTAL</b>	<b>1,342,421</b>

Some of the major projects that are proposed to be funded within the Infrastructure Renewal Program of the 2009/2010 Draft Budget include the following:

- Richmond Park – Foot paving and landscaping
- Rickabys Creek Footbridge
- Indoor Sports Stadium – Power factor correction and roof flashing
- North Richmond Oval amenities – Replace ceilings
- Road Shoulder Program – Various
- Road Rehabilitation – Various

**Future Financial Sustainability**

The ongoing maintenance of Council's financial sustainability, both now and well into the future, is a major objective when considering the Council's financial position. At the same time, endeavours are made to continue to renew our infrastructure, maintaining essential services and keeping 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.

## EXTRAORDINARY MEETING

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This is not a long term sustainable strategy, without future reviews on -

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

These reviews are imperative to ensure the future sustainability of Council's Long Term Financial Plan.

### Appreciation

The effort of all staff, particularly those involved from the Finance Section, in preparing the Draft Budget 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.

### Adoption of Budget for Year Ended 30 June 2010

As mentioned earlier in this report, assuming Council finalises the Draft Management Plan and Budget at this Meeting, it is anticipated that advertising of the Management Plan, which incorporates the Budget, will commence for the minimum 28 day period from Tuesday, 28 April 2009. 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 16 June 2009 to adopt the Management Plan, incorporating Council's Budget and Revenue & Pricing Policy, and make and fix the rates and charges for the year ended 30 June 2010.

### RECOMMENDATION:

That:

1. The General Manager's report regarding the 2009/2010 Draft Management Plan and Budget be received.
2. The 2009/2010 Draft Management Plan, incorporating Council's Strategic and Operational Plan, Budget Estimates and Revenue Pricing Policy, based on a rate increase of 3.5% (maximum rate pegging amount) be adopted for exhibition purposes and be advertised in accordance with Section 405 of the Local Government Act 1993.
3. An Extra-Ordinary Meeting of Council be held on Tuesday, 16 June 2009 to consider any public submissions received in respect of the 2009/2010 Draft Management Plan and Budget and to consider the adoption of these documents and to make and fix rates and charges for the year ended 30 June 2010.

### ATTACHMENTS:

- AT - 1 The 2009/2010 Draft Management Plan and Budget (Booklets 1 to 3) - *Distributed Under Separate Cover.*

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**EXTRAORDINARY MEETING**

**Meeting Date:** 21 April 2009



extraordinary  
meeting

end of  
business  
paper

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