



Hawkesbury City Council

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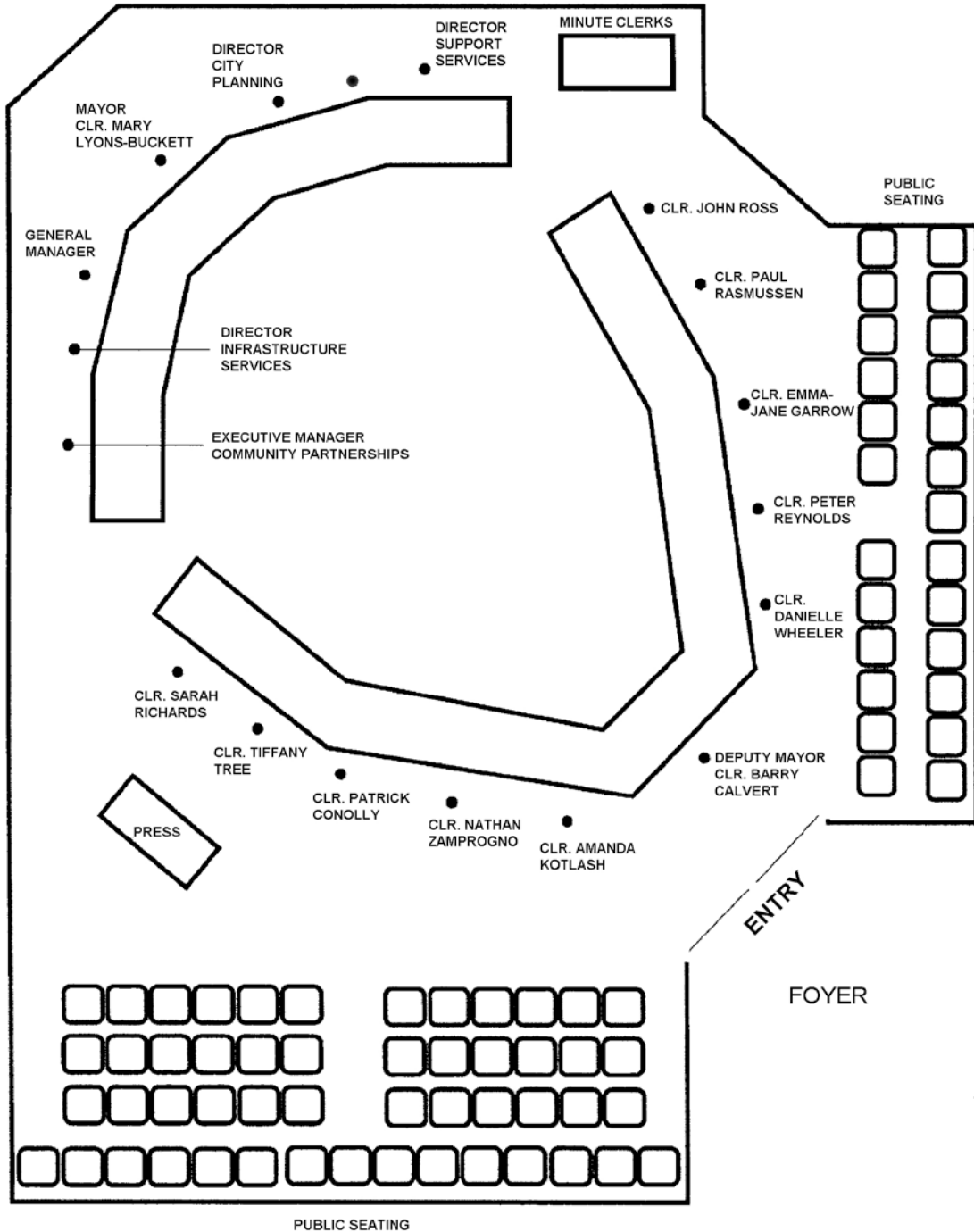
date of meeting: 09 April 2018
location: council chambers
time: 6:30 p.m.



mission statement

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

Hawkesbury City Council



EXTRAORDINARY MEETING

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EXTRAORDINARY MEETING

Procedural Matters

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PROCEDURAL MATTERS

Welcome

The General Manager will address the Council meeting, mentioning:

- Acknowledgement of Indigenous Heritage
- 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.

extraordinary

section 3

reports
for determination

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SECTION 3 – Reports for Determination

GENERAL MANAGER

Item: 084 **GM - Draft Operational Plan 2018/2019 - (79351, 95496, 96332)**

Directorate: General Manager

PURPOSE OF THE REPORT:

The purpose of this report is to submit the Draft Operational Plan 2018/2019 to Council for adoption to place on public exhibition.

EXECUTIVE SUMMARY:

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

The actions proposed to be undertaken in the second year of the Delivery Program are summarised in the Draft Operational Plan 2018/2019 as Attachment 1 to this report.

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 this document be adopted to be placed on public exhibition in accordance with the requirements of the Act.
 - An Extra-Ordinary Meeting of Council be held on 13 June 2018 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 2019.
-

REPORT:

Context and Background

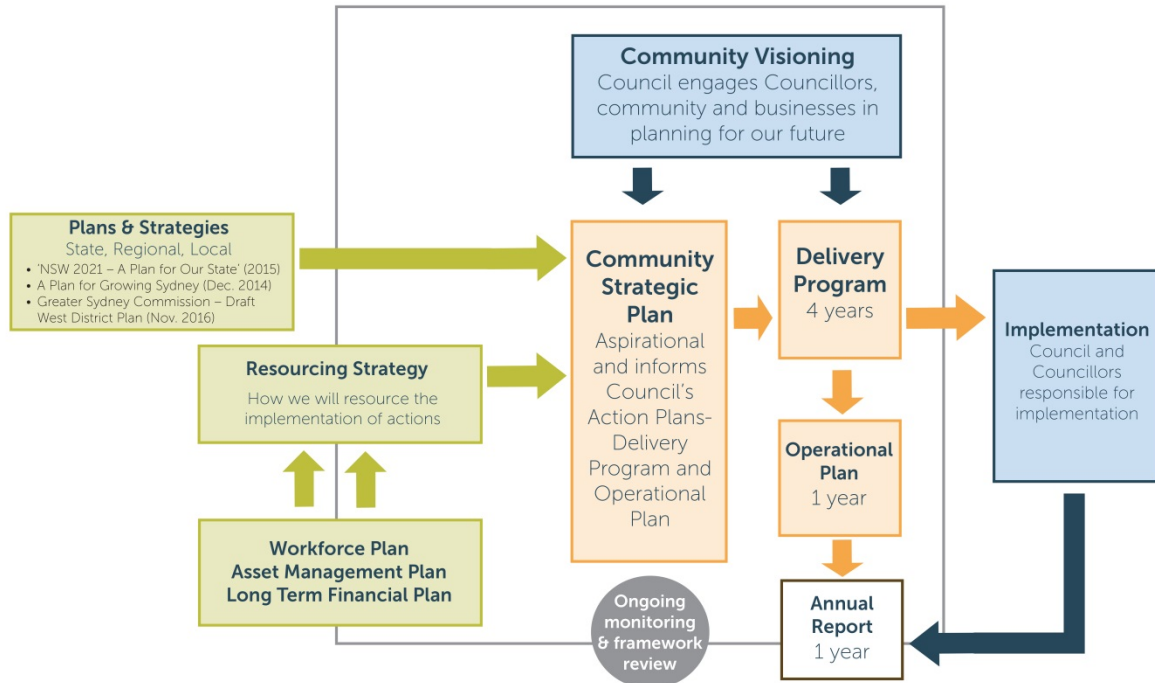
1. Integrated Planning and Reporting Framework

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 CSP (minimum outlook of 10 years), then the Delivery Program (principal activities over the next four years or the term of the current Council), Operational Plan (annual actions and budget) and a Resourcing

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Strategy for implementing the Delivery Program and Operational Plan. All these plans must be integrated with clear links from the CSP to the annual actions and budget allocations. The Integrated Planning and Reporting Framework is summarised in the image below:



The Community Strategic Plan (CSP)

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

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

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

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

The Resourcing Strategy 2017 - 2027

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

- Long Term Financial Plan

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- Workforce Management Plan
- Asset Management Plan

Long Term Financial Plan

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

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

Workforce Management Plan

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

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

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

<http://www.hawkesbury.nsw.gov.au/council/about-council/plans-and-reports/management-plan>

The Delivery Program 2017 - 2021

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

The Operational Plan 2018/2019

The Operational Plan contains the actions that are intended to be undertaken over the twelve month period, 1 July 2018 to 30 June 2019. These actions are again directly linked to the CSP via the Strategies and principal activities listed in the Delivery Program. The Operational Plan also contains the annual budget and the Council's Statement of Revenue Policy for the next twelve months.

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

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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
- an end of Council election term report indicating the progress of the Council in implementing the Delivery Program.

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 2018/2019, Council will continue to implement a number of financial sustainability strategies as detailed in its Fit for The Future Plan. This Draft Operational Plan includes the following strategies and associated financial impacts:

Strategy	Comment	Amount
Total Reduction in Operating Expenditure		\$784K
No CPI on non-core services	Represents the savings from not increasing applicable budgets by CPI on 2017/2018	\$48K
Operational efficiencies	Represents savings arising from expenditure budget not being increased by CPI, as a result of reviews of operations	\$530K
Regional Strategic Alliance	Based on an assumed 1% saving on corporate costs	\$131K
Energy Efficiency Initiatives	Installation of solar panels on Council owned buildings - introduced for the first time in 2018/2019.	\$75K
Total Increased Income		\$2.0M
Stormwater Management Charge	An annual charge implemented on 1 July 2017. For 2018/2018, growth has resulted in an increase from \$518K achieved in 2017/2018	\$539K
Review fees charged for discretionary services	Builds on 2017/2018 review, and results in additional income of \$24K. The objective of this program is to break-even on identified services by 2020/2021.	\$24K
Sustainable growth	Increase in rates income as a result of subdivision and the associated growth in the number of rateable properties achieved since 2017/2018.	\$233K
Property Portfolio review	Based on the planned \$1.5M in property sales by 2020/2021.	\$500K

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Strategy	Comment	Amount
Childcare Building Levy	Based on partial recovery of depreciation on Council owned childcare buildings. Implementation subject to consultation with childcare centres being finalised – assumed to commence from 1 January 2019.	\$41K
Dividend received from Waste Management Facility	Based on a 12% return on the asset investment, in line with 2017/2018.	\$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. Additional funding, above CPI being allocated to asset maintenance and renewal, as well as funds being made available for resourcing enhanced services in line with the community's expectations and Council's direction.

As detailed in the Table below, the Draft Budget does not meet all the necessary benchmarks in 2018/2019. Therefore, we will have to continue to implement these strategies over the next three years, with a view to all the necessary benchmarks being met by the end of a four year period in 2021.

Table 1 – Fit for the Future Benchmarks

Benchmark	Target	SRV	No SRV
Operating Performance Ratio	At least break even over long term	-0.058	-0.071
Own Source Revenue	60% min. level of own source revenue	82.50%	82.00%
Building/ Infrastructure Renewal Ratio	Ratio >100% renewals=depreciation	92.39%	77.01%
Infrastructure Backlog Ratio	Ratio of less than 2% (of write down value)	2.62%	3.01%
Asset Maintenance Ratio	Ratio of >100% to prevent deterioration	100.34%	97.72%
Debt Service Ratio	Up to 20% of revenue	1.40%	1.08%
Operation Exp. Per capita	Decline in per-capita exp. over time	Decreasing	Decreasing

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

3. Special Rate Variation Application

Council has submitted an application to the Independent Pricing and Regulatory Tribunal (IPART) for 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, in lieu of the rate – pegging increase only, which for 2018/2019 is 2.3%.

At time of preparing the 2018/2019 Draft Operational Plan, Council has not been advised of the outcome of its application. It is expected notification of the outcome will be received in mid-May 2018.

Accordingly, the 2018/2019 Draft Operational Plan includes the Programs that will be delivered in the event the Special Rate Variation is approved, as well as identifies what Programs will not be able to be delivered and which services and service levels will need to be reviewed should Council's application be unsuccessful.

The following additional programs totalling \$4.8M will be delivered if the Special Rate Variation application submitted to IPART is approved:

- Business Improvement - \$0.3M
- Volunteering and Community Development - \$0.2M

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- Environment and Sustainable Living - \$0.2M
- Roads – Capital Works - \$2.9M
- Roads – Maintenance - \$0.2M
- Public Domain and Parklands – Capital Works - \$0.2M
- Public Domain and Parklands – Maintenance - \$0.2M
- Transport and Infrastructure Planning - \$0.2M
- Heritage and Urban Design - \$0.1M
- Economic Development and Design - \$0.3M

In the event that Council's application is not approved the above programs will need to be reconsidered.

In addition, in order to address the funding shortfall, it will be necessary to review existing services and service levels. This will be necessary to ensure Council can still remain Fit for the Future by meeting the Operating Performance Ratio and the applicable infrastructure benchmarks. Services that would need to be reviewed include cultural services, recreational facilities, the Lower Portland Ferry service, the events program, heritage, the Animal Shelter, economic development programs, community services and tourism.

4. Draft Operational Plan 2018/2019 - Actions

The Draft Operational Plan 2018/2019 details the Actions, including associated resources that will be taken during 2018/2019 financial year, being the second 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.

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

Projects, Program and Activities and Funding for 2018/2019

The Draft Operational Plan 2018/2019 outlines Program areas and specific Actions proposed to be delivered in 2018/2019 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 2018/2019 Operational Plan details Actions in regard to Council's "business as usual" or day to day activities. In 2018/2019, Council is budgeting \$105.3M, including Depreciation to undertake these activities allocated as follows:

- Waste Management and Resource Recovery – \$23.4M
- Road Infrastructure - \$31.5M
- Community and Culture - \$15.4M
- Public Spaces, Parks, Sports and Recreation - \$11.7M
- Strategic Planning - \$5.5M
- Regulation and Community Safety - \$2.1M
- Corporate Functions - \$15.8M

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The 2018/2019 Draft Operational Plan also includes an allowance of \$3.9M to undertake a range of Strategic Initiatives of which \$1.6M is incorporated within Council's major functions, including:

A more commercial and accountable Council – \$1.1M

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. Additional resources will come 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 -\$0.2M

Council relies heavily on its volunteers across a number of its activities including the library, museum and gallery, the Animal Shelter, the Sports Council and Bush Care activities. To date each respective area has coordinated its own volunteers. It is proposed to reconfigure an existing staff position 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, an additional program for Human Services.

Valuing our natural and built environment - \$1.5M

This initiative is focused on heritage and the environment. Additional resources for heritage and urban design will ensure this area is given more attention. These resources will also reduce reliance on consultancies. An environment resource will focus on environmental issues and strategies and will also inform entrepreneurial activities such as property development.

An energy efficiency program, the solar initiative, is included in this program and will generate cost efficiencies from \$190K per year escalating to \$250K per year over a period of ten years.

Also included is \$15K for a Resilience Program which may include initiatives such as extended opening hours in relation to Council's air-conditioned facilities. This funding will enable Council to react to extreme weather events to assist vulnerable groups including the elderly and homeless.

A vibrant, connected and liveable Hawkesbury - \$0.3M

This Program is focused on making the Hawkesbury a fun place to live in and to visit. It also builds on existing funding and programs to better plan for transport and infrastructure through additional resources. Existing resources will also focus on place making programs, including an enhanced town centre program being made possible by the \$15M injection of funds from the City Deals, as well as an enhanced events program.

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 - \$0.5M

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.

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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 decided in the context of WSROC, the Regional Strategic Alliance and the City Deals. Whilst details on the latter are still emerging, there are a number of significant projects in progress under the RSA. These include Regional Tourism, Regional Asset Management, Regional Waste and Regional Procurement. 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 2018/2019 Budget reflects operating expenditure, budgeted to exceed recurring income, resulting in an Operating Deficit of \$3.3M (including depreciation). The underlying issue of the "silent" consumption of assets, Depreciation, continues to be a critical issue for this Council to address. For 2018/2019, it is estimated that the annual Depreciation cost will be in the order of \$19M.

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

The implementation of Council's Fit for the Future strategies, including the Special Rate Variation will ensure that Operating Deficits do not continue into the future.

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Table 2 - Draft Operational Plan 2018/2019 - Estimated Income and Expenditure

(\$'000)	Original Budget 2017/2018	Budget with SRV 2018/2019	Budget without SRV 2018/2019
Income from Continuing Operations			
Revenue			
Rates and Annual Charges	(51,923)	(56,331)	(54,189)
User Charges and Fees	(6,473)	(7,154)	(7,154)
Interest and Investment Revenue	(1,201)	(1,569)	(1,559)
Other Revenues	(4,019)	(4,396)	(4,396)
Grants and Contributions provided for Operating Purposes	(6,422)	(6,990)	(6,968)
Grants and Contributions provided for Capital Purposes	(3,428)	(6,235)	(6,235)
Share of Interest in Joint Ventures	(265)	(265)	(265)
Total Income from Continuing Operations	(73,731)	(82,940)	(80,766)
Expenses from Continuing Operations			
Employee Benefits and On-Costs	26,879	28,431	27,657
Borrowing Costs	304	303	221
Materials and Contracts	17,288	18,484	18,196
Depreciation and Amortisation	18,452	19,214	19,214
Other Expenses	12,154	13,555	13,240
Total Expenses from Continuing Operations	75,076	79,987	78,528
Net Operating Result for the Year	1,345	(2,953)	(2,238)
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	4,773	3,282	3,997
Source of capital funding (excluding reserves)			
Proceeds from the sale of capital assets	(870)	(1,497)	(1,497)
Depreciation	(18,452)	(19,214)	(19,214)
Grants and Contributions - Capital	(3,428)	(6,235)	(6,235)
	(22,750)	(26,946)	(26,946)
Application of Capital Funding			
New Assets			
Land, Building and Land Improvements	192	3,508	3,508
Roads, Bridges, Footpaths and Drainage	2,708	4,875	3,875
Sewer Infrastructure	-	-	-
Parks Assets and Other Structures	340	322	322
Renewal of Assets			
Land, Building and Land Improvements	680	1,942	1,842
Roads, Bridges, Footpaths and Drainage	7,837	10,026	8,104
Sewer Infrastructure	200	1,000	1,000
Parks Assets and Other Structures	1,149	781	681
Other Assets	591	1,738	1,563
Plant and Equipment	2,611	3,480	3,060
	16,308	27,672	23,955
Net Capital Expenditure	(6,442)	726	(2,991)
Retained (surplus)/deficit from prior years			
Transfer from Reserves	(35,439)	(44,127)	(40,867)
Transfer (to) Reserves	37,108	40,119	39,863
	1,669	(4,008)	(1,006)
Retained (surplus)/deficit available for general funding purposes	-	-	-

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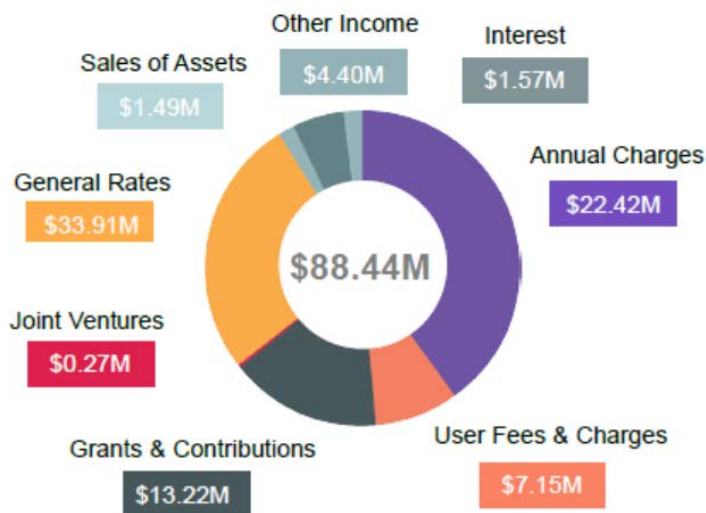
The estimated income and expenditure for 2018/2019 has been based on a combination of index factors as follows:

- Rate Pegging – 2.3%
- Income CPI – 3.0% or trend
- Interest Rates – 2.75%
- Expenditure CPI – 0% for non-infrastructure related expenditure
- Expenditure CPI - 2.5% or applicable contract increases for infrastructure related expenditure
- Employee Costs – 2.5% based on the Award increase

Income

For 2018/2019, a total income (including capital income), of \$88.4M has been budgeted for to be received from various income sources, as shown in Chart 1 below:

Chart 1 – Funding Sources



Rates and Annual Charges

As shown in Chart 1 above, Council's main revenue source is General Rates, which for 2018/2019, based on approval of the Special Rate Variation, and net of rebates is \$33.9M, representing 38% of the total estimated revenue. In the event the Special Rate Variation is not approved, income from General Rates would be reduced by \$2.1M.

Council will raise a further \$22.42M 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 2018/2019.

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Income from user fees and charges and other income is estimated at \$11.55M. This income includes, but is not limited to:

- Building & Development - \$2.2M
- Regulatory Activities - \$2.3K
- Property Portfolio - \$2.2M
- Waste Management Facility Dividend - \$621K

Interest Income

A further \$1.4M 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 \$13.22M or 15% of the 2018/2019 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 - \$4.3M
- RFF Grant for RFS Shed - \$1.1M
- RMS Regional Roads Grants - \$1.1M
- Other RMS Grants - \$0.2M
- Bush Fire Prevention Grant - \$0.2M
- Street Lighting Subsidy - \$0.2M
- Library Grant - \$0.2M

Council receives Financial Assistance Grants from the Federal Government. Due to fluctuations in the amounts from year to year, the budgeted amount for 2018/2019 has been estimated at 98.5% of the amount received in 2017/2018. The allowance for a reduction reflects Council's slow growth rate compared to other councils.

Joint Ventures

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

Sale of Assets

The 2018/2019 budget includes an amount of \$1.48M 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.

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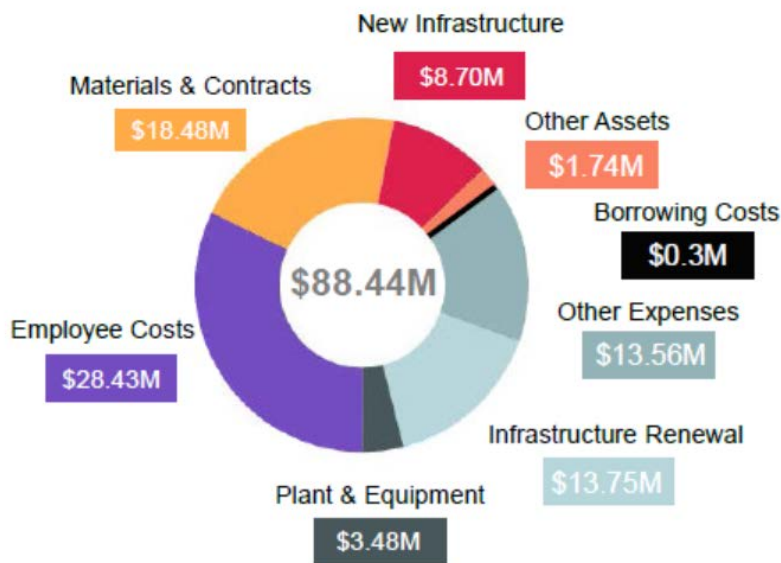
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Expenditure

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 & Equipment and Other Assets).

For 2018/2019, subject to the approval of the Special Rate Variation, the total funding available to fund services of \$88.4 M has been fully allocated to expenditure on providing services to the community. Chart 2 shows the categories of expenses and amounts budgeted for 2018/2019.

Chart 2 – Expenditure



Employee Costs

Services to the community and works are delivered through a combination of Council staff and contractors. With the majority of activities being resourced internally, employee costs of \$28.43M constitute 32% 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 2018/2019 and 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 2018/2019 is budgeted at \$18.48M or 21% of operating costs.

Amounts budgeted reflect the cost applicable for 2018/2019, 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 2017/2018 level, that is, no CPI increase.

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Other Expenses

In addition to the above costs, Council also incurs a range of Other Expenses, estimated at \$13.6M or 15% of total costs for 2018/2019. These expenses include:

- Utilities & Street Lighting - \$1.8M
- Contribution to Emergency Services - \$1.1M
- Insurance - \$0.9M
- Corporate IT Expenses - \$0.9M
- 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 - \$0.2M
- Section 88 Waste Levy Contribution - \$3.5M

Borrowing Costs

An amount of \$0.3M is included in the 2018/2019 Operational Plan for borrowing costs relating to funds borrowed under Local Infrastructure Renewal Scheme Loan to fund the Timber Bridge Replacement Program now completed as well as interest payable on borrowings that will be undertaken contingent on the approval of the Special Rate Variation.

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.

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 2018/2019 financial year, it is proposed to undertake Capital Works amounting to \$27.7M.

The focus continues to be on asset renewal, with \$13.7M being budgeted for renewal or replacement of existing assets, and \$8.7M for new assets.

The 2018/2019 capital works program includes \$14.9M for Roads Infrastructure, \$1.1M for Parks and \$5.4M for Buildings. Details of the works can be found in the Draft Operational Plan document attached as Attachment 1 to this document.

A further \$1M is included for renewal of several pump stations, both treatment plants and diffusers.

A total of \$5.2M is included for non-infrastructure assets including cultural resources, information technology and plant and fleet

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6. Revenue Policy

The Draft Operational Plan 2018/2019 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 2018/2019

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 2018/2019 year it is proposed to apply the Special Rate variation increase of 9.5% if Council's application is approved.

The impact of the proposed rate increases with and without the Special Rate Variation is shown in the Table below:

Table 2 – Average Rates Increases

Rating Category	SRV Average Increase (including Peg)	Rate Peg Only Average Increase	Impact of SRV
Residential	\$106.57	\$25.78	\$80.79
Farmland	\$210.58	\$50.84	\$159.74
Business	\$221.42	\$53.45	\$167.97

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 2018/2019 rating year.

Rating Structure

It is proposed that for 2018/2019, the rating structure with and without a Special Rate Variation is as shown in the Table below:

Table 3 – Rating Structure

Rate-Peg Only - 2.3%

Rate Category/Sub-Category	No. of Properties	Rateable Land Value	% Land Value	Notional Yield	% of Notional Yield	Ad valorem Rate in \$	Base Amount	Base Amount % of Yield
Residential	23,799	\$10,773,530,822	87.21%	\$27,264,506	85%	0.176858	\$345	30.11%
Business Area 1	754	\$393,174,158	3.18%	\$1,650,850	5%	0.353716	\$345	15.76%
Business Area 2	343	\$173,497,551	1.40%	\$732,024	2%	0.353716	\$345	16.17%
Business Area Other	420	\$256,316,972	2.07%	\$1,051,534	4%	0.353716	\$345	13.78%

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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
Farmland	592	\$757,102,000	6.13%	\$1,409,336	4%	0.159172	\$345	14.49%
Total	25,908	\$12,353,621,503	100%	\$32,108,250	100%			

Special Rate Variation - 9.5% (including 2.3% rate peg)

Rate Category/Sub-Category	No. of Properties	Rateable Land Value	% Land Value	Notional Yield	% of Notional Yield	Ad valorem Rate in \$	Base Amount	Base Amount % of Yield
Residential	23,799	\$10,773,530,822	87.21%	\$29,172,719	85%	0.190152	\$365	29.78%
Business Area 1	754	\$393,174,158	3.18%	\$1,770,467	5%	0.380304	\$365	15.54%
Business Area 2	343	\$173,497,551	1.40%	\$785,013	2%	0.380304	\$365	15.95%
Business Area Other	420	\$256,316,972	2.07%	\$1,128,084	4%	0.380304	\$365	13.59%
Farmland	592	\$757,102,000	6.13%	\$1,511,760	4%	0.171137	\$365	14.29%
Total	25,908	\$12,353,621,503	100%	\$34,368,043	100%			

Annual Charges

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

Increases applicable for 2018/2019 are as follows:

- Waste Management Charges + 2.5%
- Sewer Management Charges + 5.49%
- Sullage Charges + 7.33%

Domestic Waste Management and Commercial Waste Collection

The Domestic Waste Management Service for 2018/2019 includes the applicable bin service, the recycling bin service, the kerbside collection service, and, if applicable, the green waste service.

The Minister has not specified a percentage in terms of Section 507 of the Act by which the amount of the annual charges for domestic waste management services may be varied for the year commencing July 2017. This has the effect that no ministerial limitation is placed on variations to the charge. However, the amount of the charge remains subject to Section 504(3) of the Act and councils need to review their waste management operations in order to determine the appropriate current and future costs to be included as part of the reasonable cost determination. Based on this calculation, an increase in the annual charges for the waste service of 2.5% is required.

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The Domestic Waste Management and Commercial Waste Collection charges proposed for 2018/2019 are summarised in the Table below:

Table 4 – Waste Charges

Charge 2017/2018	Description	Charge 2018/2019
DOMESTIC		
Without Garden Organics Service		
\$532.47	240 litre bin - Weekly	\$545.78
\$336.82	140 litre bin - Weekly	\$345.24
\$336.82	240 litre bin - Fortnightly	\$345.24
\$236.51	140 litre bin - Fortnightly	\$242.42
With Garden Organics Service		
\$608.69	240 litre bin - Weekly	\$623.91
\$413.04	140 litre bin - Weekly	\$423.37
General Services		
\$153.91	Availability - Weekly	\$157.76
\$76.95	Availability - Fortnightly	\$78.87
\$89.33	240 litre additional garden organics bin	\$91.56
\$89.33	240 litre additional recycling bin	\$91.56
POA	Multiple waste collection service	POA
BUSINESS		
\$734.84	240 litre bin - Weekly	\$765.70
\$449.68	140 litre bin - Weekly	\$468.57
\$89.33	240 litre additional garden organics bin	\$93.08
\$89.33	240 litre additional recycling bin	\$93.08
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 2018/2019 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 5.49% be made for the 2018/2019 financial year.

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The Sewerage charges proposed for 2018/2019 are summarised in the Table below:

Table 5 - Sewerage Charges

Charge 17/18	Service	Charge 18/19
DOMESTIC		
\$773.62	Residential Connected	\$816.09
\$515.16	Residential Unconnected	\$543.44
BUSINESS		
\$900.46	Business Cat 1 (<1,000L/day)	\$949.90
\$4,514.94	Business Cat 2 (1,000-5,000L/day)	\$4,762.81
\$8,993.99	Business Cat 3 (5,001-10,000L/day)	\$9,487.76
\$17,933.06	Business Cat 4 (10,001-20,000L/day)	\$18,917.58
\$17,933.06	Business Cat 5 (>20,001L/day)	\$18,917.58
\$519.10	Business - Unconnected	\$547.60

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 6 – Sullage Charges

Charge 17/18	Service	Charge 18/19
DOMESTIC		
\$2,026.16	Fortnightly Residential	\$2,174.68
\$4,052.32	Weekly Residential	\$4,349.36
\$163.02	Emergency Service	\$174.97
\$129.83	Extra Service	\$139.35
BUSINESS		
\$22.31	Commercial per 1,000 litres, (min volume 2,500L)	\$23.95

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

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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). It is proposed to continue applying this charge to relevant properties.

It is projected that this charge will enable an additional \$517K worth of new stormwater infrastructure to be constructed and \$10K towards the establishment of a water quality testing program. The charges to be levied are as follows.

Table 7 – Stormwater Charge

Category	Annual Charge	Income
RESIDENTIAL		
Residential	\$25.00	\$338,760
Residential Strata	\$12.50	
BUSINESS		
Business	\$25.00 per 350m ² , or part thereof, up to a maximum of \$1,500	\$199,869
Business Strata	Pro-rata of the above, based on land valuation apportionment	
Total Revenue		\$538,629

Rates and Charges Concessions

Concessions on rates and charges are available to eligible pensioners. Council has in excess of 3,100 eligible pensioners who receive concessions on their annual rates and charges. Council also offers a number of rating concessions to pensioners over and above the mandatory concessions. No State Government subsidy is received against these additional concessions.

Ordinary Rates and Domestic Waste Management

The Act provides for pension rebates of up to 50% of the aggregated ordinary rates and domestic waste service charges, to a maximum of \$250. Council is reimbursed 55% of this concession by the State Government, and funds the remaining 45% (up to \$112.50 per property).

Sewerage Charge

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

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7. Adoption of Budget for Year Ended 30 June 2018

As mentioned earlier in this report, assuming Council adopts the Draft Operational Plan 2018/2019 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.

Council has a scheduled Extra-Ordinary Meeting on 13 June 2018 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 2019.

Consultation

It is proposed that the Draft Operational Plan 2018/2019 be placed on public exhibition for the minimum 28 day period. Following this period, a summation of any submissions received will be presented to an Extra-Ordinary Council Meeting to be held 13 June 2018. At this meeting, Council is to consider the submissions received and adopt the Draft Operational Plan 2018/2019, as well as setting rates and charges for the year ending 30 June 2019. 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 Community Strategic Plan

The proposal is consistent with the following Focus Area, Direction and Strategy within the CSP:

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 2017/2018, including the Statement of Revenue Policy, as outlined in this report and detailed within the attachment, being placed on exhibition, and subject to Council resolutions arising and public submissions received, being adopted for the financial year 2018/2019.

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 2018/2019 be received.
2. The Draft Operational Plan 2018/2019 attached as Attachment 1 to the report, be adopted for exhibition purposes and be advertised for a minimum of 28 days in accordance with Section 405 of the Local Government Act 1993.
3. An Extra-Ordinary Meeting of Council be held on Wednesday, 13 June 2018 to consider any public submissions received in respect of the Draft Operational Plan 2018/2019 and to consider the adoption of these documents and to make and fix rates and charges for the year ended 30 June 2019.

ATTACHMENTS:

AT - 1 Draft Operational Plan 2018/2019 - (*Distributed under separate cover*).

oooO END OF REPORT Oooo



extraordinary meeting

end of business paper

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