



Hawkesbury City Council

extraordinary
meeting
business
paper

date of meeting: 20 April 2010
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 fsut@hawkesbury.nsw.gov.au.

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

A Point of Interest

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

Planning Decision

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

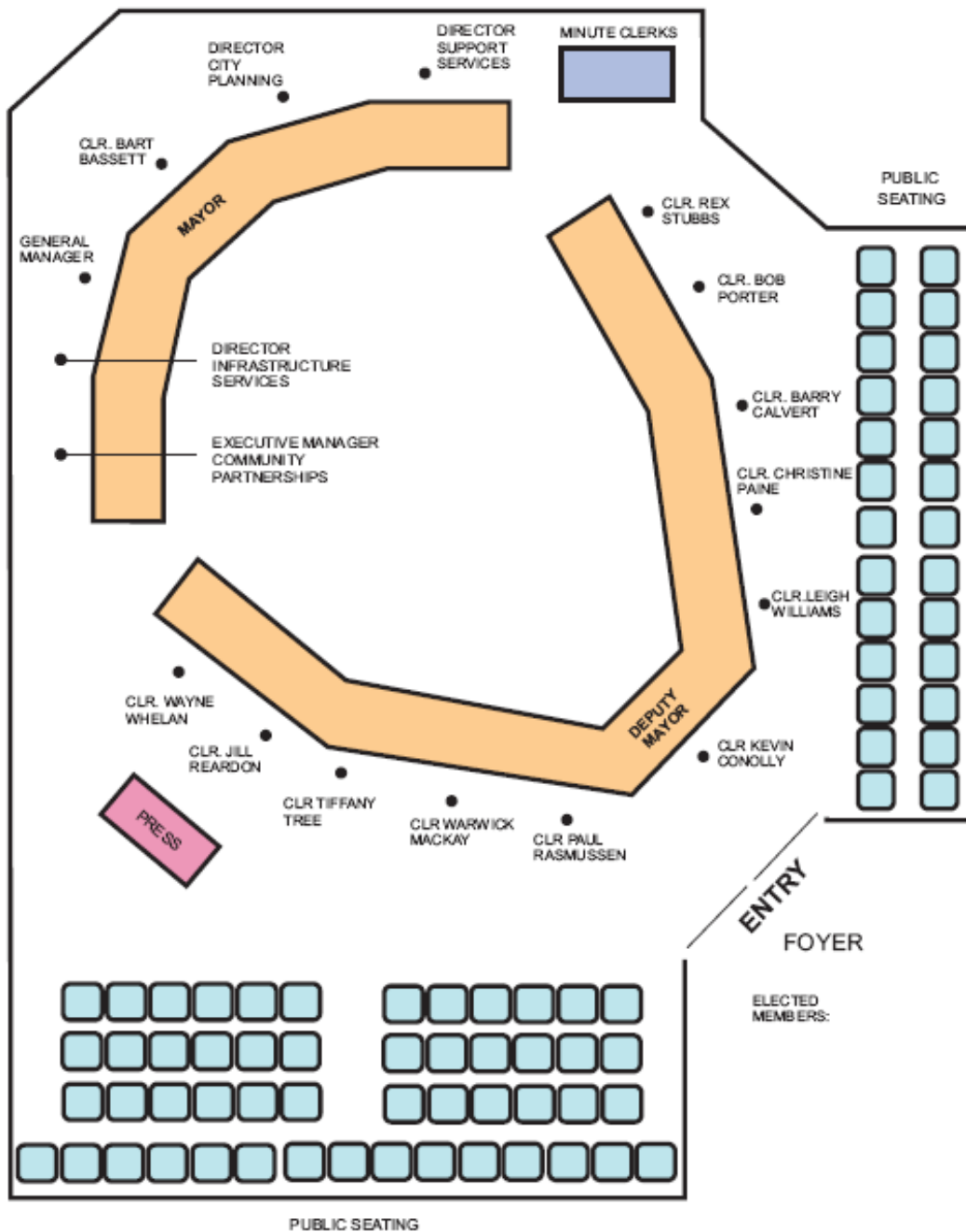
Website

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

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.

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AGENDA

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

General Manager

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SECTION 4 - Reports for Determination

GENERAL MANAGER

Item: 82 GM - Draft Management Plan 2010/2011 and Draft Budget 2010/2011 - (79351, 95496, 96332)

REPORT:

Executive Summary

Under Chapter 13 of the Local Government Act 1993, Councils are required to prepare a Management Plan each year that is to be placed on public display for at least 28 days prior to adoption by the Council. The purpose of this report is to submit the Draft Management Plan 2010/2011 for Council's consideration. The report and attachments contain information on Council's proposed Strategic and Operational Plans for 2010/2011, Council's proposed Revenue Pricing Policy for 2010/2011 and the Budget Estimates and projections for 2010/2011 and the following two financial years. The report and attachments also detail the Capital Works proposed for the period 2010 – 2020.

The report recommends that the information contained within this document is received and that the 2010/2011 Draft Management Plan is adopted for exhibition purposes and be advertised in accordance with Section 405 of the Local Government Act 1993. The report also recommends that an Extra-Ordinary Meeting of Council is held on Tuesday 22 June 2010 to consider any public submissions received in respect of the 2010/2011 Draft Management Plan, consider the adoption of these documents and to make and fix rates and charges for the year ended 30 June 2011.

Consultation

Subject to the Council adopting the 2010/2011 Draft Management Plan and Budget at this meeting it is proposed that it will be placed on public exhibition from Thursday, 29 April 2010 for the minimum 28 day period. Following this period a summation of any submissions received will be presented to an Extra-Ordinary Council Meeting to be held on Tuesday, 22 June 2010 to consider the submissions received and adopt the 2010/2011 Draft Management Plan and Budget as well as setting rates and charges. A council must adopt its Management Plan by 30 June and set its rates for a financial year by 31 July of that year.

Background

1. Introduction

I am pleased to submit the Draft Management Plan for Council's consideration covering the 12 month period ending 30 June 2011. This document, incorporated within three booklets, has been circulated separately to all Councillors.

Under provisions of the Local Government Act 1993, which still currently apply 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 was assented. 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 now taking a proactive approach to begin phasing in the new planning provisions incrementally in its Management Plan process. This first transitional Management Plan 2010/2011 has been prepared for the next 12 months, after which changes will be implemented to integrate Council's Management Plan into the new structure of a Delivery Program. Council is aiming to fully develop its Resourcing Plan in accordance with the planning guidelines in the near future.

The Draft 2010/2011 Management Plan has been submitted for consideration by Council.

The preparation of the 2010/2011 Draft Management Plan and Draft Budget 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's announcement of the 2010/2011 rate cap for New South Wales councils at a lower than expected level of 2.6% has had a considerable impact on the preparation of the draft budget.

During the budget process, emphasis was placed on the development of new initiatives and continuous improvements aimed at increasing efficiencies throughout Council's operations. As Council's main revenue is restricted or outside its control, reducing operational costs is the key to attempting to ensure the future financial sustainability of Council while meeting the community's expectations.

2. Competition Policy

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

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

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

For the 2010/2011 financial year Council will have two business activities with turnover in excess of \$2 million, being Sewerage Services and the Hawkesbury Leisure Centres, and categorised as a Category 1 Business.

Council has adopted appropriate procedures in relation to the two Category 1 Business Activities and these are detailed in Council's Draft Management Plan 2010/2011 (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 a corresponding increase in available resources to provide these services as well as meeting the widening expectation of the communities they serve.

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

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

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

4. Management Plan

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

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

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

The Statement of Principal Activities must include the following details:

- Capital works projects to be carried out by the Council;
- 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;

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- 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 for 2010/2011 for this purpose.

The Draft 2010/2011 Management Plan, together with other supporting documentation, in the form of three booklets, has been distributed under separate cover.

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

5. 2010/2011 Draft Budget

Economic Conditions

While presenting a "balanced budget" for 2010/2011 has been a challenging task, the current and expected favourable economic conditions globally and in Australia, have been critical in enabling Council to fund its existing service levels.

The global economy appears to be growing and global financial markets functioning much better than a year ago. However, expansion is hesitant in major countries, due to continued legacy of the financial crisis, and credit conditions remain difficult in some countries due to the effect of the period of economic weakness.

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In Australia, the risk of serious economic contraction appeared to pass some time ago. The All Ordinaries Index in Australia as of February 2010 was up by 55% from February 2009. There is strong external demand for Australian exports, and the rate of unemployment peaked at a much lower level than expected.

The recovery from the economic crisis in Australia can be attributed to the fiscal and monetary policies implemented over the last 12 months. Council has benefited from the various stimulus packages distributed by the Australian Federal Government.

Current and Forecast Economic Indicators

	APR 2010	FORECAST SEP 2010	FORECAST JUNE 11
Official Interest Rates	4.25%	4.75% - 5.00%	5.50 - 5.75%
Unemployment	5.1%	4.9%	4.4%
CPI	2.4%	1.9%	2.6%
Growth GDP	2.7%	3.1%	3.6%

Source: NAB Australian Markets Weekly, Money magazine Sydney Morning Herald Thursday 1 April 2010 / CBA GMR Market Insight Weekly Tuesday 6 April 2010

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 14 consecutive favourable Budget Quarterly Reviews up to December 2009.
- Contingency Reserve established in 2006 to fund 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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Budget Parameters

The 2010/2011 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	2010/2011
Employee Cost Increase	3.20%
Consumer Price Index	2.60%
Interest	6.00%
Rate Pegging	2.60%
Statutory Fees	As prescribed
Rateable Properties Growth	0.4%

Table 2 - Indices utilised

OPERATING REVENUE	Assumption	Indexation	2010/2011
Fees & Charges for Services	At least to cover cost of providing the service	CPI, Rate Pegging or Wages	2.6% - 3.2%
Statutory Fees	In accordance with legislation	Nil	NA
Interest Revenue	Based on cash balance	ROI	6.0%
Other Income	Based on previous / expected trends	CPI	2.6%

OPERATING EXPENDITURE	Assumption	Indexation	2010/2011
Employee Costs	Based on estimated award increases and step increments	Award, and Increments	3.2%
Materials	Based on previous trends	CPI	2.6%
Contracted Services	Based on previous trends / contract stipulations	CPI / contract	2.6% / contract
Fees / Contributions	Based on advice if available		

As outlined in the table 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 to 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 2010/2011 Financial Year.

Estimations 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 2009/2010 financial year which included consideration as part of the 2010/2011 Draft Budget. Main items included are:

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- Additional Hours – Regional Museum
- Purchase of Wood Chipper
- Recycling Collection Service – Parks and Reserves
- Additional Positions – Risk Management Branch
- Funding for Youth Participation Officer
- Increased Annual Contribution – Hawkesbury River County Council
- 50% of “Catch Up” Amount – Rates Written Off in 2009/2010
- Administration Fees – Inspections of Food Premises

As indicated previously, the Hawkesbury River County Council has requested an increase in contribution from Council. The current annual contribution is \$125,000 and an increase of \$3,000 to \$128,000 has been sought. The last increase for the County Council was in 2005/2006 when the annual contribution went from \$85,000 to \$125,000.

Operational Budget

As would be appreciated the budget preparation process occupies a considerable period of time within the organisation. The 2010/2011 budget process started with Managers submitting their budget estimates with supporting arguments. These budgets and working papers were then subject to a thorough review by senior management. 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.

Sources of Revenue

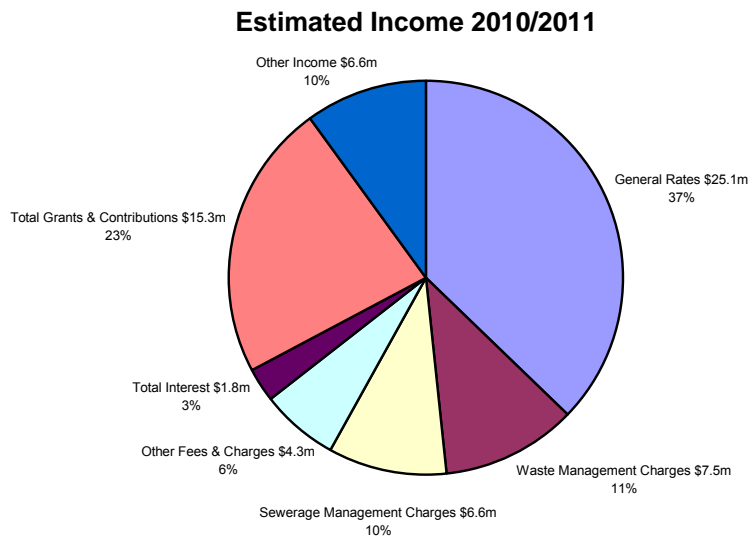
Council's estimated revenue from ordinary activities for 2010/2011 is as follows:

Source of Revenue	Amount \$
General Rates	25.1M
Utility Rates & Charges	14.1M
Grants – Operating and Capital	15.3M
Fees & Charges	4.3M
Other Operating Income	6.6M
Interest	1.8M
TOTAL	67.2M

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



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 Minister, 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 2010/2011 financial year, the proposed minimum rate for all rateable properties is \$456.30.

As stated above, the rates levy applicable to each property fluctuates depending on the Valuer General's land revaluations, which occur on a 3 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 Council 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 2010/2011 rating year. These valuations have resulted in significant changes to the levy applicable to each rating category.

At its meeting on 10 March 2009 Council considered a report regarding the effects of the 2008 revaluation of properties within the Hawkesbury City Council Local Government Area. In the report, the range of changes was highlighted. While the rateable properties in the Residential and Business categories were impacted by the full change in values, the Farmland Category was partially protected by Clause 84 of Schedule 8 of the Local Government Act, 1993, which limited the increase on rates for properties in the Farmland Category from the previous year to 20%. Councils were required to write-off the increases in excess of 20%. These abandonments would then be recovered the following rating year by way of a "catch up" amount raised by way of an increase in permissible income over the rate-pegging cap.

However, in line with Clause 84 of Schedule 8 of the Act, as from the 2010/2011 rating year, councils are no longer required by legislation to limit the increase for the Farmland Category to 20% on the previous

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year. Consequently, at its meeting on 9 March 2010 Council considered a report which included detail on the effects of the removal of the 20% cap on properties in the Farmland Category.

A further report was considered by Council on 30 March 2010. The aim of the report was to obtain direction on the structure of the rating levy to be applied when drafting the 2010/2011 Revenue Pricing Policy. 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 consideration on the basis of the remaining 50%, and any other available "catch up" amount being incorporated into the subsequent 2011/2012 Draft Budget.*
- (b) *In respect of the rating structure for Farmland Category, the ratio be reduced to 70% of the Residential and Business Rates and the basis of the rate levy to remain "ad valorem", with an appropriate minimum rate to be utilised for the purposes of the 2010/2011 Draft Budget."*

Accordingly, the 2010/2011 Draft Management Plan and Budget has been prepared on the basis of the business rate being the same as the residential rate and the farmland ad valorem rate being set at approximately 70% of the residential/business ad valorem rate.

With reference to the "catch up" amount referred to in the resolution, the 2010/2011 Draft Management Plan and Budget has been prepared on the basis of 50% of the amount available being utilised.

At the meeting on 30 March 2010, Council also resolved:

"That:

2. *The issue of possible alternate rating structures for the 2011/2012 Budget in association with the previously requested report concerning base rates be discussed at a future Councillor Briefing Session."*

A Councillor Briefing Session will be organised for later in 2010 in respect of the abovementioned resolution.

Notional Yield

Council's projected Notional Yield from general rate income for 2010/2011, based upon the documentation now before Council, provides for the utilisation of the 2.6% rate pegging increase announced by the Minister and utilising 50% of the "catch up" available, is as follows:

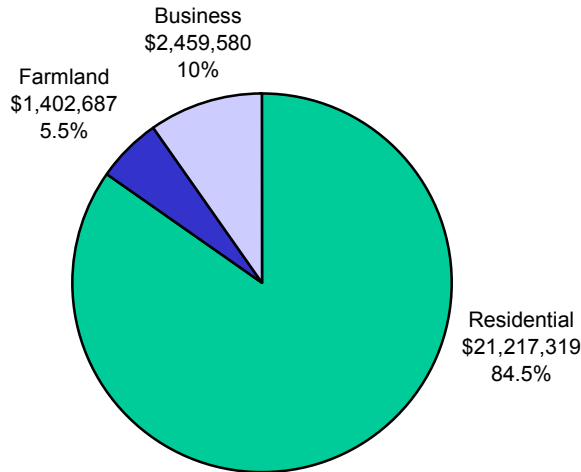
GENERAL RATE TYPE	Actual 2009/2010		Budget 2010/2011	
	\$	%	\$	%
Residential	20,595,946	84.7%	21,217,319	84.5%
Farmland	1,324,253	5.5%	1,402,687	5.5%
Business	2,385,351	9.8%	2,459,580	10%
Total Notional Yield	24,305,550	100%	25,079,586	100%

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

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Estimated General Rates 2010/2011



Utility Rates and Charges

The 2010/2011 Draft Budget proposes the following increases in Utility Rates and Charges.

- Sullage Nil
- Sewerage +11.0%
- Domestic Waste Management +12.5%
- Kerbside clean-up Nil
- Commercial Waste Collection +12.5%

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 asset rehabilitation. As part of the 2010/2011 budget process, the Sullage reserve current and on-going balance has been assessed and deemed adequate based on no increase in charges for the 2010/2011 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 3 Towns Sewerage Scheme.

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 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 2010/2011 budget process a ten year plan was prepared 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 11.00% for the 2010/2011 financial year. This will bring the residential connected charge to \$494.00. This and any future adjustments to charges are intended to ensure that adequate funds are available for the maintenance, renewal and replacement of the LGA sewerage network infrastructure. It is noted later in this report that significant expenditure is proposed in relation to sewerage infrastructure.

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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 2010. 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, as part of the 2010/2011 budget process, Council has undertaken a thorough review of its Domestic Waste Management program costs and the resulting funding requirements for 2010/2011 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 waste collected. Whilst this practice results in savings from additional transportation costs 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 2010/2011, the S88 levy will increase from \$52.40 to \$65.30 per tonne, an increase of 24.6%. Further substantial increases are expected in future financial years.

Taking into consideration the current and projected adequate reserve levels over the coming ten years, at this stage there is no requirement to pass on the full increase of the S88 Levy on to ratepayers for the 2010/2011 financial year. The proposed increase of 12.5% is considered adequate at this time.

The same increase is proposed for the commercial waste charge.

Kerbside Clean up

An "at call" Kerbside Bulk Waste Collection and Disposal Service was introduced in 2004/2005. Approximately 14,693 residential type properties are entitled to this service during 2010/2011. It is proposed that the current charge of \$15.00 per year per property remains unchanged for 2010/2011.

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 2010/2011 this will be \$247 per annum. While Council receives partial reimbursement of the subsidy, it funds the remaining balance, which for 2010/2011 will be \$198.87 per property.

Council also fully funds a pensioner concession for sullage charges, which for 2010/2011 will be \$622.50 per property.

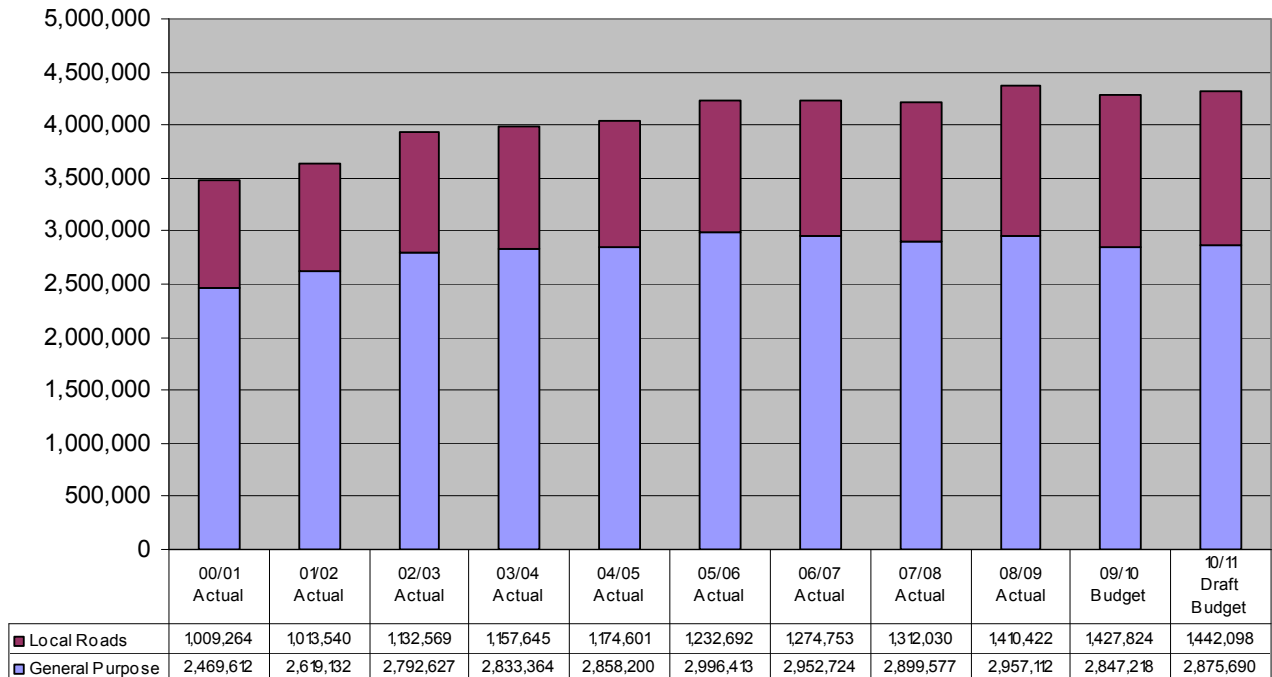
Financial Assistance Grant

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 2000/2001 to 2009/2010. The graph also shows that Council has budgeted for these grants in 2010/2011 to increase 1% over 2009/2010.

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Financial Assistance Grants 2000 - 2011



Statutory Fees

Council's revenue stream from statutory fees is expected to be approximately \$1.1 million for 2010/2011 or 26% of the total user fees and charges received. These fees are controlled by the State Government, and based on past history; they are not increased regularly or in line with cost increases.

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. While some statutory fees are still under review, other relevant increases in statutory fees applicable to the 2010/2011 financial year have been reflected in Draft Revenue Policy.

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.

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The following table below summarises the major sources of fees and charges income as budgeted in 2009/2010 and as estimated in the 2010/2011 Draft Budget:

Summary of major fees and charges

Fee	2009/10 Original Budget \$	2010/11 Draft Budget \$	Increase / (Decrease) %
Building & Development			
<i>Construction Certificates</i>	355,000	371,000	5%
<i>Development Application</i>	400,100	411,000	3%
<i>Sect 149 Certificates</i>	96,500	128,000	33%
Animal Management	455,950	460,535	1%
Parking Patrol	310,000	405,000	31%
Pool Income	120,060	161,000	34%
Cemetries	149,150	142,982	-4%
Septic Tanks Inspection & Permits	233,705	202,918	-13%
TOTAL MAJOR SELECTED FEES	2,120,465	2,282,435	8%

Rental Income

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

It is anticipated that Council will receive in excess of \$1.8 million gross rental in 2010/2011, with some vacancies budgeted for. This represents a decrease in the rental income of approximately \$38,000 on the 2009/2010 Budget.

The property portfolio includes the following range of properties:

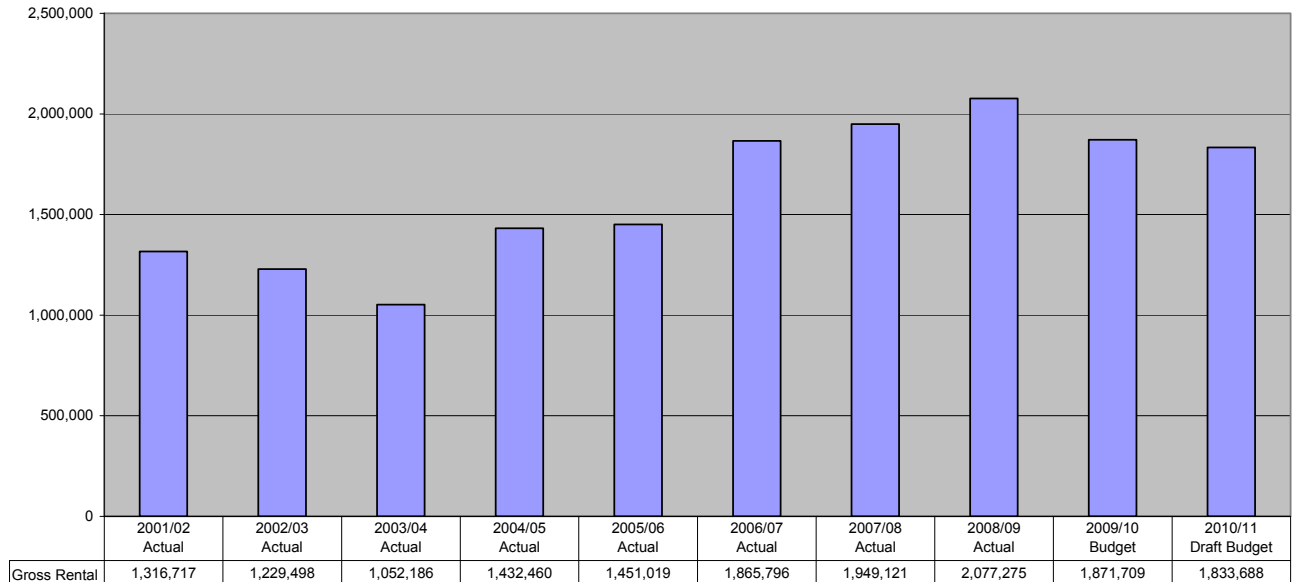
Property Category	No. of Properties	Projected Rental Income 2010/2011 \$
Commercial	25	1,032,355
Residential	13	133,787
Retail - Shopping Centres	3	609,333
Other licenses/leases (including road leases and Alfresco Dining)	18	58,213
TOTAL	59	1,833,688

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The following graph shows the levels of gross rental Council has received from 2001/2002 to 2008/2009 and the budgeted amounts for 2009/2010 and 2010/2011:

Gross Rental



Interest Earnings

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

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

"That:

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

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

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Council has a conservative investment strategy, with its total investment portfolio being bank deposits. On average, 64% of the portfolio is invested with 1st Tier Institutions, with the remaining 36% 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. Council also takes into consideration advice provided by Council's Independent Investment Advisor, who was appointed in 2008.

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

In April 2010, the Reserve Bank raised official interest rates by one quarter of one percent to a cash rate of 4.25%.

The table below outlines the movements in the cash rate between February 2009 and April 2010:

Effective Date	Change in cash rate (% points)	Cash Rate (%)
7 April 2010	+0.25	4.25
3 March 2010	+0.25	4.00
2 December 2009	+0.25	3.75
4 November 2009	+0.25	3.50
7 October 2009	+0.25	3.25
8 April 2009	-0.25	3.00
4 February 2009	-1.00	3.25

The Governor of the Reserve Bank of Australia released the following statement on monetary policy on 6 April 2010:

“At its meeting today, the Board decided to raise the cash rate by 25 basis points to 4.25 per cent, effective 7 April 2010.

The global economy is growing, and world GDP is expected to rise at close to trend pace in 2010 and 2011. The expansion is still hesitant in the major countries, due to the continuing legacy of the financial crisis, resulting in ongoing excess capacity. In Asia, where financial sectors are not impaired, growth has continued to be quite strong, contributing to pressure on prices for raw materials. The authorities in several countries outside the major industrial economies have now started to reduce the degree of stimulus to their economies.

Global financial markets are functioning much better than they were a year ago and the extraordinary support from governments and central banks is gradually being wound back. Credit conditions remain difficult in some major countries as banks continue to face loan losses associated with the period of economic weakness. The concerns regarding some sovereigns appear to have been contained at this stage.

Australia's terms of trade are rising, adding to incomes and fostering a build-up in investment in the resources sector. Under these conditions, output growth over the year ahead is likely to exceed that seen last year, even though the effects of earlier expansionary policy measures will be diminishing. The rate of unemployment appears to have peaked at a much lower level than earlier expected. The process of business sector de-leveraging is moderating, with the pace of the decline in business credit lessening and indications that lenders are starting to become more willing to lend to some borrowers. Credit for housing has been expanding at a solid pace. New loan approvals for housing have moderated over recent months as interest rates have risen and the impact of large grants to first-home buyers has tailed off. Nonetheless, at this point the market for established dwellings is still characterised by considerable buoyancy, with prices continuing to increase in the early part of 2010.

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Inflation has, as expected, declined in underlying terms from its peak in 2008, helped by a noticeable slowing in private-sector labour costs during 2009, the rise in the exchange rate and the earlier period of slower growth in demand. CPI inflation has risen somewhat recently as temporary factors that had been holding it to quite low rates are now abating. Inflation is expected to be consistent with the target in 2010.

With the risk of serious economic contraction in Australia having passed some time ago, the Board has been lessening the degree of monetary stimulus that was put in place when the outlook appeared to be much weaker. Lenders have generally raised rates a little more than the cash rate.

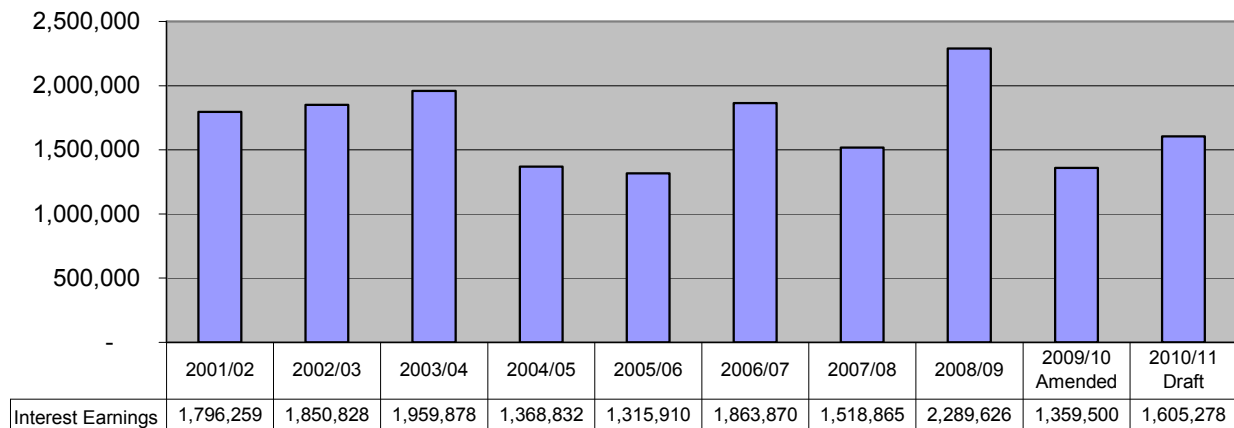
Interest rates to most borrowers nonetheless have been somewhat lower than average. The Board judges that with growth likely to be around trend and inflation close to target over the coming year, it is appropriate for interest rates to be closer to average. Today's decision is a further step in that process."

As stated in the Statement on Monetary Policy quoted above, in light of improving economic conditions, the degree of monetary stimulus is reduced. It is expected that the cash rate will reach between 5.5% and 5.75% by June 2011.

The interest rate used to estimate interest earnings on Council's investment portfolio during 2010/2011 is 6%.

The following graph outlines the interest earnings from 2001/2002 through to the projected earnings for 2009/2010 and 2010/2011.

Interest Earnings



Employee Costs

In the 12 month period prior to the commencement of the 2006/2007 financial year Council reduced employee numbers by 20 staff positions. These reductions were achieved by making positions redundant through either natural attrition of vacant positions and by voluntary redundancies. This resulted in significant savings in employee costs. This reduction represented a 7% decrease in Council's Full-time Equivalent (FTE) base.

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

The projected 2010/2011 increase in employee costs is estimated at \$1.2 million, which includes normal increases such as award and salary system increments, etc and proposed new positions outlined later in

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the report. It is to be noted that employee costs for outdoor staff are costed across the various works that are carried out. This results in the increase in outdoor staff employee costs not being reflected in employee costs in budgeted financial statements, as these costs are included as part of various works costs, part of which are capitalised.

Council at its meeting on 30 March 2010 considered a report regarding a review of Council's Risk Management Branch's resources relating to the Workers Compensation Self Insurers Program. At that meeting, Council resolved to endorse the proposal to engage four additional staff. The proposed four new positions (representing 3.2 Full-time Equivalents) are outlined below:

Injury Management Officer – Part Time – Cost - \$42,411 - Resource required for the ongoing management of Council's Workers Compensation Self Insurers Program.

OHS Corporate Safety Officer – Full Time - \$77,809 - Resource required for the ongoing management of Council's Workers Compensation Self Insurers Program.

OHS System Development Officer – Full Time (2 year contract) - \$78,543 - Resource required for the ongoing management of Council's Workers Compensation Self Insurers Program.

Training Officer – Part Time - \$44,403 - Resource required for the ongoing management of Council's Workers Compensation Self Insurers Program.

In addition, as part of the 2010/2011 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, resulting in the following five new positions, representing 3.9 Full-time Equivalents, being proposed in the 2010/2011 Draft Budget.

Internal Auditor – Full Time – Cost - \$125,000 - Endorsed by the Audit Committee at the meeting of 3/03/2010

Project Engineer – Full Time - \$103,319 - Current temporary position that assists in the timely delivery of the Works Program. Funded against capital job numbers.

Customer Service Officer – Part Time - \$16,259 - Resource required to facilitate improvements in customer service.

Compliance & Enforcement Officer – Full Time - \$51,531 Resource required to ensure adequate surveillance and enforcements.

Youth Participation Officer – Part Time - \$38,911 Resource required to respond to outcomes from the Youth Summit to improve youth participation.

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.

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On 27 March 2009 the LGSS advised that the Trustee of the Scheme had agreed to a revised funding proposal of increased contributions of an extra 100% over and above 2008/2009 contribution rates; however this increase in contribution rates is schedule for the next 10 years. Further, the LGSS advised that the revised funding proposal was dependent on the Scheme exceeding investment returns of 7%.

On the 7 December 2009 the LGSS advised that based on the Actuary's recommendation, it has been determined that the employer contribution rates for 2009/2010 will remain unchanged for the 2010/2011 financial year. The LGSS also advised that while the investment return for the current year is well ahead of the budgeted 7% p.a, the funding of the defined benefits obligations is still in significant deficit.

The overall effect of the increased contribution rates to the Scheme for the 2010/2011 Draft Budget is an additional cost to Council of approximately \$600,000 over the 2008/2009 contribution by Council towards this Scheme. As from the 2009/2010 financial year Council was required to absorb this additional cost.

Rural Fire Service (RFS)

Due to various legislative requirements the Council makes a statutory contribution towards the operation of the Rural Fire Services in its area. The anticipated statutory contribution for 2010/2011 is \$271,051 and provision has been made for this in the Draft Budget. In addition to this funding there are Council overhead costs estimated at \$256,500 and maintenance of Council buildings of \$19,600. Council is also required to make a contribution to the Board of Fire Commissioners with the anticipated amount for 2010/2011 being \$127,000.

A further funding component related to the RFS is the submission made to Council for the provision of discretionary funding for a range of programs which Council may consider. In respect of 2010/2011 the request for discretionary funding totals \$250,000 plus an additional \$62,500 in-kind funding for rates and insurance. The discretionary funding requested by the RFS has been included in the 2010/2011 Draft Budget.

A breakdown of the discretionary funding request for 2010/2011 is as follows:

Item	Discretionary Funding Requested
Employee costs	\$55,000
Telephone	\$40,000
Electrical tagging & Fire extinguisher maintenance	\$10,000
Training	\$7,000
Printing & Stationery	\$35,000
Catering	\$15,000
Field Day	\$10,000
Vehicle Maintenance & Repair	\$23,000
Mitigation Works	\$10,000
Group Captain Vehicle Replacement	\$45,000
TOTAL	\$ 250,000

Service Standards

In general, current operational service levels are maintained in the 2010/2011 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:** 20 April 2010**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 2010/2011 Council proposes to spend in excess of \$17 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 2010/2011 Draft Budget.

Program	Draft Budget 2010/2011 \$
Domestic Waste Management Services	432,850
Roadworks, Drainage & Ancillary facilities	4,063,763
Plant & Depot	744,849
Parks & Recreation	375,490
Building Services	80,920
Sewerage Services	4,334,667
South Windsor Effluent Reuse Scheme	5,449,250
Waste Management Facility	200,000
Emergency Services	166,000
Property Development	10,500
Computer Services & Records	381,500
Cultural Services	316,100
Fleet	748,000
TOTAL	17,303,889

Some of the major projects that are proposed to be funded within the Capital Works Program of the 2010/2011 Draft Budget include the following:

- Roads to Recovery Program
 - Upper Colo Road - \$810,000
 - Terrace Road - \$495,000
 - Slopes Road - \$245,263
 - Blacktown Road, Freemans Reach - \$202,500
- Road Rehabilitation – Scheyville Road, Scheyville - \$255,750
- Cycleways - \$100,000
- Kerb & Gutter Reconstruction – Pitt Street, Richmond - \$450,000
- Guardrail – Morilla Road and Sackville Road - \$138,000
- Sewer Pipe Relining - \$490,000
- Macquarie Street Sewerage Upgrade - \$400,000
- SWSTP – Permanent On-site Dewatering Facility \$3.3m
- South Windsor Effluent Reuse Scheme \$5.5m
- Alternate Waste Night cover - \$200,000

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Infrastructure Renewal Program

In addition to the Capital Works Program, an amount in excess of \$1.3 million is proposed to be spent from the Infrastructure Renewal Program for 2010/2011.

The table below provides a summary of the proposed capital works expenditure contained within the Infrastructure Renewal Program of the 2010/2011 Draft Budget.

Program	Draft Budget 2009/2010 \$
Roadworks	744,050
Buildings	52,500
Parks and Recreation	598,500
TOTAL	1,395,050

Some of the major projects that are proposed to be funded within the Infrastructure Renewal Program of the 2010/2011 Draft Budget include the following:

- Road Rehabilitation - \$395,500
- Road Shoulder Renewal – \$50,000
- Unsealed Roads Grading and Re-sheeting – \$119,250
- Reconstruction of failed foot paving – \$96,900
- Windsor Mall – Upgrade of Mall - \$60,000
- Richmond Lawn Cemetery – Upgrade - \$50,000
- Richmond Park – Implementation of Plan of Management - \$50,000
- Sports Council Contribution (Additional) - \$80,000
- Bligh Park Children Centre – Replacement of kitchen - \$20,000

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, particularly those involved from the Finance Section, in preparing the Draft Budget is very much appreciated given the major changes continuing to occur during the year. It is also pleasing to see the co-operative approach by the Directors and Managers to bring down a "balanced budget" with the objective of providing the works and services able to be provided by Council within existing financial restrictions as seen from a corporate viewpoint.

8. Adoption of Budget for Year Ended 30 June 2011

As mentioned earlier in this report, assuming Council finalises the Draft Management Plan and Budget at this Meeting, it is anticipated that advertising of the Management Plan, which incorporates the Budget, will commence for the minimum 28 day period from Thursday, 29 April 2010. 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 22 June 2010 to adopt the Management Plan, incorporating Council's Budget and Revenue & Pricing Policy, and make and fix the rates and charges for the year ended 30 June 2011.

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 proposed implementation timeframe for this matter, as specified in the CSP Milestones is 2009 - 2012.

Financial Implications

The adoption of the recommendation in this report will result in the Draft Management Plan 2010/2011, 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 2010/2011.

RECOMMENDATION:

That:

1. The General Manager's report regarding the 2010/2011 Draft Management Plan and Budget be received.
2. The 2010/2011 Draft Management Plan, incorporating Council's Strategic and Operational Plan, Budget Estimates and Revenue Pricing Policy, as circulated, 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, 22 June 2010 to consider any public submissions received in respect of the 2010/2011 Draft Management Plan and Budget and to consider the adoption of these documents and to make and fix rates and charges for the year ended 30 June 2011.

ATTACHMENTS:

- AT - 1** 2010/2011 Draft Management Plan and Budget (Booklets 1 to 3) (to be *distributed under separate cover*).

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EXTRAORDINARY MEETING

Meeting Date: 20 April 2010



extraordinary
meeting

end of
business
paper

This business paper has been produced electronically to reduce costs, improve efficiency and reduce the use of paper. Internal control systems ensure it is an accurate reproduction of Council's official copy of the business paper.