



Hawkesbury City Council

extraordinary
meeting
business
paper

date of meeting: 19 April 2011
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 held on the second Tuesday of each month, except January, and the last Tuesday of each month, except December. The meetings start at 6:30pm and are scheduled to conclude by 11:00pm. These meetings are open to the public.

When an Extraordinary Meeting of Council is held it will usually start at 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 issues to be dealt with at the meeting. Matters before the Council will be dealt with by an exception process. This involves Councillors advising the General Manager at least two hours before the meeting of those matters they wish to discuss. A list will then be prepared of all matters to be discussed and this will be publicly displayed in the Chambers. At the appropriate stage of the meeting, the Chairperson will move for all those matters not listed for discussion to be adopted. The meeting then will proceed to deal with each item listed for discussion and decision.

Public Participation

Members of the public can request to speak about a matter raised in the business paper for the Council meeting. You must register to speak prior to 3:00pm on the day of the meeting by contacting Council. You will need to complete an application form and lodge it with the General Manager by this time, where possible. The application form is available on the Council's website, from reception, at the meeting, by contacting the Manager Corporate Services and Governance on 4560 4426 or by email at nspies@hawkesbury.nsw.gov.au.

The Mayor will invite interested persons to address the Council when the matter is being considered. Speakers have a maximum of five minutes to present their views. If there are a large number of responses in a matter, they may be asked to organise for three representatives to address the Council.

A Point of Interest

Voting on matters for consideration is operated electronically. Councillors have in front of them both a "Yes" and a "No" button with which they cast their vote. The results of the vote are displayed on the electronic voting board above the Minute Clerk. This was an innovation in Australian Local Government pioneered by Hawkesbury City Council.

Planning Decision

Under Section 375A of the Local Government Act 1993, details of those Councillors supporting or opposing a 'planning decision' must be recorded in a register. For this purpose a division must be called when a motion in relation to the matter is put to the meeting. This will enable the names of those Councillors voting for or against the motion to be recorded in the minutes of the meeting and subsequently included in the required register.

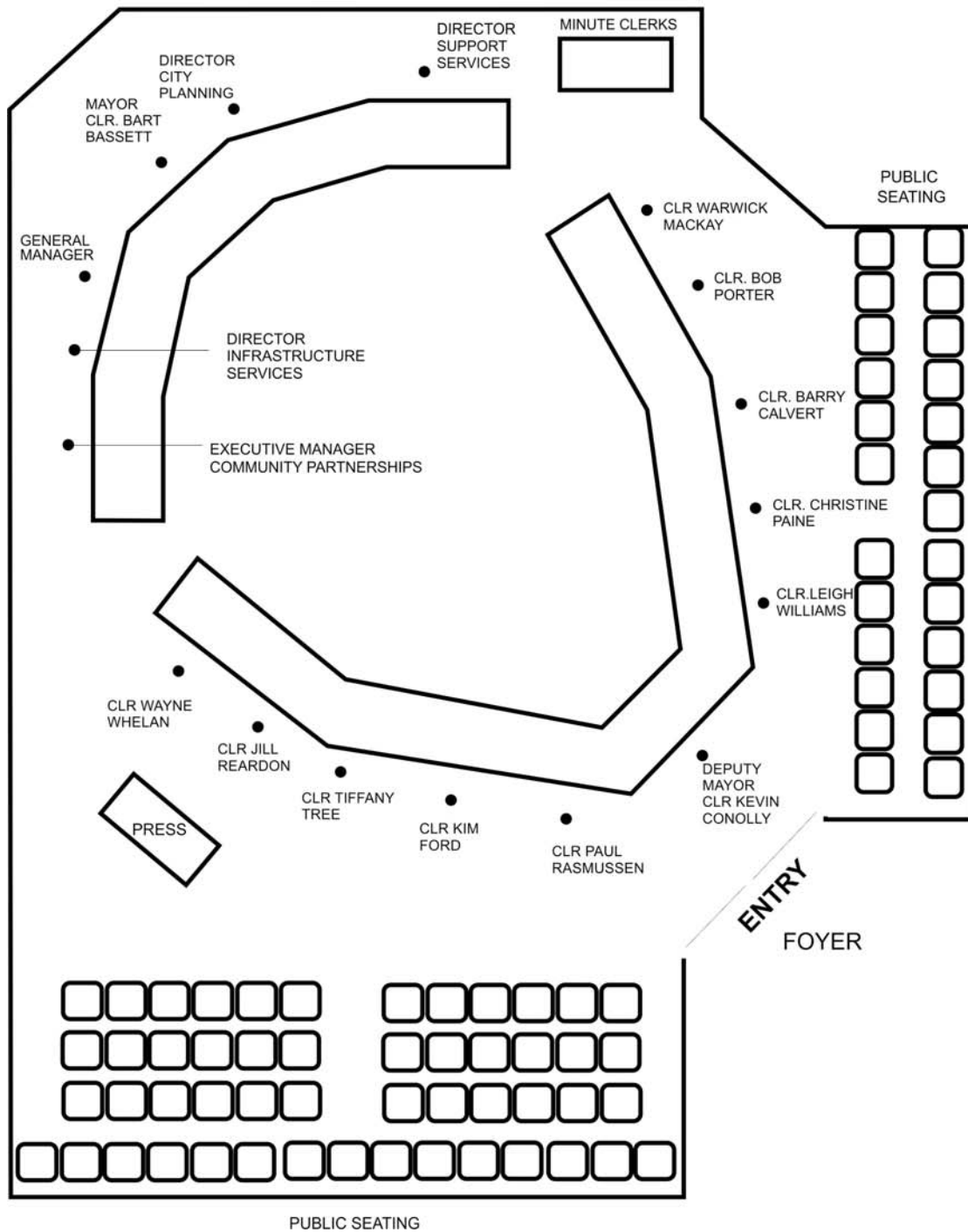
Website

Business Papers can be viewed on Council's website from noon on the Friday before each meeting. The website address is www.hawkesbury.nsw.gov.au.

Further Information

A guide to Council Meetings is available on the Council's website. If you require further information about meetings of Council, please contact the Manager, Corporate Services and Governance on, telephone (02) 4560 4426.

council chambers



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- **APOLOGIES**
- **DECLARATION OF INTERESTS**
- **AGENDA ITEMS SUBJECT TO PUBLIC ADDRESS**
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SECTION 4 - Reports for Determination

GENERAL MANAGER

Item: 81 GM - Draft Management Plan 2011/2012 - (79351, 95496, 96332)

REPORT:

Executive Summary

The purpose of this report is to submit the Draft Management Plan 2011/2012 for Council's consideration.

The Local Government Amendment (Planning and Reporting) Act 2009 provides transitional provisions for phasing in the legislative requirements of the Integrated Planning and Reporting framework. These provisions allow for councils to continue operating under the legislative requirement in place prior to the Amendment Act until such time as their group commences under the new Integrated Planning and Reporting framework. Council is a Group 3 Council for the purpose of implementing the Integrated Planning and Reporting framework. Council is to be fully compliant by June 2012.

In accordance with the transitional provisions outlined above, the Draft Management Plan 2011/2012 has been prepared in line with the Management Plan requirements under the former Chapter 13 of the Local Government Act 1993 (the Act). Councils are required to prepare a Management Plan each year that is to be placed on public display for at least 28 days prior to considered by the Council.

Council is in the process of meeting the State Government's requirements to have a fully Integrated Planning and Reporting system in place by June 2012. The major directions identified by the community form the basis of the Hawkesbury Community Strategic Plan 2010-2030. The principal activities identified in this Plan, and the relevant Operational Plan actions for 2011/2012 are included in Part 1 of the Draft Management Plan.

Part 2 of the Management Plan consists of the Draft Budget Estimates for 2011/2012 to support Council's activities and specific programs identified in the Operational Plan 2011/2012, and projections for the following three financial years. The Budget Estimates also includes a ten year Capital Works program and a ten year Infrastructure Renewal Program.

Part 3 of the Management Plan is the Draft Revenue Pricing Policy (with Fees and Charges). This document is a list of Council's fees and charges for 2011/2012 including all areas that support the production of Council's income from which Council provides its services. The document provides detail on the proposed rates and annual charges.

The report recommends that the information contained within this document is received and that the Draft Management Plan 2011/2012 be adopted for exhibition purposes and be advertised in accordance with the former Section 405 of the Act. The report also recommends that an Extra-Ordinary Meeting of Council be held on Tuesday, 21 June 2011 to consider any public submissions received in respect of the Draft Management Plan 2011/2012, consider the adoption of these documents and to make and fix rates and charges for the year ended 30 June 2012.

Consultation

Subject to the Council adopting the Draft Management Plan 2011/2012 at this meeting, it is proposed that it will be placed on public exhibition from Monday, 9 May 2011 for the minimum 28 day period. Following this period a summation of any submissions received will be presented to an Extra-Ordinary Council

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Meeting to be held on Tuesday, 21 June 2011 to consider the submissions received and adopt the Draft Management Plan 2011/2012 as well as setting rates and charges. A council must adopt its Management Plan by 30 June and set its rates for a financial year by 31 July of that year.

Background

1. Introduction

I am pleased to submit the Draft Management Plan 2011/2012 for Council's consideration covering the 12 month period ending 30 June 2012. This document, incorporated within three booklets, has been circulated separately to all Councillors prior to the Councillors' Draft Management Plan Briefing Session held on Monday, 11 April 2011.

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

The NSW Division of Local Government has initiated planning and reporting reform for NSW local governments and in October 2009 the Local Government Amendment (Planning and Reporting) Act 2009 commenced. This reform replaces the former Management Plan and Social Plan with an integrated framework, consisting of a hierarchy of documents, which include a long-term Community Strategic Plan and a Delivery Program supported by a Resourcing Strategy for each elected council term. An Operational Plan is then developed for each year to outline the specific details of Council's activities and the Budget, and then report on the progress of its activities to the community through the Annual Report.

The legislation allows for a provision for a transitional arrangement giving councils time to implement the new integrated planning framework over the 2010/2012 period. Council has been placed in Group 3 under the transitional provision for phasing in the Local Government Amendment (Planning and Reporting) Act 2009 of the Integrated Planning and Reporting framework. This means Council will need to implement the framework by 1 July 2012.

In light of the new legislative requirements, Council has initiated the Community Engagement Strategy and prepared and adopted the Hawkesbury Community Strategic Plan 2010 – 2030 in October 2009. Council is continuing to phase in the new planning provisions incrementally in its Management Plan process. The first transitional Management Plan was prepared for the 2010/2010 financial year. Further transition has been undertaken for the Draft Management Plan 2011/2012. During 2011/2012, Council will continue to develop its Management Planning documents through the development of its Resourcing Strategy, comprising of an Asset Management Plan, A Workforce Plan and a Long-Term Financial Plan. Council's Management Plan 2012/2013 will be prepared under the Integrated Planning and Reporting framework.

The preparation of the Draft Management Plan 2011/2012 was particularly difficult taking into consideration the increase in costs and the limits placed on revenue by way of rate-pegging and statutory limits on fees and charges. Managing the diverse and growing expectations of the community, with Council's capacity to deliver within its limited financial scope, is a challenging task.

The State Government has assigned the task of setting the annual rate cap increase available to councils to the Independent Pricing Regulatory Tribunal (IPART). IPART has since announced the 2011/2012 rate cap for New South Wales at a lower than expected level of 2.8%. This has had a considerable impact on the preparation of the Draft Budget for 2011/2012. It has been very difficult to fund the current service levels in light of increasing costs and restricted revenue.

Under an agreement reached between the Federal Government the States in April 1995, all levels of Government, including Local Government, are required to review their practices and introduce a competitive approach to their business activities.

2. Competition Policy

The Local Government Association has negotiated a policy statement applicable to Local Government with the State Government of New South Wales regarding competition policy, which has been effective from 1 July 1997.

As a result of this agreement business activities owned by Council with turnover in excess of \$2 million are required to adopt a competitive approach and carry all appropriate overheads attributable to that operation.

For the 2011/2012 financial year Council will have two business activities with turnover in excess of \$2 million, being Sewerage Services and the Hawkesbury Leisure Centres, and are categorised as Category 1 Businesses.

Council has adopted appropriate procedures in relation to the two Category 1 Business Activities and these are detailed in Council's Draft Management Plan 2011/2012 (Booklet 1 – Strategic and Operational Plan).

3. Strategic Issues

Over many years now, and increasingly so since the introduction of the Local Government Act 1993, all Councils in New South Wales have had to address the issue of becoming involved in the delivery of a wider range of services. 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.

Council needs to ensure that it develops a financial position that enables it to take advantage of opportunities that arise from time to time such as strategic land acquisitions and planned major infrastructure improvements and also take advantage of development opportunities that enable Council to supplement, on an ongoing basis, its revenue base independent of rate income.

Without a sound financial base, it is not possible to respond positively to such opportunities and capital expenditures, due to financial limitations such as rate pegging. Therefore, Council needs to be vigilant in respect of its expenditure as divergence from its planned path together with the impact of rate pegging failing to match inflationary pressures all impact upon the Council's financial base.

4. Management Plan

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

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

- A statement of the principal activities that the Council proposes to conduct;
- A statement of the objectives and performance targets for each of its principal activities;
- A statement of the means by which the Council proposes to achieve these targets;

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- A statement of the manner in which the Council proposes to assess its performance in respect of each of its principal activities;
- Statements with respect to such other matters as may be prescribed by the regulations.

The Statement of Principal Activities must include the following details:

- Capital works projects to be carried out by the Council;
- All services to be provided by the Council;
- Asset replacement programs to be implemented by the Council;
- Sales of assets to be conducted by the Council;
- Activities of a business or commercial nature to be undertaken by the Council;
- Human resource activities (such as training programs) to be undertaken by the Council;
- Activities to properly manage, develop, protect, restore, enhance and conserve the environment in a manner that is consistent with and promotes the principles of ecologically sustainable development;
- Activities in response to, and to address priorities identified in, the Council's current comprehensive reports as to the state of the environment and any other relevant reports;
- Programs to be undertaken by the Council to implement its equal employment opportunity management plan.
- Such other particulars as may be prescribed by the regulations

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

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

The Management Plan must specify ordinary or special rates proposed to be levied, particulars regarding fees and charges and a Statement of Income and Expenditure over the second and third years covered by the Plan. Details in this regard have been included in the documents prepared and comprising the Council's Draft Management Plan 2011/2012 for this purpose.

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The Draft Management Plan 2011/2012, together with other supporting documentation, in the form of three booklets, has been distributed under separate cover.

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

5. 2011/2012 Draft Budget

Current and Forecast Economic Indicators

The table below shows current and forecast economic indicators.

	APR 2011	FORECAST SEP 2011	FORECAST JUNE 12
Official Interest Rates	4.75%	5.00%	5.25%
Unemployment	4.8%	4.7%	4.4%
CPI	3.6%	3.5%	1.4%
Growth GDP	2.0%	2.7%	3.8%

Source: NAB Australian Markets Weekly Monday 4 April 2011

Long Term Financial Aims

The long term financial aims of Council are:

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

Recent Budgeting Trends

- Council has reported 18 consecutive favourable Budget Quarterly Reviews up to December 2010.
- Contingency Reserve established in 2006 to fund possible future deficits.
- As suggested by Council's External Auditor, Council remains in a sound and stable financial position, effectively **at the present time**.
- However, ongoing infrastructure funding issues remain a significant and concerning issue requiring continual consideration and attention.

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The 2011/2012 Draft Budget has been established based on a combination of index factors utilised. The indexation utilised for cost and revenue escalations include the following -

Table 1 - Indices utilised

INDEX FACTORS	2011/2012
Employee Cost Increase	2.15%
Consumer Price Index	3.1%
Interest	6.00%
Rate Pegging	2.80%
Statutory Fees	As prescribed

Table 2 - Indices utilised

OPERATING REVENUE	Assumption	Indexation	2011/2012
Fees & Charges for Services	At least to cover cost of providing the service	CPI, Rate Pegging or Wages	2.15% - 3.1%
Statutory Fees	In accordance with legislation	Nil	NA
Interest Revenue	Based on cash balance	Return on Investment	6.0%
Other Income	Based on previous / expected trends	CPI	3.1%

OPERATING EXPENDITURE	Assumption	Indexation	2011/2012
Employee Costs	Based on estimated award increases and step increments	Award, and Increments	2.15%
Materials	Based on previous trends	CPI	3.1%
Contracted Services	Based on previous trends / contract stipulations	CPI / contract	3.1% / contract
Fees / Contributions	Based on advice if available	NA	NA

As outlined in the tables above, the budget estimates for income are in the majority based on some assumptions and appropriate indices. To ensure that income and expenditure estimates are adequate, this basis was supplemented by consideration of other relevant factors.

While Council's income comes mainly from rating revenue, other income is often dependent or is affected to a certain extent by wider economic factors or trends outside Council's control. National and global economic conditions, market forces and price sensitivity, and expected major change in current trends were also taken into consideration when estimating Council's revenue for the 2011/2012 Financial Year.

Estimation of costs incurred to deliver Council's Operational and Capital Programs, while mainly based on the assumptions and cost escalations outlined above, also include consideration of escalations above base indexation, expected or known changes on previous cost trends and known or expected changes in community expectations. Cost estimations, where applicable, reflect new or revised legislative requirements and cost shifting from other levels of government.

Income and expenditure estimates are based on maintaining Council's existing service levels. In addition, estimates also include the financial implications of resolutions of Council during the 2010/2011 financial year which included consideration as part of the 2011/2012 Draft Budget. Main items included are:

- Rex Stubbs OAM Memorial Scholarship
- Christmas Lights Contribution

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- Roberts Creek Road Creek Crossing
- Jones Road, Lower Portland – Right of Way
- Toilet Block at Yarramundi Reserve

Included in the 2011/2012 Budget is also funding required to address the Community Strategic Plan Milestones 2009–2012. Funding is included for principal activities associated with the following milestones:

- Review and update heritage list in Hawkesbury LEP.
- Prepare and implement Asset Management System.
- Implement Mobility Plan including Pedestrian Access and Bike Plan.
- Develop and implement a tourism strategy.
- Conduct bi-annual community survey program.
- Review and update Council's long-term financial plan.

Operational Budget

As would be appreciated the budget preparation process occupies a considerable period of time within the organisation. To produce a "balanced budget", while maintaining current service levels, and including relevant Council resolutions, income and expenditure estimates were closely reviewed and adjusted as necessary.

It cannot be stressed enough that producing a balanced budget is becoming increasingly difficult as increasing community expectations, additional legislative requirements and cost shifting from other levels of government are not offset by increased revenue.

In light of the above mentioned budget constraints, in the event that Council wishes to alter any of these estimates or introduce new items, it is suggested that it would also be necessary for Council to nominate an alternate source of funding from within the Draft Budget from which funds could be deducted in order to increase an item or fund a new item.

Council has recently been advised that due to the recent natural disasters in Australia and globally, the Westpool Board decided it would be prudent for an additional amount to be called from all councils in the Pool foreshadowing a premium boost expected in October 2011. For Hawkesbury Council, this is an additional \$52,000. Due to the timing of the advice this adjustment was not included in the Draft Management Plan documents distributed to Council prior to the Briefing Session held on Monday, 11 April 2011. This adjustment is, however, included in the documents as attached to this report. The additional cost has been funded from the Internally Restricted Reserve - Risk Management Reserve and has a nil impact on the bottom line of the Draft Budget 2011/2012.

Sources of Revenue

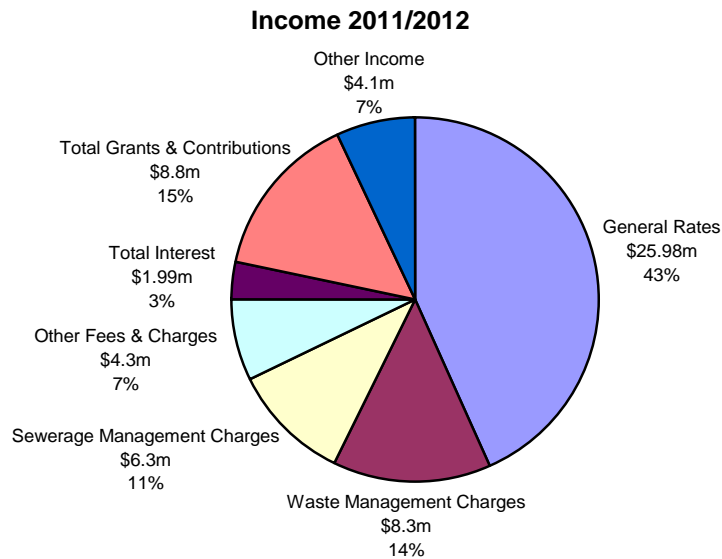
Council's estimated revenue from ordinary activities for 2011/2012 is as follows:

Source of Revenue	Amount \$	%
General Rates	25.98M	43.47%
Utility Rates & Charges	14.6M	24.43%
Grants and Contributions	8.8M	14.72%
Fees & Charges	4.3M	7.19%
Other Operating Income	4.1M	6.86%
Interest	1.99M	3.33%
TOTAL	59.77M	100%

These respective portions of each revenue source are further represented in the following graph:

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Rating Structure and Parameters

Council's current rating structure provides for three different types of ordinary rates: residential, farmland and business. The rate type applicable to a particular property is determined on the basis of the property's rating categorisation. All properties are categorised in accordance with the provisions set out in the Local Government Act, 1993.

Council levies general land rates on properties in its Local Government Area (LGA) 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 Valuer General, multiplied by the rate in the dollar set by Council for the year. The rate in the dollar for the year is determined in conjunction with the rate pegging limit set by the IPART, so that the total rate income received will not exceed the permissible income limit. Council also uses a minimum rate system, resulting in each property at least being charged a minimum rate. For the 2011/2012 financial year, the proposed minimum rate for all rateable properties is \$469.00.

As stated above, the rates levy applicable to each property fluctuates depending on the Valuer General's land revaluations, which occur on a three year cycle. The rates levy applicable to each property can vary significantly as a direct result of changes in land values, with increases for some ratepayers being offset by decreases for others. These changes do not change Council's overall rating income, but merely redistributes the levy applicable to each rateable property in the LGA.

The Valuer General revalued the properties in the Hawkesbury LGA in 2008, to be used for rating purposes from 1 July 2009 onwards until the next revaluation in 2011. Accordingly, these valuations have been used to determine the rate in the dollar applicable to the 2011/2012 rating year. The next revaluation will occur towards the end of 2011.

A report regarding the structure of the rating levy to be applied when drafting the 2010/2011 Revenue Pricing Policy was considered by Council on 30 March 2010. Direction was also sought regarding the utilisation of the "catch up" amount in the 2010/2011 rating year.

At the meeting held on 30 March 2010, Council resolved, in part, as follows:

"That:

1. (a) *In respect of the "catch up" amount available to Council as referred to and detailed in the report presented to Council on 9 March 2010, 50% of that amount be incorporated into the 2010/2011 Draft Budget, for Council's further*

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consideration on the basis of the remaining 50%, and any other available "catch up" amount being incorporated into the subsequent 2011/2012 Draft Budget.

With reference to the "catch up" amount referred to in the resolution, the Draft Management Plan 2011/2012 has been prepared on the basis of the remaining 50% of the amount of "catch up" available being utilised.

At the Council Meeting of 30 November 2010, Council considered and noted a report regarding the rating strategy for the 2011/2012 financial year. In this report it was proposed that the Farmland Rate for 2011/2012 is set at 75% of the Residential Rate.

Accordingly, the Draft Management Plan 2011/2012 has been prepared on the basis of the business rate being the same as the residential rate and the farmland ad valorem rate being set at approximately 75% of the residential/business ad valorem rate.

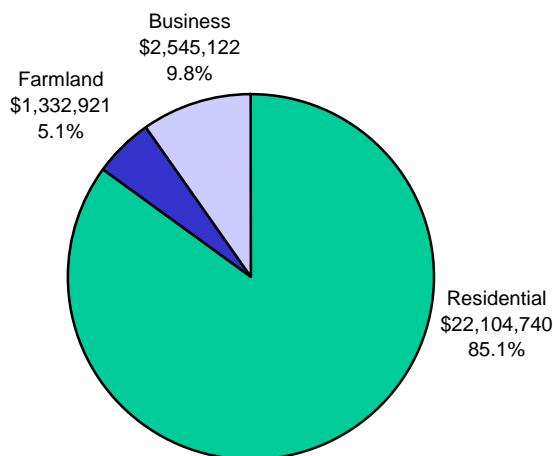
Notional Yield

Council's projected Notional Yield from general rate income for 2011/2012, based upon the documentation now before Council, provides for the utilisation of the 2.8% rate pegging increase announced by the Minister and utilising the remaining "catch up" available, is as follows:

GENERAL RATE TYPE	Actual 2010/2011		Budget 2011/2012	
	\$	%	\$	%
Residential	21,516,223	85.23%	22,104,740	85.1%
Farmland	1,230,834	4.88%	1,332,921	5.1%
Business	2,496,664	9.89%	2,545,122	9.8%
Total Notional Yield	25,243,721	100%	25,982,783	100%

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

Estimated General Rates 2011/2012



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Utility Rates and Charges

The 2011/2012 Draft Budget proposes the following increases in Utility Rates and Charges.

- Sullage Nil
- Sewerage +9.9%
- Domestic Waste Management +6%
- Kerbside clean-up To be determined
- Commercial Waste Collection +14.2%

Sullage Charges

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 cost of running the program, as well as provide for future rehabilitation works. As part of the 2011/2012 budget process, the Sullage reserve current and on-going balance has been assessed and deemed adequate based on no increase in charges for the 2011/2012 financial year.

It is to be noted, however, that it is likely to be Sullage price increases in the future as the next tender becomes a diminished service due to sewerage connections from the Three Towns Sewerage Scheme.

Sewerage Charges

In accordance with legislative requirements, Council maintains an externally restricted reserve for the Sewerage Program. All funds received through annual sewerage charges are quarantined to fund on-going program operational costs, and asset renewal and replacement. The Sewerage Program is self-funding, so it is essential to ensure that funds required are available within the Sewerage Reserve. As part of the 2011/2012 budget process, the 10-Year Plan was reviewed for the Sewerage Operating Program, the Sewerage Capital Program and the S64 Program respectively.

Based on the resulting projections, it is proposed that the sewerage charges are increased by 9.9% for the 2011/2012 financial year. This will bring the residential connected charge to \$542.90. This and any future adjustments to charges are intended to ensure that adequate funds are available for the maintenance, renewal and replacement of the Council operated sewerage network infrastructure.

Domestic Waste Management and Commercial Waste Collection

The Minister has not specified a percentage in terms of Section 507 of the Local Government Act 1993 by which the amounts of annual charges for domestic waste management services may be varied for the rating year commencing July 2011. 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.

In line with legislative requirements, Council maintains a Domestic Waste Management Reserve. In line with the above direction relating to recoverable costs determination, as part of the 2011/2012 Budget process, Council has undertaken a thorough review of its Domestic Waste Management program costs and the resulting funding requirements for 2011/2012 and future years.

Council currently provides the Domestic Waste Service through internal resources. The Service currently utilises the Hawkesbury Council Waste Management Facility to dispose of the garbage collected. Whilst this practice results in savings from additional transportation costs that Council would incur if it utilised an alternate disposal site, the service is not protected from the impact of significant increases in the S88 Waste Levy imposed by The Department of Environment, Climate Change and Water. For 2011/2012, the S88 levy will increase from \$65.30 to \$76.80 per tonne, an increase of 17.6%. Further substantial increases are expected in future financial years.

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Taking into consideration the current and projected adequate reserve levels over the coming 10 years, at this stage there is no requirement to pass on the full increase of the S88 Levy on to ratepayers for the 2011/2012 financial year. The proposed increase of 6% is therefore considered adequate at this time.

The proposed increase for the commercial waste charge is based on the S88 levy increase applicable to Sydney Metropolitan Area waste management facilities.

Kerbside Clean up

An "at call" Kerbside Bulk Waste Collection and Disposal Service was introduced in 2004/2005. This service is currently in a tendering process, with the tender results and recommendations to be submitted to Council at the Extra-Ordinary Meeting of the 3 May 2011. The Service to be provided and the associated charges are therefore yet to be determined. An amount of \$450,000 has been included in the Domestic Waste Component for the income and corresponding expenditure for this Service. This amount is an estimate only. The Service to be provided and the applicable fees have not been specified in the 2011/2012 Draft Revenue Pricing Policy. It is envisaged that subsequent to the Extra-Ordinary Meeting to be held on 3 May 2011, a fee will be established and incorporated in the Draft Management Plan 2011/2012 documentation prior to being placed on public exhibition.

Rates/Charges Concessions

Concessions on the rates and charges levied are available to eligible pensioners. Council has in excess of 2,800 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. The Local Government Act provides for pension rebates of up to 50% of the aggregated ordinary rates and domestic waste service charges, to a maximum of \$250.00. Council is reimbursed 55% of this concession by the State Government, and funds the remaining 45% (up to \$112.50 per property).

A concession is also available to eligible pensioners who are subject to the residential connected charge under the Windsor Sewerage Scheme. The rebate granted represents 50% of the annual charge. For 2011/2012 this will be \$271.45 per annum. While Council receives partial reimbursement of the subsidy, it funds the remaining balance, which for 2011/2012 will be \$223.32 per property.

Council also fully funds a pensioner concession for sullage charges, which for 2011/2012 will be \$622.50 per property.

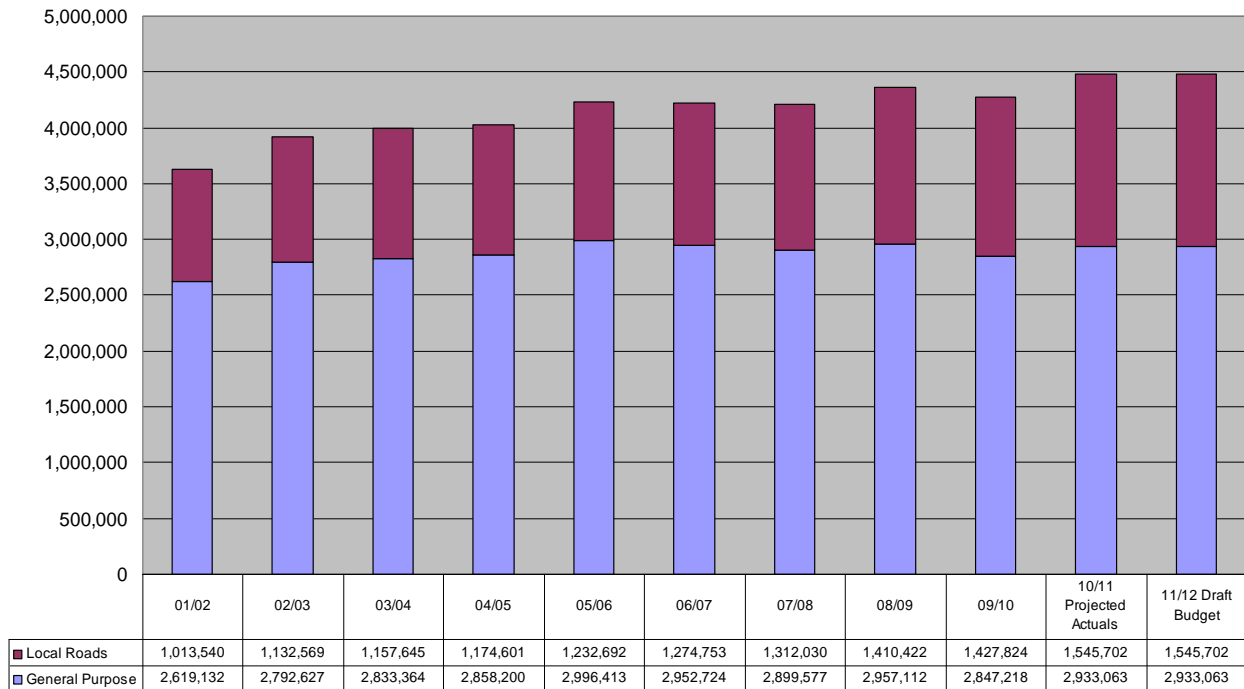
Financial Assistance Grant

Council receives Financial Assistance Grants from the Federal Government. The Financial Assistance Grant consists of General Purpose and Local Road Components. The following graph outlines the Financial Assistance Grants received by Council from 2001/2002 to 2010/2011. The graph also shows that Council has budgeted for these grants in 2011/2012 to remain at the same level as those received in 2010/2011.

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Financial Assistance Grants 2011/2012



Statutory Fees

Council's revenue stream from statutory fees is expected to be approximately \$1.2 million for 2011/2012 or 28% of the total user fees and charges received. These fees are controlled by the State Government, resulting in Council's income increase being limited by static statutory fees in past years.

At the meeting of 21 April 2009 Council considered a report regarding the Draft Management Plan 2009/2010 and Draft Budget 2009/2010. At that meeting, Council's resolution included, that:

“Council write to the Minister of Local Government detailing those statutory fees relevant to Council's operations which have not been increased for three years or more and seeking clarification as to whether these fees will be increased during 2009 to compensate for inflation.”

Council has made representations to the Minister in line with the resolution above. A number of statutory fees have increased for the 2011/2012 financial year. Statutory fees that have been increased include S149 and 149D Planning Certificates fees, fees relating to Modification of Consent under S96 of the EPA Act, and Development Application (DA) fees. The increase in these fees has been taken into consideration when estimating relevant income streams for 2011/2012.

Council Controlled Fees

Council receives annually approximately \$4.3 million in fees and charges. The level of income from fees and charges is dependant on the level of activity and the pricing structure adopted by Council.

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

The following table below summarises the major sources of fees and charges income as budgeted in 2010/2011 and as estimated in the 2011/2012 Draft Budget:

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Summary of major fees and charges

Fee	2010/11 Original Budget \$	2011/12 Draft Budget \$	Increase / (Decrease) %
Building & Development			
<i>Construction Certificates</i>	371,000	351,000	-5%
<i>Development Application</i>	411,000	490,600	19%
<i>Sect 149 Certificates</i>	128,000	133,500	4%
Animal Management	460,535	512,850	11%
Parking Patrol	405,000	420,000	4%
Pool Income	161,000	145,000	-10%
Cemeteries	142,982	168,925	18%
Septic Tank Inspections & Permits	241,263	243,510	1%
TOTAL MAJOR SELECTED FEES	2,320,780	2,465,385	6%

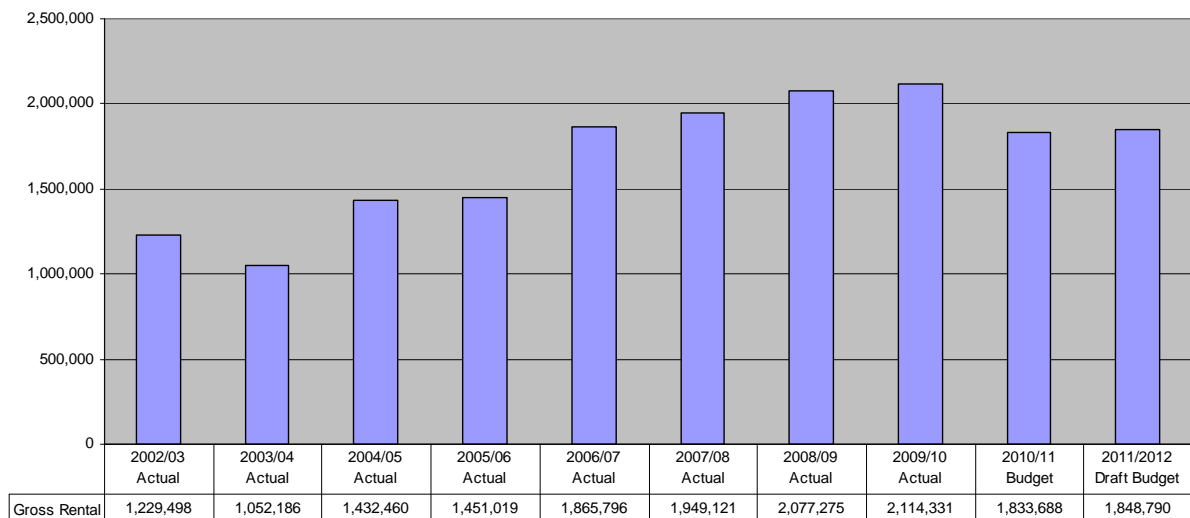
Rental Income

Council has a diverse and extensive property portfolio. Council currently has approximately 95 properties under lease, which continue to provide a vital alternate source of income for Council.

It is anticipated that Council will receive in excess of \$1.85 million gross rental in 2011/2012, with some vacancies budgeted for. This represents an increase in the rental income of approximately \$15,000 on the 2010/2011 Budget.

The following graph shows the levels of gross rental Council has received from 2002/2003 to 2009/2010 and the budgeted amounts for 2010/2011 and 2011/2012:

Gross Rental



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Interest Earnings

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

Council manages its investments in accordance with Council's Investment Policy which was adopted by Council in June 2010.

Council has a strategic investment strategy, with its total investment portfolio being bank deposits. Currently, on average, 73% of the portfolio is invested with 1st Tier Institutions, with the remaining 27% being invested with 2nd Tier Institutions. The latter are limited to \$1M per institution and are protected by the Financial Claims Scheme, due to be reviewed in October 2011 as announced by the Treasurer on 7 February 2010.

Council adopts a prudent approach when investing funds, to ensure maximum returns are obtained whilst maintaining the liquidity requirements in line with Council's Investment Policy and ensuring the security of Council's investments. Council also takes into consideration advice provided by Council's Independent Investment Advisor, who was appointed in 2008.

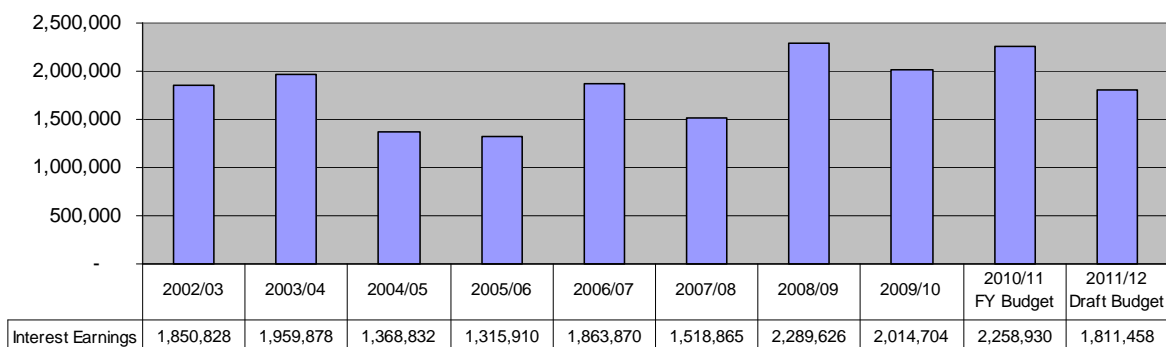
In April 2011, the Reserve Bank maintained official interest rates at a cash rate of 4.75%.

Economic forecasts indicate that the cash rate will reach 5.25% by June 2012. However, recent media communications have indicated possible reduction in interest rates over the coming months. The impact of economic conditions and unforeseen events is difficult to predict, therefore, at this stage, it is deemed prudent to maintain estimated interest revenue at a conservative level.

The interest rate used to estimate interest earnings on Council's investment portfolio during 2011/2012 is 6%.

The following graph outlines the interest earnings from 2002/2003 through to the projected earnings for 2010/2011 and 2011/2012.

Interest Earnings



Employee Costs

The projected 2011/2012 employee costs includes allowance for the award increase of 2.15% and salary system increments, etc and proposed new positions outlined later in the report. Employee costs for outdoor staff are costed across the various works that are carried out.

In addition, as part of the 2011/2012 budgetary process a number of new positions were sought by various areas within the Council. The requests were thoroughly reviewed and prioritised by senior management,

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resulting in the following four new positions, representing 3.6 Full-time Equivalents, being proposed in the 2011/2012 Draft Budget.

Library Trainee – Full Time – Cost - \$14,100 – This resource is aimed at attracting community members to the cultural services facilities. This cost is offset by a reduction in the casuals budget for the Library.

Animal Shelter Assistant – Full Time - \$48,196 – This resource is aimed at providing an additional administrative and customer support to assist in the running of the Animal Shelter. This cost is partially offset by a reduction in the overtime budget for the Shelter.

Nursery Manager – Part Time - \$23,408 – This resource is required to optimise the use of Council's Nursery site and to provide an improved level of service and education to the community.

Asset Accountant – Full Time - \$55,531 – This resource is required to support asset management and asset planning across Council to ensure optimal use of Council's funds for asset maintenance, renewal and replacement.

All the above positions have been included in the amount budgeted for employee costs.

Superannuation Contributions

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

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

On 27 March 2009 the LGSS advised that the Trustee of the Scheme had agreed to a revised funding proposal of increased contributions of an extra 100% over and above 2008/2009 contribution rates; however, this increase in contribution rates scheduled for the next 10 years. Further, the LGSS advised that the revised funding proposal was dependent on the Scheme exceeding investment returns of 7%. This resulted in an increase for Council of over \$500,000. The employer contribution rates for 2009/2010 remained unchanged for the 2010/2011 financial year.

On the 16 December 2010 the LGSS advised that as a result of the actuary's recent investigation, employers are required to continue to make additional contributions for 2011/2012. It was further advised that the way these additional contributions are calculated is altered so as to allocate a fairer amount to each council. Based on the new calculation formula, the additional amount payable for employer contributions by Council, in respect of approximately 50 employees covered by this Scheme, for 2011/2012 has been budgeted at approximately \$800,000, a reduction in the vicinity of \$300,000 over the amount budgeted for 2010/2011.

Service Standards

In general, current operational service levels are maintained in the 2011/2012 Draft Budget. However, the growing gap between available revenue generated by rate pegging and declining revenue streams as a result of reduced activity coupled with rising operating expenses is placing increasing pressure on the service level/cost containment mix of this Budget.

EXTRAORDINARY MEETING**Meeting Date:** 19 April 2011**Capital Budget**

Another challenge encountered in the budgeting process has been ensuring sufficient funding for adequate asset management. Council's infrastructure, comprising an extensive road network, parklands, community buildings, and sewerage networks, needs to be adequately funded in line with a sound management approach. Capital funding included in this Management Plan is, in majority, asset replacement or renewal. It should be noted that expenditure on the provision of new assets is limited to ensure the ongoing burden of maintenance is maintained to an acceptable level. During 2011/2012 it is proposed to spend in the vicinity of \$8.5 million on capital works. This does not include expenditure in the Infrastructure Renewal Program, which is outlined later in this report.

The below table provides a summary of the proposed capital works expenditure contained within the 2011/2012 Draft Budget.

Program	Draft Budget 2011/2012 \$
Domestic Waste Management Services	472,786
Roadworks, Drainage & Ancillary facilities	3,205,155
Plant & Depot	653,437
Parks & Recreation	693,918
Building Services	212,500
Sewerage Services	841,609
Waste Management Facility	28,000
Emergency Services	327,000
Regulatory Services	119,000
Property Development	117,400
Computer Services	475,000
Cultural Services	310,000
Fleet	1,081,000
TOTAL	\$8,536,805

Some of the major projects that are proposed to be funded within the Capital Works Program of the 2011/2012 Draft Budget include the following:

- Roads to Recovery Program (Hermitage Road, Midson Road, Slopes Road, Snailham Crescent) \$711,200
- Bells Lane, Kurmond \$ 82,000
- Hermitage Road, Kurrajong Hills \$270,000
- Old Pitt Town Road, Oakville \$ 80,000
- Brennans Dam – Old Stock Route Road, Oakville \$ 85,000
- Road Rehabilitation Various \$603,000
- Pitt Street, Richmond \$260,000
- Windsor Street \$100,500
- Bridge Construction – Upper Colo No.5 and Roberts Creek Crossing Investigations \$398,000

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Infrastructure Renewal Program

In addition to the Capital Works Program, an amount in excess of \$1.4 million is proposed to be spent under from the Infrastructure Renewal Program for 2011/2012.

The table below provides a summary of the proposed capital works expenditure contained within the Infrastructure Renewal Program of the 2011/2012 Draft Budget.

Program	Draft Budget 2009/2010 \$
Roadworks	850,902
Buildings	96,000
Parks and Recreation	490,000
TOTAL	\$1,436,902

Some of the major projects that are proposed to be funded within the Infrastructure Renewal Program of the 2011/2012 Draft Budget include the following:

- Hawkesbury Leisure Centre \$ 50,000
- Howe Park \$200,000
- Richmond Park Lighting \$ 20,000
- Ham Common \$ 20,000
- Sports Council \$150,000
- Bligh Park Community Centre \$ 20,000
- Richmond Occasional Centre \$ 21,500
- Road Rehabilitation \$455,000
- Road shoulder renewal \$100,000

6. Future Financial Sustainability

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

Significant advances have been made during recent budgets to reduce operational costs and to direct rate revenue and operational savings towards funding future infrastructure works.

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

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

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

7. Appreciation

The effort of all staff, in preparing the Draft Management Plan 2011/2012 incorporating the Draft Budget is very much appreciated given the major changes continuing to occur during the year. It is also pleasing to see the co-operative approach by the Directors and Managers to bring down a "balanced budget" with the objective of providing the works and services able to be provided by Council within existing financial restrictions as seen from a corporate viewpoint. This has also been in the midst of significant work being undertaken to meet the Integrated Planning and Reporting reforms at the Division of Local Government.

8. Adoption of Budget for Year Ended 30 June 2012

As mentioned earlier in this report, assuming Council finalises the Draft Management Plan 2011/2012 at this Meeting, it is anticipated that advertising of the Management Plan, will commence for the minimum 28 day period from Monday, 9 May 2011. During the exhibition period, any person may make a submission to Council.

Council will be able to hold an Extra-Ordinary meeting of Council on Tuesday, 21 June 2011 to consider the adoption of the Draft the Management Plan 2011/2012, incorporating Council's Budget and Revenue & Pricing Policy, and make and fix the rates and charges for the year ended 30 June 2012.

Conformance to Community Strategic Plan

The proposal is consistent with the Shaping Our Future Together Directions statement:

- "Be financially sustainable to meet the current and future needs of the community based on a diversified income base, affordable and viable services".

and is also consistent with (or is a nominated) strategy in the Community Strategic Plan being:

- "Maintain and review a sustainable long term financial framework."

The Management Plan is the key document by which Council develops the detail and implements the actions to achieve the Community Strategic Plan Directions.

Financial Implications

The adoption of the recommendation in this report will result in the Draft Management Plan 2011/2012, including the Revenue Pricing Policy and Budget Estimates, as outlined in this report and detailed within the attachments, being placed on exhibition, and subject to Council resolutions arising and public submissions received, being adopted for the financial year 2011/2012.

RECOMMENDATION:

That:

1. The report regarding the Draft Management Plan 2011/2012 be received.
2. The Draft Management Plan 2011/2012, incorporating Council's Strategic and Operational Plan, Budget Estimates and Revenue Pricing Policy, subject to amendments regarding the Kerbside Collection Clean Up Service that may be resolved by Council at the Extra-Ordinary Meeting of 3 May 2011, being incorporated in to the document, be adopted for exhibition purposes and be advertised in accordance with Section 405 of the Local Government Act 1993.
3. An Extra-Ordinary Meeting of Council be held on Tuesday, 21 June 2011 to consider any public submissions received in respect of the Draft Management Plan 2011/2012 and to consider the adoption of these documents and to make and fix rates and charges for the year ended 30 June 2012.

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ATTACHMENTS:

AT - 1 Draft Management Plan 2011/2012 (Booklets 1 to 3) - (*Distributed Under Separate Cover*).

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EXTRAORDINARY MEETING

Meeting Date: 19 April 2011



extraordinary
meeting

end of
business
paper

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