



Hawkesbury City Council

extraordinary  
meeting  
business  
paper

date of meeting: 11 April 2016

location: council chambers

time: 6:30 p.m.



mission  
statement

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

## **How Council Operates**

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

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

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

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

### **Meeting Procedure**

The Mayor is Chairperson of the meeting.

The business paper contains the agenda and information on the items to be dealt with at the meeting. Matters before the Council will be dealt with by an exception process. This involves Councillors advising the General Manager by 3pm on the day of the meeting, of those items they wish to discuss. A list of items for discussion will be displayed at the meeting for the public to view.

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

### **Public Participation**

Members of the public can register to speak on any items in the business paper other than the Confirmation of Minutes; Mayoral Minutes; Responses to Questions from Previous Meeting; Notices of Motion (including Rescission Motions); Mayoral Elections; Deputy Mayoral Elections; Committee Elections and Annual Committee Reports. To register, you must lodge an application form with Council prior to 3pm on the day of the meeting. The application form is available on Council's website, from the Customer Service Unit or by contacting the Manager - Corporate Services and Governance on (02) 4560 4444 or by email at [council@hawkesbury.nsw.gov.au](mailto:council@hawkesbury.nsw.gov.au).

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

Speakers representing an organisation or group must provide written consent from the identified organisation or group (to speak on its behalf) when registering to speak, specifically by way of letter to the General Manager within the registration timeframe.

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

## **Voting**

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

## **Planning Decision**

Under Section 375A of the Local Government Act 1993, voting for all Planning decisions must be recorded individually. Hence, the Chairperson will ask Councillors to vote with their electronic controls on planning items and the result will be displayed on a board located above the Minute Clerk. This will enable the names of those Councillors voting For or Against the motion to be recorded in the minutes of the meeting and subsequently included in the required register. This electronic voting system was an innovation in Australian Local Government pioneered by Hawkesbury City Council.

## **Business Papers**

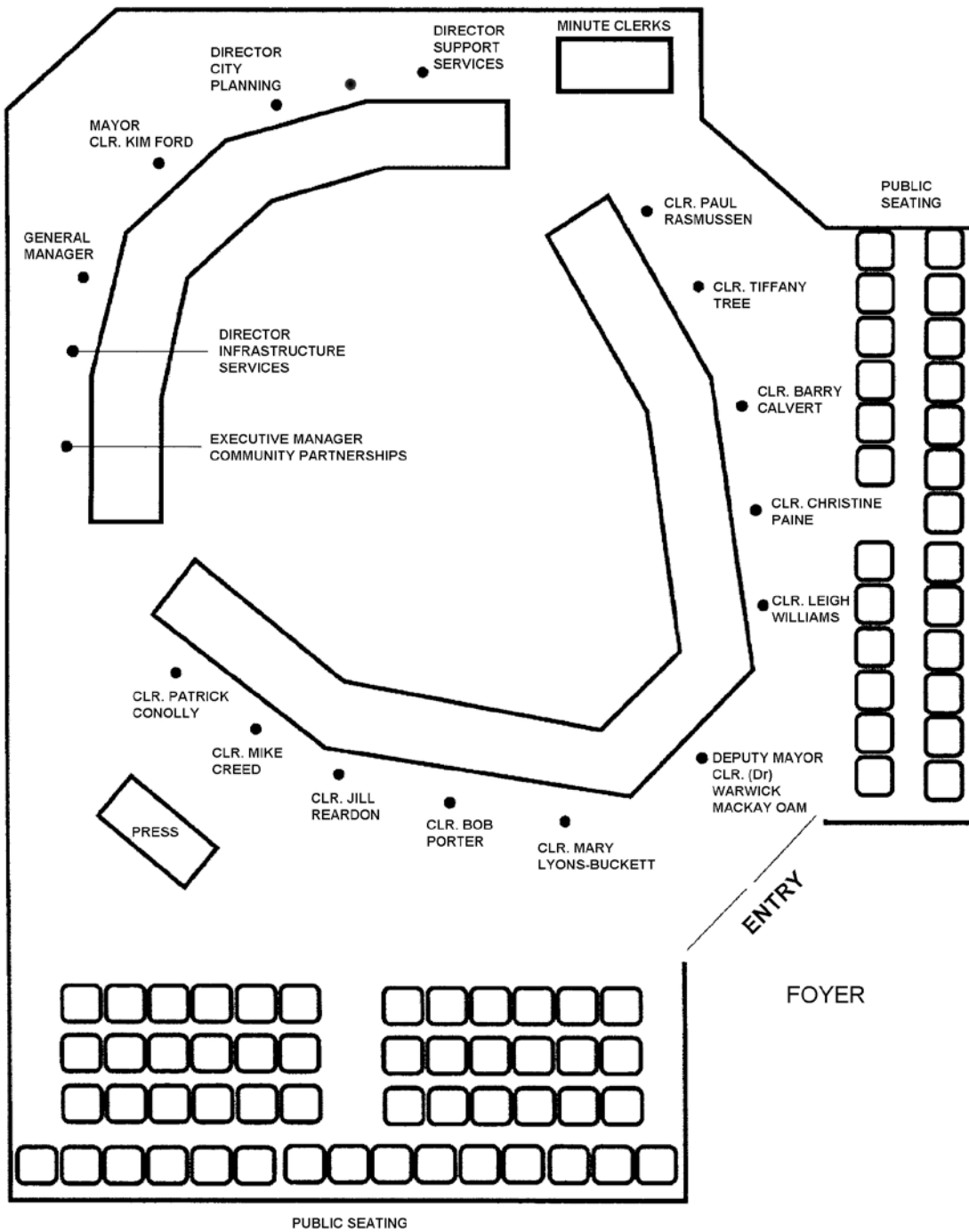
Business papers can be viewed online from noon on the Friday before the meeting on Council's website: <http://www.hawkesbury.nsw.gov.au>.

Hard copies of the business paper can be viewed at Council's Administration Building and Libraries after 12 noon on the Friday before the meeting, and electronic copies are available on CD to the public after 12 noon from Council's Customer Service Unit. The business paper can also be viewed on the public computers in the foyer of Council's Administration Building.

## **Further Information**

A guide to Council Meetings is available on the Council's website. If you require further information about meetings of Council, please contact the Manager, Corporate Services and Governance on, telephone (02) 4560 4444.

# Hawkesbury City Council



PUBLIC SEATING



**EXTRAORDINARY MEETING**

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**AGENDA**

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

**EXTRAORDINARY MEETING**

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**Reports for Determination**

**GENERAL MANAGER**

**Item: 55**                      **GM - Draft Operational Plan 2016/2017 - (79351, 95496, 96332)**

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**REPORT:**

**Executive Summary**

The purpose of this report is to submit the Draft Operational Plan 2016/2017 for Council to adopt to place on public exhibition. This document has been prepared in accordance with the requirements of Parts 1 and 2 of Chapter 13 of the Local Government Act 1993 (the Act) and associated Guidelines issued by the then Division of Local Government (DLG).

The Hawkesbury Community Strategic Plan (CSP) 2013-2032 was adopted by Council on 9 April 2013 and forms the basis of, and will be implemented through the Delivery Program 2013-2017 that is focused on achieving key goals of the CSP. The Delivery Program 2013-2017 was adopted by Council at the Council meeting on 18 June 2013.

The Draft Operational Plan 2016/2017, which sets out the actions for implementing the relevant parts of the Delivery Program, consists of the Activities to be delivered in the last six months of the Delivery Program and the Estimated Income and Expenditure to support these Activities; the Statement of Revenue Policy and Fees and Charges proposed for 2016/2017.

This report recommends that the information contained within this document is received and that the Draft Operational Plan 2016/2017 be adopted for public exhibition purposes and be advertised in accordance with the requirements of the Act. The report also recommends that an Extraordinary Meeting of Council be held on the date as determined by Council at this meeting to consider any public submissions received in respect of the Draft Operational Plan 2016/2017, the adoption of this document and to make and fix rates and charges for the year ended 30 June 2017.

**Consultation**

It is proposed that the Draft Operational Plan 2016/2017 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 Extraordinary Council Meeting to be held on the date as determined by Council at this meeting to consider the submissions received and adopt the Draft Operational Plan 2016/2017 as well as setting rates and charges for the year ending 30 June 2017. A council must adopt its Operational Plan by 30 June each year and set its rates for a financial year by 31 July of that year.

**Background**

**1. Integrated Planning and Reporting Framework**

I am pleased to submit the Draft Operational Plan 2016/2017 for Council's consideration.

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

The CSP has an outlook of 20 years and sets the Directions for Council and Community actions that are focused on five Themes. The CSP must be reviewed by an incoming Council by June following the Council election. The CSP, adopted by Council on 9 April 2013, was a review of the 2009 CSP that was subject to significant public consultation. The CSP must also show clear links to the current State Strategies relevant at the time.

The Delivery Program contains the principal activities that are intended to be pursued over the next four years and generally aligns with the current Council election term. These principal activities are directly linked to the Themes and Strategies contained in the CSP.

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

The Resourcing Strategy sits behind these documents and outlines the resources (Long Term Financial Plan, Asset Management and Human Resources) required for the implementation of the CSP and Delivery Program activities.

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

## **2. Finalisation of the 2013-2017 Delivery Program and Review of CSP**

The current 2013-2017 Delivery Program concludes in 2017. The Integrated Planning and Reporting legislation requires a council to prepare a concise and evidence based End of Term report reviewing the progress in implementing the CSP, linking the Delivery Plan Actions the Directions and Strategies in the CSP.

In the case of a local government election occurring in September 2016, the End of Term report is submitted to the outgoing council at the final meeting of that council (expected to be in August 2016) and will be published in the Annual Report.

Council will be required to prepare an End of Term Report accordingly.

The Act requires a council's Delivery Program to be reviewed every four years, with the review to be completed by 30 June following local government elections. The review will include a rolling forward process to retain a 20 year timeframe; the preparation and implementation of a Community Engagement Strategy and a review of the information and evidence that informs the CSP.

## **3. Potential Impact of the Proposed Hills–Hawkesbury Merger**

Council is currently subject to a proposal to be merged with part of The Hills Council, as shown in Figure 1 below.



**Figure 1: Proposed new local government area**

Council's adopted position is to continue to stand-alone and implement the various aspects of its Fit for the Future proposal submitted to the NSW State Government in 2015, subject to a review currently being undertaken. Accordingly, the Draft Operational Plan 2016/2017 is based on directions provided in Council's CSP and Strategies and Activities within the associated Delivery Program.

Should the proposed merger proceed, the following budget assumptions and elements of the Operational Plan could be impacted:

- services
- staff establishment
- capital works program
- rates
- annual charges and fees
- Financial Assistance Grants.

At this stage, the timing and process to develop a CSP for the new entity, and the integration, if applicable, of elements within the current respective CSPs, is not known.

#### **4. Challenges**

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

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

The Draft Operational Plan 2016/2017 was constructed on the basis of maintaining current service levels, the retention of Council's existing assets portfolio, Council's direction as provided through adopted Strategies, Plans and Resolutions and in line with the community's expectations provided in the Community Survey, as well as commencing the implementation of Council's FFTF strategies.

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The preparation of the Draft Operational Plan 2016/2017, as in previous years, was difficult due to various factors outside Council's control, limiting Council's ability to raise revenue required to sustain existing service levels.

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

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

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

### 5. Draft Operational Plan

The Draft Operational Plan 2016/2017 details the actions, including associated resources, that will be taken during 2016/2017 financial year, being the fourth and final year of the adopted Delivery Program, to continue to deliver Activities identified in the Delivery Program. 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 as expressed through the 2015 Community Survey and day-to day contact. 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.

The community has expressed it is generally satisfied with Council's cultural facilities, community centres and halls, the Companion Animal Shelter, child care centres, playgrounds, public swimming pools, sports and recreation facilities, parks and reserves, the seniors' centre and programs, emergency services planning, kerbside service, crime prevention and Council's efforts in protecting bushland and natural habitats. On the other hand, the community has consistently expressed the perceived need for improving roads infrastructure, car parks, public amenities, the maintenance and cleaning of parks and sporting fields, the health of the Hawkesbury River, promotion of local employment, heritage, community engagement and Council's support of tourism and the creation of thriving town centres.

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

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

#### a) Projects, Program and Activities and Funding for 2016/2017

The Draft Operational Plan 2016/2017 outlines the Delivery Program Activities with associated actions proposed to be delivered in 2016/2017. These actions are funded to the extent possible, within the Estimates of Income and Expenditure component of the Plan. As an action may be funded through various budget line items or conversely a budget line item may address multiple actions, a direct one for one link between an action and a budget line item may not always be possible.

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

- **Looking after People and Place**
  - Civic & Community Events Activities 1.1, 3.2 and 3.3 \$279K
  - Youth, Indigenous, Aged and Disability Programs Activity 3.1 \$106K
  - Road Safety Programs Activity 10.1 \$155K
  
- **Caring for the Environment**
  - Waste Education Program Activity 17.1 \$98K
  - Domestic & Commercial Waste Activity 19.1 \$12.6M
  - Waste Management Facility Activity 19.4 \$7.7M
  - Bush Care Program Activity 22.5 \$110K
  
- **Linking the Hawkesbury**
  - Roads & Footpaths Activity 28.2 and 28.3 \$9.9M
  - Bridge Replacement Program Activity 28.4 \$2.5M
  - Kerb, Gutter & Drainage Works Activity 28.5 \$1.2M
  
- **Supporting Business and Local Jobs**
  - Tourism Services Activities 33.1 and 35.1 \$481K
  - Corporate Training and Staff Development Activity 38.1 \$309K
  - Scholarships & Traineeships Activities 38.2, 39.1 and 39.2 \$150K
  
- **Shaping our Future Together**
  - Emergency Services Activity 47.6 \$1.5M
  - Contribution to Sports Council Activity 50.5 \$1.1M
  - Community Engagement Activities 53.1 and 55.1 \$107K

### b) Estimated Income and Expenditure

The estimated income and expenditure for 2016/2017 has been based on a combination of index factors as follows:

- Rate Pegging +1.8%
- Income CPI +3.0%
- Interest Rates at 2.9%
- Expenditure CPI +2.8% or applicable contract increases
- Employee Costs +2.8% based on the Award increase.

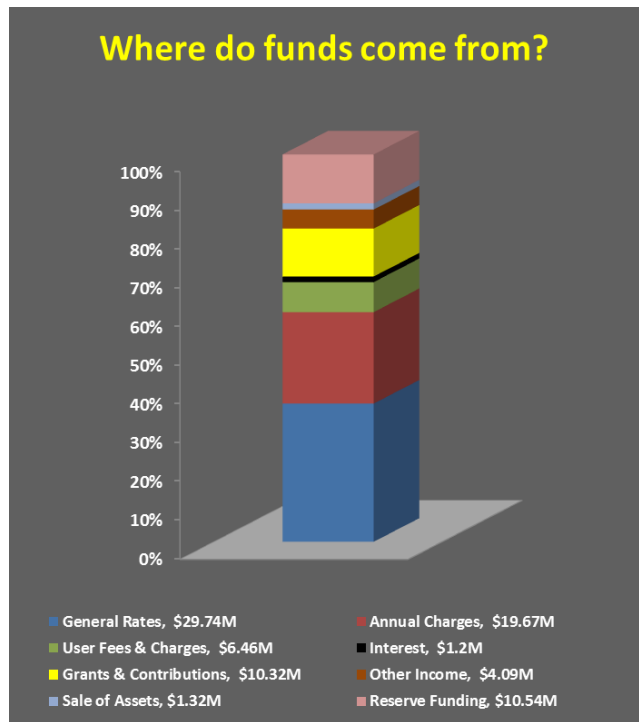
#### Income

For 2016/2017, a total income of \$72.8M has been budgeted for to be received from various income sources and a further \$10.54M to be funded from Reserves. This brings the total funding available to fund services to \$83.34M.

Chart 1 shows the various funding sources and amounts budgeted for 2016/2017.

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**Chart 1: Funding Sources**

*Rates and Annual Charges*

As shown in Chart 1 above, Council’s main revenue source is General Rates, which for 2016/2017, net of rebates is \$29.74M, representing 41% of the total estimated revenue. Rating income has been increased by the rate-pegging limit for 2016/2017, being 1.8%.

Council will raise a further \$19.67M in Annual Charges, being Waste Charges, Sewer 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 2016/2017.

Income from user fees and charges and other income is estimated at \$10.55M. This income includes, but is not limited to:

- Building and Development \$2.1M
- Property Portfolio \$2.1M
- Regulatory Activities \$0.9M
- Waste Management Facility Dividend \$0.6M

For 2016/2017, it is also proposed to introduce the recovery of merchant fees. Council processes over 25,000 credit card transactions per year costing Council is in the vicinity of \$51K per year. It is proposed that Council implements a process to oncost fees payable by Council when customers make payments by credit card. Allowing for implementation cost and timing a partial recovery of \$30K has been allowed for in this Budget.

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### *Interest Income*

A further \$1.2M 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. Interest for 2016/2017 has been budgeted at 2.9% in line with recent trends. All of Council's investments are in term deposits, resulting in a portfolio with no exposure to capital loss.

Amounts held in investments are fully allocated to fund the Operational Plan Actions, including capital works. Timing differences between the receipt of income and payment of expenses provide the opportunity to invest funds until they are required and earn interest thereon. A prudent approach is taken when investing funds, to ensure maximum returns are obtained whilst maintaining the liquidity requirements in line with Council's Investment Policy. Council also takes into consideration advice provided by Council's Independent Investment Advisor, who was first appointed in 2008.

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

### *Grants and Contributions*

Approximately \$10.32M or 14% of the 2016/2017 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 \$4.1M
- Roads to Recovery Grant \$2.6M
- RMS Regional Roads Grants \$0.9M
- Bush Fire Prevention – RFS Grant \$0.2M
- Library Grants \$0.2M

Council receives Financial Assistance Grants from the Federal Government. Due to fluctuations in the amounts from year to year, and the announced freeze on the total amount paid, the budgeted amount for 2016/2017 has been reduced by 6%, or by \$274K on the amount budgeted for the current financial year. The reduction is based on the reduction experienced between 2014/2015 and 2015/2016 financial years.

### Expenditure

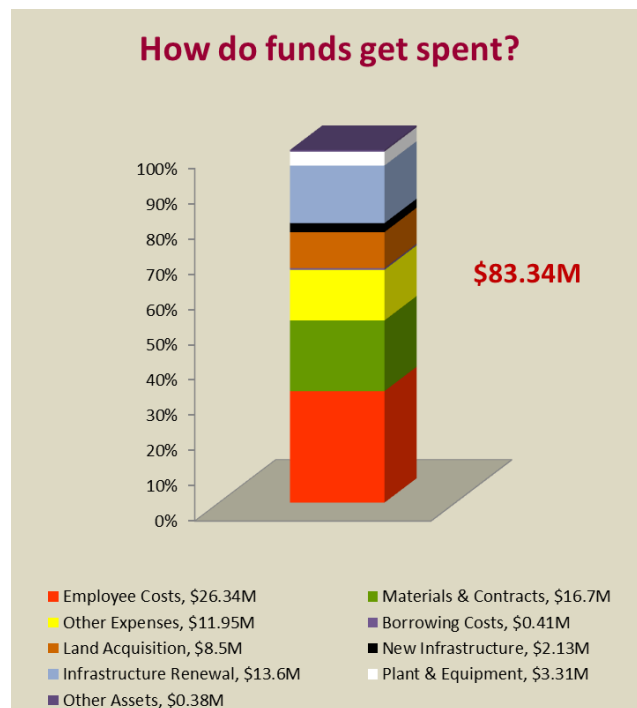
Council incurs a range of operating and capital expenses in delivering its programs. The main expenditure elements are Employee Costs, Material and Contracts, Borrowing Costs, Other Expenses, Depreciation and Capital Works, (comprised of Land Acquisition, Infrastructure Renewal, New Infrastructure and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

For 2016/2017 the total funding available of \$83.34M, has been fully allocated to expenditure on providing services to the community.

Chart 2 shows the categories of expenses and amounts budgeted for 2016/2017.

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**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 \$26.34M 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, DA 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 2016/2017 are based on the current staff establishment. The Budget for Employee Costs has been based on an Award increase of 2.8% and relevant step increases, equating to \$762K and Superannuation at 9.5%. No new or reviewed positions are proposed within this Budget.

### *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 2016/2017 is budgeted at \$16.7M or 20% of operating costs.

Amounts justified reflect the cost applicable for 2016/2017 or the applicable contract annual cost escalation. This estimate is based on what is required to at least maintain existing service levels for services the community can see, but have reduced in real terms in relation to expenditure on Council's Infrastructure assets, the impact of which may not be fully visible yet.



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### *Other Expenses*

In addition to the above costs, Council also incurs a range of Other Expenses, estimated at \$11.95M or 14% for 2016/2017. These expenses include utility costs including street lighting (\$1.8M), insurance (\$1.4M), corporate IT expenses (\$784K), and Section 356 expenditure (\$100K). Also included is \$390K for Elected Members' costs and contributions to outside bodies including \$3.3M for Section 88 Waste Levy, \$776K for the operational contribution payable to the Hawkesbury Sports Council, \$120K for the Hawkesbury Leisure Centre subsidy and \$1.1M for Emergency Services.

### *Borrowing Costs*

An amount of \$217K is included in the 2016/2017 Operational Plan for borrowing costs relating to funds borrowed under Local Infrastructure Renewal Scheme Loan to fund the Timber Bridge Replacement Program currently in progress. Allowance has also been made for adjustments relating to fair valuation of financial liabilities and provisions.

### *Capital Works*

As detailed earlier in the report, Council's infrastructure, comprising 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 2016/2017 financial year, it is proposed to undertake Capital Works amounting to \$27.9M, of which \$1.64M is funded under the Infrastructure Renewal Program.

The focus continues to be on asset renewal, with \$13.6M being budgeted for renewal or replacement of existing assets, and \$2.13M for new assets.

The 2016/2017 capital works program includes \$12.3M for Roads Infrastructure, \$1.6M for Parks and \$9.1M for Land and Buildings. Details of the works can be found in the Draft Operational Plan and include the following:

- Roads Infrastructure
  - Bridge Replacement Program
  - Cycleways
  - Guardrail Installations
  - Road Shoulder Renewal
  - Resheeting and Grading of Unsealed Roads
  - Kerb and Gutter and Drainage Works
  - Road Rehabilitation Works
  - Footpaths
  - Road Reseals Program
  
- Parks
  - Sports Council Capital Contribution
  - McQuade Park
  - Governor Phillip Park
  - Macquarie Park
  - Windsor Public Domain Improvements
  - Windsor Foreshore Improvements

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- Land and Buildings
  - Land Acquisition – Waste Management Strategy
  - Lighting Upgrades
  - Airconditioning Improvements
  - Animal Shelter Refurbishment
  - Roof Renewal Works
  - Hawkesbury Leisure Centre Refurbishment
- Other
  - Cultural Resources
  - Sewerage Infrastructure
  - Information Technology
  - Plant and Fleet

### *Infrastructure Renewal Program*

Included in the Capital Works above, are works funded through the Infrastructure Renewal Program. This Program represents the additional rates revenue generated through the special rate rise of 2007/2008 and is aimed at providing additional funding for infrastructure renewal across Council's roads, parks and buildings. The proposed combined amount of \$1.64M, works represents the full allocation of the special rate rise of 2007/2008 above Minister's increase indexed by rate-pegging.

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

### **c) Statement of Revenue Policy**

The Draft Operational Plan 2016/2017 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 2016/2017

Council's current rating structure provides for three different types of ordinary rates: residential, farmland and business. The residential category includes a rural residential sub-category and 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 2016/2017 year it is proposed to apply the rate-pegging increase of 1.8% as determined by the Independent Pricing Regulatory Tribunal. The application of the rate pegging increase to the current rating revenue, known as the Notional Yield, will generate approximately \$30.4M.

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 2014, with those values first being used for the year commencing July 2015.

The proposed structure comprises of a Base Amount and Ad Valorem rating method for the Residential, Rural Residential and Business Categories, and an Ad Valorem with a Minimum Rate for the Farmland Category.

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Table 1 below provides a snapshot of the rating structure proposed for 2016/2017.

**Table 1**

<b>Category/Sub-Category</b>	<b>No. of Properties</b>	<b>% Notional Yield Proposed</b>	<b>Notional Yield</b>	<b>Minimum Rate</b>	<b>Base Amount</b>	<b>Ad Valorem Rate in \$</b>	<b>Average Rates per property</b>
Residential	18,884	65%	\$19.7M	-	\$520	0.199222	\$1,046
Rural Residential	4,364	20%	\$6.1M	-	\$695	0.129291	\$1,392
Business (all sub-categories)	1,507	10%	\$3.1M	-	\$970	0.229420	\$2,016
Farmland	582	5%	\$1.5M	\$533	-	0.290813	\$2,610
<b>TOTAL</b>	<b>25,337</b>	<b>100%</b>	<b>\$30.4M</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.

Increases applicable for 2016/2017 are as follows:

- Waste Management Charges + 5%
- Sewer Management Charges + 6%
- Sullage Charges + 8%

Domestic Waste Management and Commercial Waste Collection

The Domestic Waste Management Service for 2016/2017 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 2016. This has the effect that no ministerial limitation is placed on variations to the charge. However, the amount of the charge remains subject to Section 504(3) of the Act and councils need to review their waste management operations in order to determine the appropriate current and future costs to be included as part of the reasonable cost determination.

Council currently provides the Waste Service through a combination of internal resources and contractors. The Hawkesbury Waste Management Facility is used as the disposal site for waste collected. The major impact on the cost of providing this service in 2016/2017 and future years is the increases in Section 88 Waste Levies imposed by the Office of Environment and Heritage. Taking into account all costs incurred to provide the waste service, including the Section 88 Waste Levy of \$135.40 per tonne, an increase in the annual charges for the waste service of 5% is required.

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.

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The required charge for 2016/2017 is based on ensuring sufficient funds are available to address all these costs, taking into account current reserve levels. Based on these projections, it is proposed that the sewerage charges are increased by 6% for the 2016/2017 financial year.

### Sullage Charges

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

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

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

As part of the Draft Operational Plan process, the sullage current and projected reserve balances have been assessed and has resulted in the proposed increase of 8% being required to ensure sufficient funds are available to fund the program and associated future costs.

### 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 \$305.10 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.

## **6. The Impact of Balancing the Budget on Council's Financial Sustainability**

As in previous years, a "Balanced" Budget is being submitted for consideration by Council. Income estimated to be generated and available for next year has been fully allocated to expenditure on programs and works. However, for 2016/2017 taking into account all operating costs including depreciation, Council's operating expenditure exceeds operational income by \$6.1M, resulting in an operating deficit being budgeted. As detailed in this report, the CSP and the Delivery Program are reflected in the Activities for the next financial year and funded through the proposed budget.

Through significant reviews and thorough assessment of funding allocations throughout the various areas of Council, existing programs have been maintained, as well as additional funds being redirected towards infrastructure assets.

However, as highlighted over the last few years, balancing the budget year on year has had, and will continue to have, an impact on Council's financial on-going sustainability. The underlying issue of the 'silent' consumption of assets, Depreciation not being fully funded, continues to be a critical issue for this Council to address.

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

'Balancing the Budget', or in other words, reducing overall expenditure in line with overall income, and not fully funding annual depreciation, on an going basis by only looking at the expenditure side, results in less than optimal decision making, funds spent on infrastructure assets being reduced in real terms and essential works often having to be prioritised, resulting to increased risk to Council.

## **7. Implementation of Fit for the Future (FFTF) Strategies and Other Initiatives**

Council's ongoing financial sustainability is a major objective when developing the Council's annual budget. At the same time, endeavours are made to continue to renew Council's infrastructure, maintain essential services and keep increases to ratepayers affordable. Significant advances have been made during recent budgets to reduce operational costs and to direct rate revenue and operational savings towards funding future infrastructure works.

Based on the assumption of Council continuing to stand alone and proceeding to commencing the implementation of its Fit for The Future Strategies, this Draft Operational Plan includes a number of items accordingly:

- Integrated Capital Works Program
- Target Efficiency Savings
- Review of Business Units
- Increased allocation to Capital Renewal
- Regional Strategic Alliance Funding.

Capital Works, where relevant, are being undertaken on an Integrated Approach so as to deliver works in a cost effective and comprehensive manner, resulting in a better overall outcome and ultimately increased residents' satisfaction. As detailed in the Operational Plan booklet, in 2016/2017, there will be a focus of works in Windsor.

Target efficiencies mainly relating to non-core functions have been identified and reinvested in core services funding. These savings are predominantly the result of some expenditure budget being increased by a discounted CPI of 1.8%. A further reinvestment of funds has been undertaken through a review of relevant business units and other relevant operations has been undertaken, resulting in additional funds being recouped by non-restricted funds through the consistent application of the same overheads distribution methodology across all operations, and an increase in the rate of return from the Waste Management Facility.

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, and additional funding, above CPI, being allocated to asset maintenance and renewal.

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In addition to implementing the above strategies, Council will continue to implement other various initiatives and arrangements as listed below, to ensure services are provided in the most effective manner so as to direct as much funding as possible towards our infrastructure assets.

- Regional Strategic Alliance
- Asset Management Structure
- Service Delivery Model Reviews
- Service Level Reviews
- Asset Portfolio Review
- On-going process improvements
- Cost efficiencies through use of technology
- Best value for money procurement processes
- Partnerships
- Funding from other sources
- Financing through Borrowings – Local Infrastructure Renewal Program

Council is participating in a Regional Strategic Alliance with Blue Mountains and Penrith Councils. A specific report on this matter will be submitted to Council in the near future, addressing the current status in light of the Proposed Hills–Hawkesbury merger. Included in this Budget is \$100K, the specific allocation of which will be determined in due course.

As Council's sustainability is measured and based on its asset management, funds have been included in this Budget to continue to develop an optimal asset management framework. This also includes potential service model delivery reviews.

In order to ensure the maximum possible allocation of funds to infrastructure assets, a Service Level Review will be progressively undertaken over the next few years, in consultation with Council and the community to assess and align services and assets provided with community's requirements and Council's funding capacity.

During 2016/2017 management will continue to review processes, especially as new technology comes on board, to ensure productivity is maximised. Best value procurement, establishing partnerships where available and beneficial, will also continue to be pursued.

Council has no borrowings program identified for 2016/2017 other than the continuation of the Local Infrastructure Renewal Program, currently funding a timber Bridge Replacement Program, but would investigate further borrowings should a feasible opportunity arise.

For 2016/2017, there is an increased allocation of funding towards infrastructure assets through the inclusion of FFTF strategies and other initiatives as detailed above. The implementation of all the FFTF strategies, subject to the review currently being undertaken, over the coming years will gradually address the structural funding shortfall, which has, to date, characterised Council's annual budgets.

The implementation of Council's FFTF strategies and the continuation of on-going initiatives and arrangements will be critical for Hawkesbury as a 'Stand – Alone' council. In the event of the proposed merger proceeding, it is expected that some strategies would still be required to be implemented by the new council so as to address the underlying mismatch in income available and required expenditure in an equitable manner across the merged communities.

### **8. Appreciation**

The effort of all staff in preparing the Draft Operational Plan 2016/2017, is very much appreciated and specific acknowledgement needs to be extended to the Director Support Services, Chief Financial Officer and Deputy Chief Financial Officer. It is also pleasing to see the co-operative approach by the Directors and Managers to bring down a 'balanced budget' with the objective of providing the works and services able to be provided by Council within existing financial restrictions as seen from a corporate viewpoint.

**9. Adoption of Budget for Year Ended 30 June 2017**

As mentioned earlier in this report, assuming Council finalises the Draft Operational Plan 2016/2017 at this Meeting, it is anticipated that advertising of the Draft Operational Plan 2016/2017, will commence shortly afterwards for the minimum 28 day period. During the exhibition period, any person may make a submission to Council.

Council has a scheduled Extraordinary Meeting on 7 June 2016 to consider submissions received and to adopt the Operational Plan as amended, if appropriate, and make and fix the rates and charges for the year ended 30 June 2017. Since the scheduling of the meeting for 7 June 2016, circumstances have arisen which may necessitate an alternative date to be considered by Council. A majority of Councillors indicated that they would be available on Tuesday, 21 June 2016, if this date was selected. This report recommends that Council determine the date of the Extraordinary Meeting.

**Conformance to the Hawkesbury Community Strategic Plan**

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

- The Council be financially sustainable to meet the current and future needs of the community based on a diversified income base, affordable and viable services.
- Have transparent, accountable and respected leadership and an engaged community.
- A balance set of decisions that integrate jobs, housing, infrastructure, heritage, and environment that incorporates sustainability principles.

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

- Improve financial sustainability.
- Work with the community to determine affordable levels of service and facilities.
- Make decisions in ways that are transparent, fair, balanced and equitable supported by appropriate resource allocations.

**Financial Implications**

The adoption of the recommendation in this report will result in the Draft Operational Plan 2016/2017, 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 2016/2017.

**EXTRAORDINARY MEETING**

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**RECOMMENDATION:**

That:

1. The General Manager's report regarding the Draft Operational Plan 2016/2017 be received.
2. The Draft Operational Plan 2016/2017 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. Council determine the date for an Extraordinary Meeting of Council to be held to consider any public submissions received in respect of the Draft Operational Plan 2016/2017 and to consider the adoption of these documents and to make and fix rates and charges for the year ended 30 June 2017.

**ATTACHMENTS:**

**AT - 1** Draft Operational Plan 2016/2017 (*Distributed Under Separate Cover*)

**oooO END OF REPORT Oooo**





# extraordinary meeting

# end of business paper

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