



Hawkesbury City Council

extraordinary  
meeting  
business  
paper

date of meeting: 08 April 2019

location: council chambers

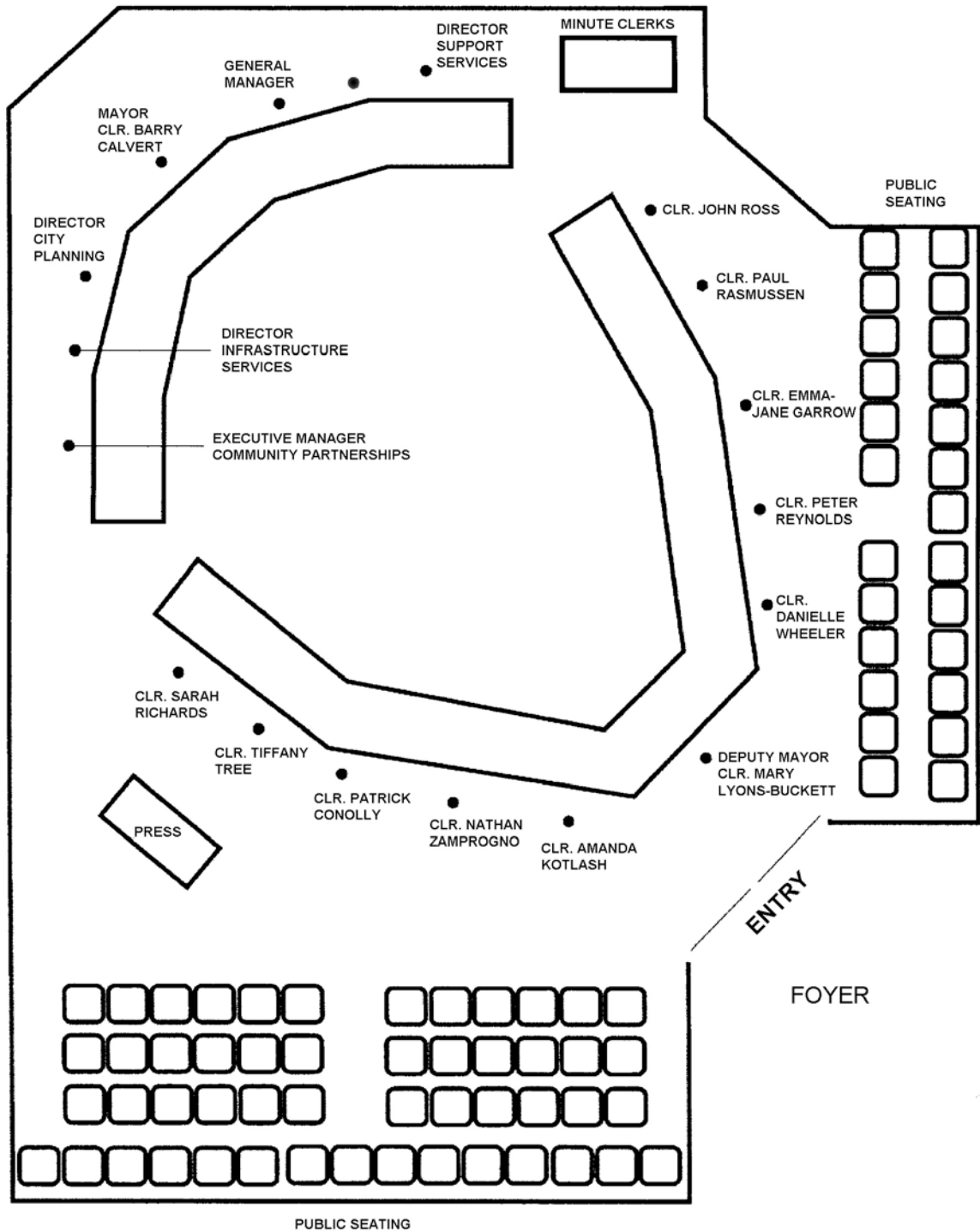
time: 6:30 p.m.



# mission statement

***Hawkesbury City Council  
leading and working  
with our community  
to create a healthy  
and resilient future.***

# Hawkesbury City Council





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## **EXTRAORDINARY MEETING**

### **Procedural Matters**

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## **PROCEDURAL MATTERS**

### **Welcome**

The Mayor, Councillor Barry Calvert will acknowledge the Indigenous Heritage.

The General Manager will address the Council meeting, mentioning:

- Emergency Procedures
- Recording of the Council Meeting
- Statement regarding people addressing the Meeting
- Mobile phones

### **Attendance**

Attending Councillors and Council staff members will be noted for the purposes of the Minutes.

### **Apologies and Leave of Absence**

The Mayor will ask for any Apologies or Leave of Absence Requests to be noted.

### **Declaration of Interest**

The Mayor will ask for any Declaration of Interests from the attending Councillors. These will then be addressed at the relevant item.

### **Acknowledgement of Official Visitors to the Council**

The Mayor will acknowledge and welcome official visitors to the Council and make any relevant presentations as required.

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**SECTION 3 – Reports for Determination**

**GENERAL MANAGER**

**Item: 057**                      **GM - Draft Operational Plan 2019/2020 - (79351)**

**Division:**                      General Manager

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**PURPOSE OF THE REPORT:**

The purpose of this report is to submit the Draft Operational Plan 2019/2020 to Council for approval to place on public exhibition.

**EXECUTIVE SUMMARY:**

The Hawkesbury Community Strategic Plan 2017 – 2036 was adopted by Council on 28 March 2017. The Community Strategic Plan is a key element of the Integrated Planning and Reporting Framework established by the Local Government Act. The Community Strategic Plan is in turn implemented through the four year Delivery Program, with the annual actions required to deliver the Delivery Program being reflected in the annual Operational Plan.

The actions proposed to be undertaken in the third year of the Delivery Program are summarised in the Draft Operational Plan 2019/2020 as Attachment 1 to this report.

The Draft Operational Plan 2019/2020 includes Council's Estimates of Income and Expenditure or Budget for the 2019/2020 financial year. There have been a number of challenges in balancing the budget for 2019/2020, including but not limited to:-

- Expenditure levels frozen for non-core services for the third year in a row
- The prevailing Economic Climate
- The substantial increase in Energy Charges
- Lower than anticipated Roads to Recovery grant funding
- Increases in Fuel prices

The document has 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).

**RECOMMENDATION SUMMARY:**

This report recommends that:

- The information contained within the attached Draft Operational Plan 2019/2020 be approved to be placed on public exhibition in accordance with the requirements of the Act.
- An Extra-Ordinary Meeting of Council be held on 12 June 2019 to consider any public submissions, the adoption of the Operational Plan and to make and fix rates and charges for the year ended 30 June 2020.

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**REPORT:**

**Context and Background**

**1. Integrated Planning and Reporting Framework**

The Integrated Planning and Reporting Framework consists of a hierarchy of plans that guide the operations of Council over the four year term of Council. This hierarchy starts with the highest document, the Community Strategic Plan (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 strategies and plans must be integrated with clear links from the Community Strategic Plan to the annual actions and budget allocations.

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



***The Community Strategic Plan***

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

The Community Strategic Plan 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 Community Strategic Plan also establishes the strategic objectives together with strategies for achieving the priorities and aspirations. The Community Strategic Plan 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, and

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- 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 Community Strategic Plan 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.

***The Resourcing Strategy 2017 - 2027***

The Community Strategic Plan 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:

- Long Term Financial Plan
- Workforce Management Plan
- Asset Management Plan

The Resourcing Strategy 2017-2027 was originally adopted by Council at its meeting on 13 June 2017. The Resources Strategy has subsequently updated on 28 November 2017. A copy of the Resourcing Strategy 2017-2027, can be accessed through the following link:

[https://www.hawkesbury.nsw.gov.au/\\_data/assets/pdf\\_file/0016/103183/Supplementary-RS-incorporating-Supp-DP-2018-January.pdf](https://www.hawkesbury.nsw.gov.au/_data/assets/pdf_file/0016/103183/Supplementary-RS-incorporating-Supp-DP-2018-January.pdf)

***Long Term Financial Plan***

The Long Term Financial Plan is the document where long term community aspirations and goals outlined within the Community Strategic Plan are tested against financial realities. The Long Term Financial Plan 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 Community Strategic Plan.

The Long Term Financial Plan contains a set of financial projections and assumptions covering a period of 10 years.

***Workforce Management Plan***

The Workforce Management Plan will assist Council to plan for the future, anticipate change, and manage the workforce to meet the outcomes of Council's Delivery Program. 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 Plan***

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.

The Asset Management Plan provides 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 Community Strategic Plan.

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***The Delivery Program 2017 - 2021***

The Delivery Program translates the community's strategic goals into actions. These are the principal activities to be undertaken by Council to implement the strategies established by the Community Strategic Plan 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 Community Strategic Plan. A copy of the Delivery Program 2017-2021 can be accessed through the following link:

[http://www.hawkesbury.nsw.gov.au/\\_data/assets/pdf\\_file/0009/95652/Delivery-Program-2017-2021-ADOPTED-Extraordinary-Meeting-13-June-2017.pdf](http://www.hawkesbury.nsw.gov.au/_data/assets/pdf_file/0009/95652/Delivery-Program-2017-2021-ADOPTED-Extraordinary-Meeting-13-June-2017.pdf)

***The Operational Plan 2019/2020***

The Operational Plan contains the actions that are intended to be undertaken over the twelve month period, 1 July 2019 to 30 June 2020. These actions are again directly linked to the Community Strategic Plan 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 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
- an end of Council election term report indicating the progress of the Council in implementing the Delivery Program.

In addition to the above, Council has recently introduced Business Plans for each Branch. The Business Plans are to be reviewed each year to:

- Translate the Operational Plan on a Branch by Branch basis
- Provide a basis for induction, performance plans and performance reviews.

**2. Implementation of Fit for the Future Strategies**

Council's ongoing financial sustainability is a major objective when developing the Council's annual budget. 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.

In 2019/2020, Council will continue to implement a number of financial sustainability strategies as detailed in its Fit for The Future Action Plan adopted on 8 November 2016. This Draft Operational Plan includes the following strategies and associated financial impacts:

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**Table 1 – Fit for The Future Strategies**

<b>Total Reduction in Operating Expenditure 2019/2020</b>		<b>\$1.1M</b>
No CPI / Operational Efficiencies	Represents the savings from not increasing applicable budgets by CPI since 2016/2017 and operational efficiencies as a result of operational reviews	\$579K
Plant / Fleet Review	Represents deferral of plant replacement based on a condition review	\$235K
Energy Efficiency Initiatives	Installation of solar panels on Council owned buildings - introduced for the first time in 2018/2019.	\$288K
<b>Total Increased Income 2019/2020</b>		<b>\$2.2M</b>
Stormwater Management Charge	An annual charge implemented on 1 July 2017.	\$535K
Review fees charged for discretionary services	Builds on 2018/2019 review, and results in additional income of \$227K. Fees reviewed for Animal Shelter and Cemeteries. The objective of this program is to break-even on identified services by 2020/2021.	\$227K
Review Service Delivery Models	Service delivery models reviewed for Car Parking and Sewer Management Facilities.	\$221K
Redbank Drainage Charge	Applying a \$25 per property charge to the urban residential area of Redbank, similar to the \$25 per lot charge that applies to other urban areas across the city.	\$16K
Property Portfolio Review	Based on the planned \$1.5M in property sales by 2020/2021.	\$500K
Childcare Building Levy	Based on partial recovery of depreciation on Council owned childcare buildings. Implementation pending Council resolution.	\$65K
Dividend received from Waste Management Facility	Based on a 12% return on the asset investment.	\$621K

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. Further, these strategies have enabled additional funding, above CPI, to be:

- Allocated to asset maintenance and renewal, and
- Made available for resourcing enhanced services in line with the community's expectations and Council's direction.

Under the Fit for the Future framework, Council's financial sustainability is assessed through a set of financial benchmarks. The most significant benchmark relates to the Operating Performance Result. This ratio compares operating income with operating expenditure including Depreciation. The benchmark is a nil result, meaning operating income should at least equal operating expenditure. Council's Long –Term Financial Plan projects that Council will meet the benchmark in 2020/2021.

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Other benchmarks are aimed at ensuring that Council's assets are maintained at a satisfactory standard. These ratios are the Building / Infrastructure Renewal Ratio, the Infrastructure Backlog Ratio and the Asset Maintenance Ratio.

The Debt Service Ratio is the benchmark to guide the appropriate level of debt, and the Operating Expenditure per Capita benchmark is to measure Council's ability to achieve efficiencies.

As detailed in Table 2 below, the Draft Budget is on track to meet all the necessary benchmarks in 2019/2020. It is to be noted that Fit for the Future benchmarks are based on all Council's activities except the Sewer function.

Council needs to continue to implement its Fit For the Future strategies over the next two years, with a view to all of the necessary benchmarks being met by the end of a four year period in 2021.

**Table 2 – Fit for the Future Benchmarks ALREADY UPDATED – supersedes below**

Measure	Benchmark	2020/2021 Target	2019/2020	Status
Operating Performance Ratio	At least break even over long term	0	-0.004	On track
Own Source Revenue	60% minimum level of own source revenue	60%	84.0%	On track
Building/ Infrastructure Renewal Ratio	Ratio >100% renewals=depreciation	Improve (>74%)	118.5%	On track
Infrastructure Backlog Ratio	Ratio of less than 2% (of write down value)	Improve (<9.0%)	1.4%	On track
Asset Maintenance Ratio	Ratio of >100% to prevent deterioration	Improve (>64.5%)	85.3%	On track
Debt Service Ratio	Up to 20% of revenue	Up to 20%	4.7%	On track
Operation Expenditure Per capita	Decline in per-capita expenditure over time	Decreasing	Decreasing	On track

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.

### 3. Special Rate Variation

The Independent Pricing and Regulatory Tribunal (IPART) approved a Special Rate Variation for three years commencing in 2018/2019. The Special Rate Variation is for an increase of 9.5%, each year for a period of three years. This approval allows Council to increase its rating income by more than Rate Pegging. For 2019/2020 the rate-pegging increase is 2.7%. The Special Rate Variation approval enables Council to increase its rates income by a further 6.8%.

The increase in rating income through the Special Rate Variation and the outcomes Council has been able to deliver can be summarised, as follows:



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<b>Programs</b>	<b>Total As at 2019/2020</b>
Business Improvement	<b>\$0.6M</b>
Volunteering and Community Development	<b>\$0.3M</b>
Environment and Sustainable Living	<b>\$0.3M</b>
Roads – Capital Works	<b>\$8.6M</b>
Roads – Maintenance	<b>\$0.4M</b>
Public Domain and Parklands – Capital Works	<b>\$1.1M</b>
Public Domain and Parklands – Maintenance	<b>\$0.4M</b>
Community Buildings – Capital Works	<b>\$1.5M</b>
Transport and Infrastructure Planning	<b>\$0.3M</b>
Heritage and Urban Design	<b>\$0.1M</b>
Economic Development and Design	<b>\$0.3M</b>
Community Events, Resilience and Marketing	<b>\$0.3M</b>

#### **4. Draft Operational Plan 2019/2020 – Actions**

The Draft Operational Plan 2019/2020 details the actions, including associated resources that will be taken during 2019/2020 financial year, being the third 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 in relation to:

- Well-maintained and safe roads
- Attractive public spaces and places
- Dynamic, thriving town and village centres
- Healthy and accessible waterways and natural areas
- A safe, resilient and connected community
- A sustainable and sensitive built environment

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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Taking into account the above, service levels relating to programs and service areas where the community is generally satisfied, have been maintained. The maximum possible available funding has been allocated to priority areas identified by our community.

***Projects, Program and Activities and Funding for 2019/2020***

The Draft Operational Plan 2019/2020 outlines Program areas and specific Actions proposed to be delivered in 2019/2020 to address the Delivery Program Activities. These actions are funded to the extent possible, within the Estimated Income and Expenditure component of the Plan.

The 2019/2020 Operational Plan details Actions in regard to Council's "business as usual" or day to day activities. In 2019/2020, Council is budgeting \$115M (including Depreciation) to undertake these activities across the following allocations:

- Waste Management and Resource Recovery – \$24.1M
- Road Infrastructure – \$41.8M
- Community and Culture – \$14.6M
- Public Spaces, Parks, Sports and Recreation – \$11.5M
- Strategic Planning – \$5.3M
- Regulation and Community Safety – \$2.1M
- Corporate Support Services – \$15.6M

The 2019/2020 Draft Operational Plan also funds the continuation and enhancement of a range of Strategic Initiatives, including:

*A more commercial and accountable Council – \$1M*

One of the most important initiatives relates to becoming a more commercial and accountable Council. This Program is comprised of a number of complimentary focused projects. Staff have been assigned to identify business opportunities, including ensuring existing income generating activities and to undertake the necessary steps to implement the necessary processes to achieve target outcomes.

Resources are on board to support Managers in critically reviewing their business processes, staff skills and technology available to maximise cost effectiveness whilst ensuring customer service is maintained or increased.

*Working in partnerships with our community – \$0.1M*

Council relies heavily on its volunteers across a number of its activities including the Library, Museum and Gallery, and Bush Care activities. To date, each respective area has coordinated its own volunteers. An existing staff position has been reconfigured to take up the role of volunteer coordinator. This Program also includes an increase in funding for community programs, such as the Section 356 Community Sponsorship Program, and additional programs for Human Services.

*Valuing our natural and built environment – \$0.3M*

This initiative is focused on ensuring Council is leading initiatives to protect our heritage, enhance our environmental sustainability, and improve the design of our towns and villages. Similar to the 2018/2019 Budget, the 2019/2020 Budget also includes an amount of \$15K for a Resilience Program. This funding is accessed in circumstance such as extreme weather conditions, to fund various activities including extended opening hours of Council facilities.

It is to be noted that in addition to the \$0.3M in expenditure, the solar initiative currently in progress, is estimated to generate \$0.3M in savings across various areas of Council.

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*A vibrant, connected and liveable Hawkesbury – \$0.4M*

This program is focused on making the Hawkesbury a vibrant and connected place for the community and visitors to experience and enjoy. It builds on existing funding and programs to better plan for transport and infrastructure with additional resources. There will also be a focus on vibrant towns through placemaking programs that enhance the town centres of Windsor, Richmond and South Windsor with a \$15M injection of funds from the City Deals. Town, village, park and riverside locations will also be activated with iconic Hawkesbury events where Council will work with community groups and organisers, as part of its enhanced Events Program, to sponsor a range of events, Light Up Windsor for Christmas 2019 and Feast in Richmond in May 2020.

*Planning for a sustainable Hawkesbury – \$0.3M*

Whilst the Hawkesbury itself is not a high growth area, growth around us is resulting in pressure for us to plan our area to not only ensure our own community is well served but also to ensure we can position ourselves as unique against our surrounding areas. Council can do this through focused and robust land use planning that ensures natural areas are protected whilst maximising the value of the Hawkesbury's natural assets and open space.

*Strengthening our capacity and voice – \$0.3M*

Council is currently a party to a number of Council groups or partnerships. All these alliances provide enhanced capacity as well as a greater voice at the table when negotiating or competing for allocation of resources or funding.

Shortly a report will be coming to Council in regard to regional governance going forward. The future of Council's memberships will need to be confirmed in the context of WSROC, the Regional Strategic Alliance, the City Deals and Sister Cities. Whilst details on the latter are still emerging, there are a number of significant projects in progress under the Regional Strategic Alliance. These include Regional Tourism, Regional Asset Management and Regional Waste. Existing staff will be focusing on these regional projects to ensure the benefits of greater capacity and advocacy are attained.

## **5. Budgeted Operating Result**

The Draft Operational Plan 2019/2020 is required to include Council's Estimates of Income and Expenditure or Budget for the 2019/2020 financial year. There have been a number of challenges in balancing the Budget for 2019/2020, including but not limited to:-

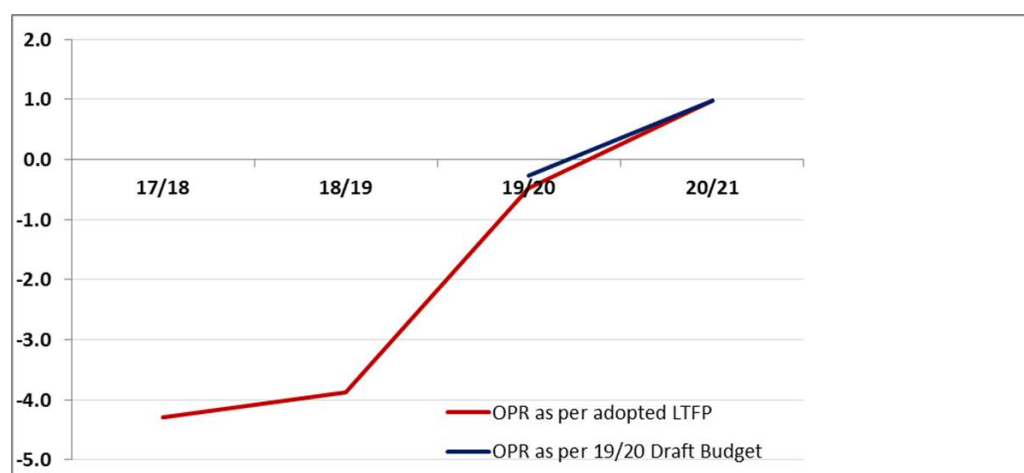
- Expenditure levels frozen for non-core services for the third year in a row
- The prevailing Economic Climate
- The substantial increase in Energy Charges
- Lower than anticipated Roads to Recovery grant funding
- Increases in Fuel prices

The 2019/2020 Budget reflects operating expenditure, budgeted to exceed recurring income, resulting in an Operating Surplus of \$0.8M. It is to be noted that this result includes all Council activities, including activities subject to funds restrictions. For Fit for the Future purposes the Sewer activity is excluded from Council's result.

Excluding the Sewer activity, for 2019/2020 Council is projected to have an Operating Deficit of \$0.3M. This projected result is a positive variation to the projected Operating Deficit for 2019/2020, of \$0.5M in Council's approved Fit for the Future Plan. The projected operating result as per Council's Long-Term Financial Plan, and projected for 2019/2020 is shown below:

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**Figure 1 – Projected Operating Result**



**Table 3 - Draft Operational Plan 2019/2020 - Estimated Income and Expenditure**

(\$'000)	Original Budget 2018/2019	Draft Budget 2019/2020
<b>Income from Continuing Operations</b>		
<b>Revenue</b>		
Rates and Annual Charges	(56,331)	(61,313)
User Charges and Fees	(7,154)	(7,227)
Interest and Investment Revenue	(1,569)	(1,794)
Other Revenues	(4,396)	(4,513)
Grants and Contributions provided for Operating Purposes	(6,990)	(8,246)
Grants and Contributions provided for Capital Purposes	(6,235)	(4,520)
Share of Interest in Joint Ventures	(265)	(265)
<b>Total Income from Continuing Operations</b>	<b>(82,940)</b>	<b>(87,878)</b>
<b>Expenses from Continuing Operations</b>		
Employee Benefits and On-Costs	28,431	30,378
Borrowing Costs	303	982
Materials and Contracts	18,484	19,248
Depreciation and Amortisation	19,214	18,244
Other Expenses	13,555	13,725
<b>Total Expenses from Continuing Operations</b>	<b>79,987</b>	<b>82,577</b>
<b>Net Operating Result for the Year</b>	<b>(2,953)</b>	<b>(5,301)</b>
<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>	<b>3,282</b>	<b>(781)</b>
<b>Source of capital funding (excluding reserves)</b>		
Proceeds from the sale of capital assets	(1,497)	(1,568)
Depreciation	(19,214)	(18,244)
Grants and Contributions - Capital	(6,235)	(4,520)
	<b>(26,946)</b>	<b>(24,332)</b>
<b>Application of Capital Funding</b>		
<b>New Assets</b>		
Land, Building and Land Improvements	3,508	175
Roads, Bridges, Footpaths and Drainage	4,875	13,486
Sewer Infrastructure	-	-
Parks Assets and Other Structures	322	180
<b>Renewal of Assets</b>		
Land, Building and Land Improvements	1,942	2,619

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<b>Application of Capital Funding</b>		
Roads, Bridges, Footpaths and Drainage	10,026	10,877
Sewer Infrastructure	1,000	1,270
Parks Assets and Other Structures	781	1,560
Other Assets	1,738	1,470
Plant and Equipment	3,480	3,196
	<b>27,672</b>	<b>34,833</b>
<b>Net Capital Expenditure</b>	<b>726</b>	<b>10,501</b>
<b>Retained (surplus)/deficit from prior years</b>		
Transfer from Reserves	(44,127)	(56,989)
Transfer (to) Reserves	40,119	47,269
	<b>(4,008)</b>	<b>(9,720)</b>
<b>Retained (surplus)/deficit available for general funding purposes</b>	<b>-</b>	<b>-</b>

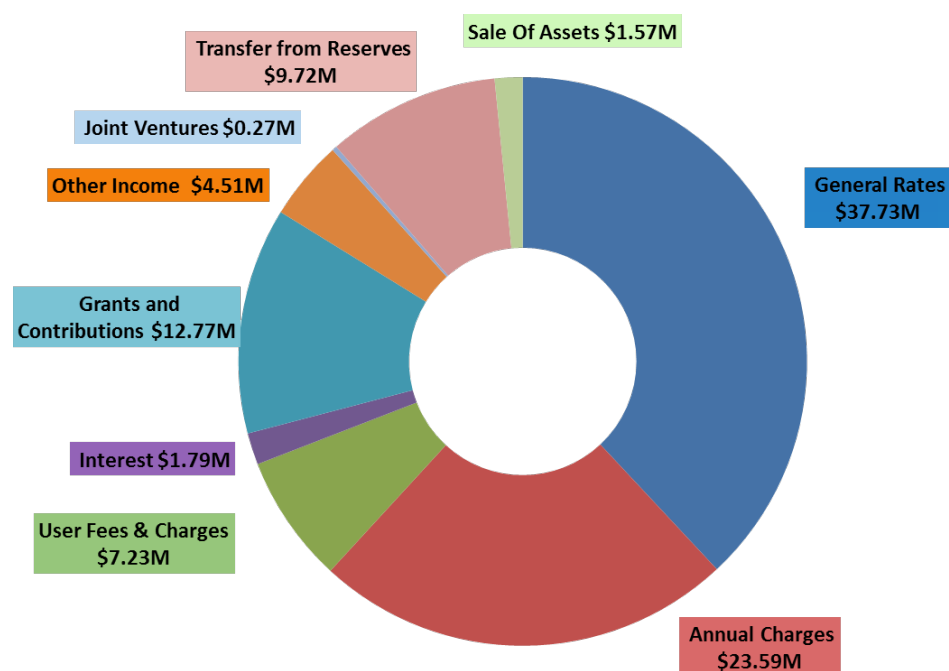
The estimated income and expenditure for 2019/2020 has been based on a combination of index factors as follows:

- SRV Rate Income Increase (including 2.7% Rate Pegging) – 9.5%
- Other Income CPI – 2.7%
- Interest Rates earned on Investments – 2.4%
- Interest Rates on Borrowings – 2.81%
- Expenditure CPI – 0% for non-infrastructure related expenditure
- Expenditure CPI – 2.25% or applicable contract increases for infrastructure related expenditure
- Employee Costs – 2.5% based on the Award increase

### Income

For 2019/2020, a total income (including capital income), of \$99.18M has been budgeted to be received from various income sources, as shown in Chart 1 below:

**Chart 1 – Funding Sources**



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*Rates and Annual Charges*

As shown in Chart 1 above, Council's main revenue source is General Rates, which for 2019/2020, net of rebates is \$37.73M, representing 38% of the total estimated revenue.

Council will raise a further \$23.59M in Annual Charges, being Waste Charges, Sewer, Stormwater 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 2019/2020.

Income from user fees and charges and other income is estimated at \$11.7M. This income includes, but is not limited to:

- Building and Development – \$1.9M
- Regulatory Activities – \$2.5K
- Property Portfolio – \$2.3M
- Waste Management Facility Dividend – \$621K

*Interest Income*

A further \$1.8M 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.

*Grants and Contributions*

Approximately \$12.77M or 13% of the 2019/2020 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 included are:

- Financial Assistance Grant – \$4.4M
- RMS Regional Roads Grants – \$1.1M
- Roads to Recovery Grant – \$0.9M
- Other RMS Grants – \$0.1M
- Bush Fire Prevention Grant – \$0.3M
- Street Lighting Subsidy – \$0.2M
- Library Grant – \$0.2M

Council receives Financial Assistance Grants from the Federal Government. For 2019/2020, it has been assumed that the Grant will remain at the same level as that received in 2018/2019. An allocation of

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\$0.9M has been advised in regard to the Roads to Recovery Grant. Council will be using this grant to fund road projects within its priority listing of works.

In Council's Long Term Financial Plan, the total level of Roads to Recovery funding was assumed on the basis of previous programs which included a Supplementary Program funding round. As at the time of Budget preparation Council has only been advised of the base Program funding and works to that value have been included in the 2019/2020 program. Works projected for subsequent years maybe required to be reviewed if no Supplementary funding programs are available.

#### *Joint Ventures*

An increase in equity of \$0.27M is budgeted to be received from Council equity in Civic Risk.

#### *Sale of Assets*

The 2019/2020 budget includes an amount of \$1.57M to be received from sale of assets as part of routine asset replacement processes and sale of property in accordance with Council's property review.

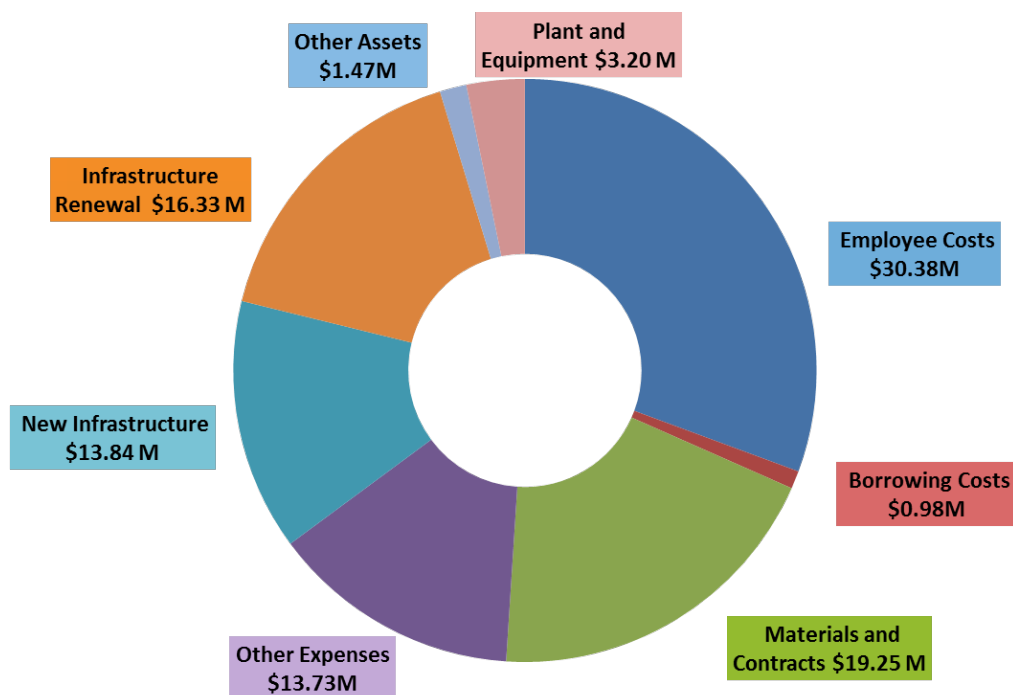
#### *Expenditure*

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 Land Acquisition, Infrastructure Renewal, New Infrastructure and Plant and Equipment and Other Assets.

For 2019/2020, the total funding available to fund services of \$99.18M has been fully allocated to expenditure on providing services to the community.

Chart 2 shows the categories of expenses and amounts budgeted for 2019/2020.

**Chart 2 – Expenditure**



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*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 \$30.38M constitute 31% 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 requirements such as financial management, legislative reporting, processes such as Council meetings and to manage contracts.

Employee costs estimated for 2019/2020 are based on the resources required to deliver the proposed Operational Plan. The Budget for Employee Costs has been based on an Award increase of 2.5%.

*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 2019/2020 is budgeted at \$19.25M or 19% of costs.

Amounts budgeted reflect the cost applicable for 2019/2020, or the applicable contract annual cost escalation. In some cases, in line with the applicable Fit for the Future Strategy, budgets have been maintained at no CPI increase.

*Other Expenses*

In addition to the above costs, Council also incurs a range of Other Expenses, estimated at \$13.73M or 14% of total costs for 2019/2020. These expenses include:

• Utilities and Street Lighting	\$2.3M (increase of 52%)
• Contribution to Emergency Services	\$1.1M
• Insurance	\$1.0M
• Corporate IT Expenses	\$1.0M
• Operational Contribution to Sports Council	\$0.8M
• Members Fees and Expenses	\$0.4M
• Postage and Printing	\$0.3M
• Bank Charges	\$0.2M
• Licences and Memberships	\$0.2M
• Hawkesbury Leisure Centres Subsidy	\$0.2M
• Section 356 Expenditure	\$0.1M
• Section 88 Waste Levy Contribution	\$3.7M

*Borrowing Costs*

An amount of \$0.98M is included in the 2019/2020 Operational Plan for borrowing costs relating to funds borrowed under Local Infrastructure Renewal Scheme Loan to fund the Timber Bridge Replacement Program, the Infrastructure Borrowing Program used to support asset renewal, and the Low Cost Initiative Loan to be used to construct upfront the necessary infrastructure for the Vineyard Development area.

At time of borrowing an assessment will be undertaken as the optimal source of funds depending on interest rates charged by external lenders and interest rates achieved on Council's own funds.

It is to be noted that in addition to borrowing costs the Operational Plan also provides for repayment of principal.



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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 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 2019/2020 financial year, it is proposed to undertake Capital Works amounting to \$34.84M.

The focus continues to be on asset renewal, with \$16.33M being budgeted for renewal or replacement of existing infrastructure assets. A further \$13.84M is budgeted for new infrastructure assets, including \$8.6M in regard to drainage infrastructure within the Vineyard development area.

The 2019/2020 capital works program includes \$24.4M for Roads Infrastructure, \$1.7M for Parks and \$2.8M for Buildings. A further \$1.3M is included for necessary renewal of sewer infrastructure.

A total of \$4.67M is included for non-infrastructure assets including cultural resources, information technology and plant and fleet.

Details of the works can be found in the Draft 2019/2020 Operational Plan document attached as Attachment 1 to this document.

Council's prioritised works program is based on set criteria and associated asset modelling.

**Consideration of other Works**

A request to consider the inclusion of Brennans Dam Road / Commercial Road / Old Stock Route Road, Vineyard in the gravelled road sealing program has been received.

It has been suggested that this would be of high utility to the community and could be given a priority, given traffic volumes of approximately 1,000 vehicles per day, over the sealing of another road in the same area being Old Hawkesbury Road (the section off Chapman Road).

The cost of sealing Brennans Dam Road / Commercial Road / Old Stock Route Road is estimated at \$300,000 excluding any drainage upgrade, but including minor realignment.

This project has not been included in the sealing program due to the need to upgrade the culvert above its current 1 in 3 month capacity. This would involve substantial additional cost in addition to road sealing due to the need for an extensive culvert structure approximately 70m in length, and possible land acquisition.

Council has previously adopted a set of criteria to rank/prioritise the sealing of gravelled roads. These criteria include traffic volumes, percentage of heavy vehicles, density of adjoining development, number of houses, environmental / amenity issues, crash history. This is the basis of the current program.

However it is open to Council to change the program. Should Brennans Dam Road or any other works be added to the program this could be achieved by substituting or reprioritising projects.

Based on the current rankings, a straight inclusion of this project would mean that the lowest ranked priority (Mahons Creek Road) would not be undertaken in the current long term program. (Currently this is proposed in 2026/2027). No funding is identified in the Long Term Financial Plan to fund a program beyond 2026/2027 as available funding is committed, in part, to repayment of loans.

It should be noted that during community consultation the current ranked program has been widely distributed, leading to some expectation of delivery of those exhibited works.

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Given the impacts of changes to the current prioritised program it is suggested that the current ranking criteria could be reviewed along with any necessary additional data capture.

This would allow objective consideration and ranking of works to be undertaken, as well as broader community consultation.

It is further suggested that this review be undertaken in the first half of 2019/2020 to enable Council to consider the matter prior to the preparation of its next budget.

This would also allow consideration of allocation of any other funding grants that may become available. This may include any additional/supplementary funding under the Roads to Recovery program or one off grant programs.

## **6. Revenue Policy**

The Draft Operational Plan 2019/2020 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 2019/2020*

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 2019/2020 year it is proposed to apply an increase of 9.5% to Council's rating income in line with the approved Special Rate Variation for 2019/2020.

The impact of the proposed rate increases are shown in Table 4 below:

**Table 4 – Average Rates Increases**

Rating Category	SRV Average Increase (including Rate Peg)	Rate Peg Only Average Increase	Impact of SRV
Residential	\$117.60	\$33.61	\$83.99
Farmland	\$220.61	\$58.32	\$162.29
Business	\$219.59	\$58.08	\$161.51

### 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. These values will continue to be used for the 2019/2020 rating year.

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Rating Structure

It is proposed that for 2019/2020, the rating structure is as shown in Table 5 below:

**Table 5 – 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	24,078	\$11,035,404,602	87.77%	\$32,611,762	85.37%	0.207153	\$405	29.90%
Business Area 1	751	\$391,591,158	3.11%	\$1,926,540	5.04%	0.414306	\$405	13.25%
Business Area 2	371	\$170,741,661	1.36%	\$857,648	2.24%	0.414306	\$405	14.71%
Business Area Other	417	\$252,178,972	2.01%	\$1,213,678	3.18%	0.414306	\$405	11.68%
Farmland	610	\$722,887,000	5.75%	\$1,594,784	4.17%	0.186438	\$405	15.49%
<b>Total</b>	<b>26,227</b>	<b>\$12,572,803,393</b>	<b>100%</b>	<b>\$38,204,412</b>	<b>100%</b>			

*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.

*Waste Management Services Charges*

The Domestic Waste Management Service for 2019/2020 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 2019. 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. Based on this calculation, an increase in the annual charges for the waste service of 2.5% is required.

The Domestic Waste Management and Commercial Waste Collection charges proposed for 2019/2020 are summarised in the Table below:

**Table 6 – Waste Charges**

Charge 2018/2019	Description	Charge 2019/2020
<b>DOMESTIC</b>		
<b>Without Garden Organics Service</b>		
\$545.78	240 litre bin - Weekly	\$559.42
\$345.24	140 litre bin - Weekly	\$353.87
\$345.24	240 litre bin - Fortnightly	\$353.87

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Charge 2018/2019	Description	Charge 2019/2020
<b>DOMESTIC</b>		
<b>Without Garden Organics Service</b>		
\$242.42	140 litre bin – Fortnightly	\$248.48
<b>With Garden Organics Service</b>		
\$623.91	240 litre bin - Weekly	\$639.51
\$423.37	140 litre bin - Weekly	\$433.95
<b>General Services</b>		
\$157.76	Availability - Weekly	\$161.70
\$78.87	Availability - Fortnightly	\$80.84
\$91.56	240 litre additional garden organics bin	\$93.85
\$91.56	240 litre additional recycling bin	\$93.85
POA	Multiple waste collection service	POA
<b>BUSINESS</b>		
\$765.70	240 litre bin - Weekly	\$796.33
\$468.57	140 litre bin - Weekly	\$487.31
N/A	240 litre bin - Fortnightly	\$557.43
N/A	140 litre bin - Fortnightly	\$341.11
\$93.08	240 litre additional garden organics bin	\$96.80
\$93.08	240 litre additional recycling bin	\$96.80
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. This is reflected in a 10 Year Plan and the required charge for 2019/2020 is based on ensuring sufficient funds are available to address recurrent costs and future capital requirements, taking into account current reserve levels. Based on these projections, it is proposed that a sewerage charge increase of 6% be made for the 2019/2020 financial year.

The Sewerage charges proposed for 2019/2020 are summarised in the Table below:

**Table 7 - Sewerage Charges**

Charge 2018/2019	Type of Service	Charge 2019/2020
<b>RESIDENTIAL</b>		
\$816.09	Residential Connected	\$865.06
\$543.44	Residential Unconnected	\$576.05
<b>BUSINESS</b>		
\$949.90	Category 1 (<1,000 litres per day)	\$1,006.89
\$4,762.81	Category 2 (1,001 to 5,000 litres per day)	\$5,048.58
\$9,487.76	Category 3 (5,001 to 10,000 litres per day)	\$10,057.03
\$18,917.58	Category 4 (10,001 to 20,000 litres per day)	\$20,052.63
\$18,917.58 (plus volumetric)	Category 5 (>20,000 litres per day)*	\$20,052.63 (plus volumetric)
\$547.60	Business - Unconnected	\$580.46

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*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 through a tendered contract.

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 7.33% being required to ensure sufficient funds are available to fund the program and associated future costs.

**Table 8 – Sullage Charges**

Charge 2018/2019	Type of Service	Charge 2019/2020
<b>RESIDENTIAL</b>		
\$2,174.68	Fortnightly Residential	\$2,334.08
\$4,349.36	Weekly Residential	\$4,668.16
\$174.97	Emergency Service	\$187.80
\$139.35	Extra Service	\$149.56
<b>BUSINESS</b>		
\$23.95	Commercial per 1000 litre (min volume 2500 litre)	\$25.71

**Stormwater and Drainage Charges**

To enable Council to provide effective management of water quality and quantity from urban runoff, funding is collected from urban areas through specific charges. These are detailed below:

*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.

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, a Stormwater Management Service Charge was introduced 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), excluding the Redbank development area. It is proposed to continue applying this charge to relevant properties.

It is projected that this charge will enable an additional \$551K worth of new stormwater infrastructure to be constructed in 2019/2020 and \$10K towards the establishment of a water quality testing program. The charges to be levied are shown in Table 9 below:

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**Table 9 – Stormwater Charge**

Category	Annual Charge
<b>RESIDENTIAL</b>	
Residential	\$25.00
Residential Strata	\$12.50
<b>BUSINESS</b>	
Business	\$25.00 per 350m <sup>2</sup> , or part thereof, up to a maximum of \$1,500
Business Strata	Pro-rata of the above, based on land valuation apportionment

The estimated yield from Stormwater Management Service charges is \$534,968.

*Drainage Management Charge*

The previously discussed Stormwater Charge has not yet been applied to the North Richmond (Redbank) area.

In line with Council's Fit for the Future Plan, it is proposed that a \$25 per lot Drainage Management Charge be introduced for the Redbank development area.

Discussions with the developers of the Redbank site have covered:

- The proposed \$25 per lot charge is proposed to apply a Drainage Management charge under Section 501 of the Local Government Act, 1993, on all properties in the identified urban release area in North Richmond (Redbank), to recover ongoing maintenance and renewal costs, and legislative obligations in regard to the drainage infrastructure in this area.
- The fact that the existing Redbank site does not currently pay the \$25 per lot Stormwater Charge.
- The desirability of Council and the developer entering into discussions to develop a transition plan in relation to Council's long term ownership of the public domain.

Funding collected under this charge will be applied specifically to works and maintenance in the collection area.

Table 10 below shows the Drainage Management charges for 2019/2020.

**Table 10 – Drainage Management Charge**

Category	Charge 2019/2020
<b>RESIDENTIAL</b>	
Drainage Management Residential	\$25.00
<b>BUSINESS</b>	
Drainage Management Business	\$25.00

The estimated yield from Drainage Management charge is \$16,250.

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*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. Council adopted its Debt Recovery, Pensioner Concession and Hardship Policy in November 2017.

*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 50% of the applicable charge 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.

**Fees and Charges**

The Draft Operational Plan 2019/2020 also includes a full list of Council's Fees and Charges for the various services provided by Council. Fees and charges are reviewed each year and are updated as required to reflect the current cost of providing the service, any applicable statutory limit and any other relevant factors.

For 2019/2020 a review of some definitions has also been undertaken. This review included the revision of the definition of "local community groups", for the purpose of defining organisations that are able to access the community rooms at the Deerubin Centre free of charge. From 2019/2020, only "local community groups" will be able to access the facilities free of charge.

**7. Adoption of Budget for Year Ended 30 June 2020**

As mentioned earlier in this report, assuming Council approves the Draft Operational Plan 2019/2020 for public exhibition, at this Meeting, it is anticipated that advertising of the Draft document will commence shortly afterwards for the minimum 28 day period. During the exhibition period, any person may make a submission to Council.

At the time, Council has a scheduled Extraordinary Meeting on 12 June 2019 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 2020.

**Consultation**

It is proposed that the Draft Operational Plan 2019/2020 be placed on public exhibition for the minimum 28 day period.

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The Draft Operational Plan 2019/2020 will be advertised through:

- Council Notices in a local newspaper
- On Council's website
- Via Social Media
- *Your Hawkesbury Your Say*

*Submissions can be made in writing or through Your Hawkesbury Your Say.*

Following this period, a summation of any submissions received will be presented to an Extra-Ordinary Council Meeting to be held 12 June 2019. At this meeting, Council is to consider the submissions received and adopt the Draft Operational Plan 2019/2020, as well as setting rates and charges for the year ending 30 June 2020. 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.

**Conformance to the Hawkesbury Community Strategic Plan 2017-2036**

The proposal is consistent with the following Focus Area, Direction and Strategies within the Community Strategic Plan:

Our Leadership

- 1.3 Financial Sustainability - Build strong financial sustainability for now and future generations.
- 1.3.1 In all of Council's strategies, plans and decision making there will be a strong focus on financial sustainability.
- 1.3.2 Meet the needs of the community now and into the future by managing Council's assets with a long-term focus.
- 1.3.3 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 Operational Plan 2019/2020, 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 2019/2020.

**Fit For The Future Strategy Considerations**

The proposal is aligned with Council's long term plan to improve and maintain organisational sustainability and achieve Fit for the Future financial benchmarks. The proposal will enable Council to continue to provide and maintain service levels to meet established community expectations as budgeted for in the Long-Term Financial Plan.



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**RECOMMENDATION:**

That:

1. The General Manager's report regarding the Draft Operational Plan 2019/2020 be received.
2. The Draft Operational Plan 2019/2020 attached as Attachment 1 to the report, be approved for exhibition purposes and be advertised for a minimum of 28 days in accordance with Section 405 of the Local Government Act 1993.
3. An Extraordinary Meeting of Council be held on Wednesday, 12 June 2019 to consider any public submissions received in respect of the Draft Operational Plan 2019/2020 and to consider the adoption of these documents and to make and fix rates and charges for the year ended 30 June 2020.

**ATTACHMENTS:**

**AT - 1** Draft Operational Plan 2019/2020 - *(Distributed under separate cover)*.

**oooO END OF REPORT Oooo**



extraordinary  
meeting

end of  
business  
paper

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