



Hawkesbury City Council

special meeting business paper

date of meeting: 17 April 2007

location: council chambers

time: 7.00 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 5:00pm with a break from 7:00pm to 7:30pm and are scheduled to conclude by 11:00pm. These meetings are open to the public.

When a Special Meeting of Council is held it will usually start at 7:00pm. 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 lmifsud@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.

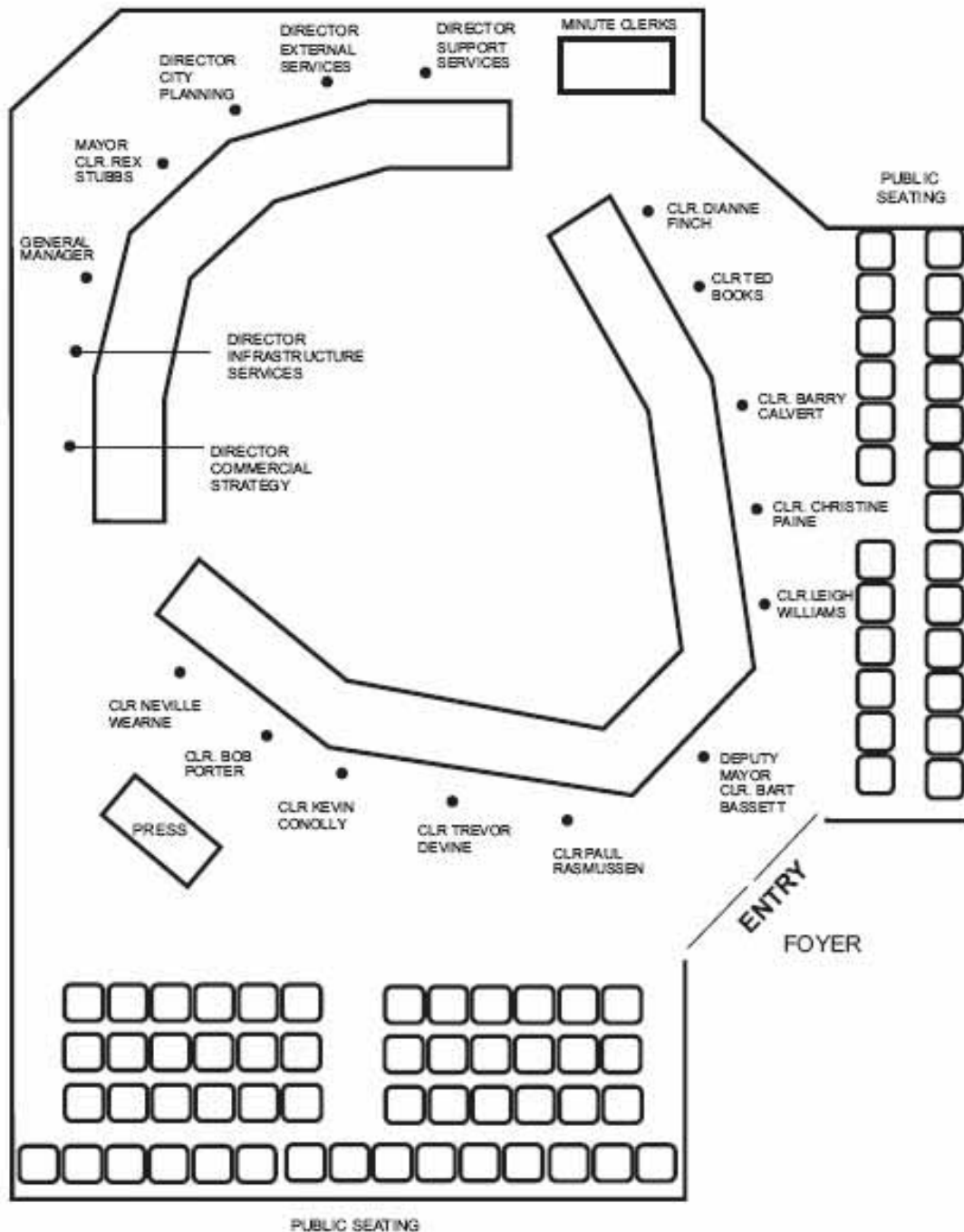
Website

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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AGENDA

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- **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: 65 GM - Draft Management Plan 2007/2008 and Draft Budget 2007/2008 - (79351, 95496, 96332)

REPORT:

1. Introduction

I am pleased to submit the draft Management Plan (incorporating the draft Budget) for Council's consideration covering the 12 month period ending 30 June 2008. This document, incorporated within four booklets, has been previously circulated to all Councillors.

Under Chapter 13 of 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 adoption by the Council (S.406). 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 draft Management Plan has been submitted for consideration by Council. The Council adopted a long term Strategic Plan in the 2004/2005 financial year and undertook a review of its organisational structure to realign the organisation to Council's strategic objectives in January 2005.

As a result, the 2005/2006 Management Plan was modified to reflect the adoption of the Strategic Plan as a first step. The 2006/2007 document contained further refinements that had been made in an endeavour to improve the alignment of the Management Plan with the Strategic Plan.

While the opportunity has not been available to modify the draft management plan budget this year it is envisaged that in future years it will also be amended to align as closely as possible to the Strategic Plan and to provide information to support that plan while also meeting statutory accounting requirements. The ultimate aim will be to establish clearer links between Council's strategic objectives and individual projects, and move towards a simplified format for both the Management and Financial Plans.

No significant changes to the Act have been introduced which will affect the 2007/2008 Management Plan and Budget.

However, it must be stressed that in the current financial climate, and Council's financial position having regard to significant capital projects currently underway, it has once again been extremely difficult to present Council with a "balanced budget". It has been necessary to stringently examine all areas of Council's expenditure to achieve this goal and the budget and other financial proposals will need to be closely monitored and adhered to so as to ensure that Council's financial position does not decline.

2. Special Rate Variation

Council, at its meeting held on 27 March 2007 considered a report in connection with the issue of Council lodging an "Intention to Apply" with the Department of Local Government for a Special Rate Variation for the 2007/2008 financial year. This was required by the Department by 31 March 2007. In that report it was pointed out that the lodgement of the "Intention to Apply" did not commit Council to applying but would enable it to do so, whereas, if an "intention" was not lodged Council would not be able to apply if it subsequently decided it wished to do so.

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Subsequently, the Council resolved:

"That Council indicate to the Department of Local Government its intention to apply for a Special Rate Variation under Section 508(2) of the Act in 2007/2008 of 9.5% (including any approved "rate pegging" increase) by the lodgement of the required "Intention to Apply" form with the Department by 31 March 2007."

As a result, the required "Intention to Apply" has been lodged with the Department of Local Government.

In summary, the suggested course of action in respect of the proposed Special Rate Variation, if adopted by Council and approved by the Minister, would result in a rate increase of 9.5% (including the anticipated rate pegging increase of 3.25%) for Residential, Business, Farmland and Minimum (all categories) Rates, together with an effective reduction of 4.7% due to the discontinuance of the Environmental Levy.

It is proposed that the Special Rate Variation would be based on a 10 year Infrastructure Renewal Program. This 10 year program contains works over and above works that would normally be included in the Council's annual Works Program prepared under the base budget scenario and will be directed towards the ongoing maintenance of the Council's existing infrastructure assets. It will be necessary for these works to be prioritised to meet the requirements of the Special Rate Variation proposal.

In addition, as one of the factors referred to by the Department of Local Government as a basis for the Ministers determination of Council's 2006/2007 submission was the fact that the Council, effectively, did not have any loan borrowings, the Special Rate Variation draft Budget for 2007/2008 incorporates the introduction of a loan borrowings program, supporting the Infrastructure Renewal Program, in the event that the submission is approved. Details of the proposed loan borrowings program are incorporated in Booklet 4 of Council's 2007/2008 draft Management Plan and Budget.

Whilst this program may not produce the results that may have been achieved under the Council's proposal for an Infrastructure Improvement Program in 2006/2007, it is anticipated that it will enable the Council to maintain an improved maintenance regime in respect of its existing infrastructure. This approach has been adopted as the original Infrastructure Improvement Program did not receive the community support required by the Department of Local Government.

Due to the timing involved in this process it has been necessary for the 2007/2008 draft Management Plan and Budget to be prepared with two possible scenarios, namely based upon a rate increase in line with the anticipated rate pegging variation of 3.25% and based upon the proposed Special Rate Variation increase of 9.5%, including the approved rate pegging increase, together with a corresponding increase to the level of the minimum rate. The increase is proposed to be on-going rather than time limited.

Therefore, the documents comprising Council's 2007/2008 draft Management Plan and Budget (Booklets 1 to 4 issued separately to this report) have been prepared incorporating these two scenarios and other information required by Departmental guidelines associated with a Special Rate Variation submission.

In the event that Council determines to proceed with the proposed Special Rate Variation, a submission will be forwarded to the Department of Local Government for the Minister's consideration as soon as possible and before the conclusion of the public exhibition period for the draft Management Plan and Budget. Whilst this will allow the Council's submission to be evaluated by the Department, the Minister will not make a final determination in respect of Council's submission until the consultation period associated with the exhibition of the 2007/2008 Management Plan has concluded and the Minister has been advised of the results of this process.

Subject to the Council adopting of the 2007/2008 draft Management Plan and Budget at this meeting it is proposed that it will be placed on public exhibition from Tuesday, 24 April 2007 with such exhibition period closing on Tuesday, 22 May 2007. Following this period a summation of any submissions received will be forwarded to the Minister on approximately Friday, 25 May 2007 for his information. A Special Council meeting will then be held on Monday, 25 June 2006 to consider submissions received and adopt the

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2007/2008 draft Management Plan and Budget as well as setting rates and charges, assuming the Minister has determined Council's Special Rate Variation submission by this time.

If the Minister's determination has not been announced, the meeting would be held to adopt the Management Plan and Budget (subject to any adjustments that may be required due to the Ministers determination) and set charges but not rates. This is necessary as the Management Plan is required to be adopted by 30 June 2007. Once the Minister's determination is announced, a further meeting would be held to set the rates for 2007/2008. A council must set its rates for a financial year by 31 July of that year.

3. Possible Review of Level Of Business Rate

Council has previously considered the issue of the level of the business rate in comparison to the level of the residential rate in view of the fact that historically both have been set at the same level. It has previously been pointed out that in other Local Government areas the business rate is higher, to varying degrees, to the residential rate. In this Council's case an increase in the business rate to a level above the residential rate would decrease the level of rate increase to residential.

When this issue was last considered in association with the 2006/2007 draft Management Plan and Budget, the Council, at its meeting held on 2 May 2006, resolved as follows in respect of this issue:

"Consideration of differential rates for business as compared to residential properties not be proceeded with in the 2006/2007 financial year and consideration be deferred until a sensitivity analysis, which will include where possible but not be limited to a study between the commercial areas referred to in this report of:

- (a) escape expenditure in the various commercial areas;*
- (b) ability for Hawkesbury business to attract customers from outside the Hawkesbury;*
- (c) Comparisons of net operating returns per dollar (\$) of rent;*
- (d) Comparison of commercial land values;*
- (e) Turnover of businesses*
- (f) Returns on investments to property owners."*

At this point in time the resources and facilities have not been available to undertake the analysis requested by Council and it is hoped that such analysis may be able to be undertaken in 2007/2008. Accordingly, the 2007/2008 draft Management Plan and Budget has been prepared on the basis of the business rate being the same as the residential rate.

4. 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 2007/2008 financial year Council will have two business activities with turnover in excess of \$2 million, being Sewerage Services and the Hawkesbury Leisure Centre, and categorised as a Category 1 Business. It will be recalled that Council at its meeting held on 13 March 2007 resolved to de-categorise the Waste Management Service as a Category 1 Business Activity from 1 July 2007.

Council has adopted appropriate procedures in relation to the remaining two Category 1 Business Activities and these are detailed in Council's draft Management Plan 2007/2008 (Booklet 1 – Strategic Plan).

5. 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 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 rate pegging and limitation on borrowings. 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.

6. 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; and
- 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;
- 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;

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- 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; and
- programs to be undertaken by the Council to implement its equal employment opportunity management plan.

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 or rates proposed to be charged for the carrying out by the Council of work on private land;
- 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; and
- 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 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 2007/2008 for this purpose.

The draft Management Plan, together with other supporting documentation, in the form of four booklets, have been circulated separately to Councillors.

The Program Budget for the Council's principal activities are detailed in the draft Management Plan under two scenarios as previously referred to.

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7. Budget Position

Council's projected Notional Yield from general rate income for 2007/2008, based upon the documentation now before Council, is as follows:

GENERAL RATE TYPE	Actual 2006/2007		Rate Pegging Budget 2007/2008		Special Variation Budget 2007/2008	
	\$	%	\$	%	\$	%
Residential	17,889,900	87.2%	18,593,020	87.3%	19,719,481	87.3%
Farmland	954,000	4.7%	988,960	4.6%	1,048,836	4.6%
Business	1,672,000	8.1%	1,713,515	8.1%	1,817,382	8.1%
Total Notional Yield	20,515,900	100%	21,295,495	100%	22,585,700	100%
2007/08 Increase *			779,595	3.8%	2,069,800	10.1%
Pensioner Rebates & Growth	(292,000)		(240,693)		(240,693)	
Net Notional Yield	20,223,900		21,054,802		22,345,007	

* The apparent amount above the rate pegging limit of 3.25% and the Special Variation proposal is due to growth in properties due to subdivision, new development, non-rateable properties becoming rateable, etc.

As the majority of the rates raised by the special rate variation will be directed towards funding the Infrastructure Renewal Program, the major variance between the two budget estimates as presented is capital works expenditure and the gap between revenue generated by rate pegging and operational cost increases.

Budget Parameters

The 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	2007/2008
Award Increase	4.00%
Consumer Price Index	3.90%
Cost Escalation	1.00%
Interest	6.23%
Rate Pegging	3.25%
Statutory Fees	0.00%
Growth Rate	0.40%

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OPERATING REVENUE	Assumption	Indexation	2007/2008
Fees & Charges for Services	At least to cover cost of providing the service	CPI, Rate Pegging or Wages	3.9% - 4.75%
Statutory Fees	In accordance with legislations	Nil	NA
Interest Revenue	Based on cash balance	ROI	6.23%
Other Income	Based on previous trends	CPI	3.9%
OPERATING EXPENDITURE	Assumption	Indexation	2007/2008
Employee Costs	Based on award and increments	Award, and Increments	4%
Materials	Based on previous trends		1.00% - 3.9%
Contracted Services	Based on previous trends		1.00% - 3.9%

After the initial indexation of the previous years budget, Managers were required to project the estimated expenditure and associated revenue streams for each of the activities or services they provide. The budget estimates were then adjusted to reflect actual trends taking into consideration the following factors:

- market forces and price sensitivity;
- cost escalations above the base indexation eg fuel costs;
- reduction in revenue streams eg downturn in property market;
- estimated costs based on previous years actual trends; and
- projected operating costs required to deliver existing services to the community.

Operational Budget

The operational budgets for both budget scenarios are very similar given that the majority of the Special Rate Variation is to fund the 10 year Infrastructure Renewal Program.

As would be appreciated the budget preparation process occupies a considerable period of time with in the organisation. After the factors and review referred to in the previous section of this report were completed an initial base budget was produced that showed an initial deficit position of approximately \$970,806. This was in line with predications made within the Council's LTFP and advised to Council.

To produce a balanced budget, significant expenditure reductions were required and these reductions, as suggested as being appropriate by Management, are summarised below. These reductions are categorised into two groups; firstly, these reductions recently identified by Management during the budgetary process and; secondly, some of those reductions previously suggested in a report to Council on 24 October 2006.

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Table 3 - Proposed budget reductions incorporated to balance the 2007/2008 Budget

Description	Reductions \$
PROJECTED DEFICIT 2007/2008	(970,806)
Reductions Previously Agreed by Council	
Programs transferred to PSI	
- Nepean Early Intervention Program - Component 78	(165,399)*
- Families First Programs - Component 45	(3,899)*
Subtotal of reductions	(\$169,298)
Deficit Reductions Identified Via Budget Review Process	
Cultural precinct - Community Dev Program expenses	(23,770)
Finance - savings from new banking tender	(24,000)
Family Day Care - Increased income	(19,610)
CRU - Research & Development	(4,918)
CRU - Entertainment & Meetings	(3,934)
Legal services - Exec Mgt legal costs	(51,000)
HR - Staff Training	(21,000)
Elected Members - Delegates Expenses	(10,488)
Regulation & Enforcement - Increased income from Fines	(10,000)
Animal Control - Increased income	(14,272)
- Director Commercial Strategy - Position not funded	(154,216)
Subtotal of reductions	(\$337,208)
Some of reductions previously suggested - report to Council on 24/10/06	
Sewerage Mgt Facilities Program	(64,058) *
Occasional Care	(34,034) *
Community & Cultural grants program	(20,000) *
Sister City Association	(15,000) *
Cycleways - capital	(50,000) *
RFS - discretionary expenditure	(70,000) *
Overtime - start & finish	(150,000) *
Hawkesbury Sports Council	(75,000) *
City Planning consultancies	(20,000) *
Heritage Assistance program	(20,000) *
Subtotal of reductions	(\$518,092)
TOTAL IDENTIFIED REDUCTIONS	(1,024,598)
Draft Budget Surplus/(Deficit) 2007/2008	53,792

* These items are the subject of further comment as shown below.

Comments, as Indicated, on Reductions

Programs transferred to Peppercorn Services Inc.

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Programs to be transferred to Peppercorn Services Inc. from 1 July 2007 were previously reported to and agreed to by Council.

Comments on the following items are from the report submitted to Council on 24 October 2006 and updated and/or amended, as necessary.

Sewerage Management Facilities Program

Background:

In 1998 the Department of Local Government announced a package of Local Government regulatory reforms and guidelines to enable more effective council regulation and performance supervision of household septic tanks and other small on-site sewage management facilities. The Local Government (Approvals) Amendment (Sewage Management) Regulation requires owners of relevant premises to apply to the council for approval to operate a system of sewage management. The council is able to grant a renewable approval (e.g. a sewage management license). The grant of renewable approval allows the council to monitor performance on a regular basis and to recover an annual renewal fee to cover reasonable costs. When site inspections are required the council is able to levy an inspection fee.

In 1999 Council launched its Septic Safe program, at this time there were 8458 on-site systems registered. These systems comprised of 5222 absorption trench systems, 1778 pumpout systems, 1379 aerated wastewater treatment systems, 35 cesspits and 44 compost systems. It is estimated there are another 2000 systems that have not been registered.

From November 2000 until June 2006 there has been 7625 inspections carried out. Of those inspections there have been 6251 Approval to Operates issued (85%) and there have been 845 failed systems (12%).

2006/07 Existing Fee + Operational Budget

- | | | | |
|----|--|---|---------|
| 1. | Operation of Sewage System Annual Renewal Fee | - | nil |
| 2. | Issue of Approval to Operate (incl. site inspection) | - | \$70.50 |

Approvals to Operate are issued depending on the potential environmental and public health risk associated with the operation of the on-site sewage system i.e. high risk - annually; medium risk - every three years; low risk - every five years.

- | | | | |
|----|---|---|-----------------|
| 3. | Sewage Management Facilities Operating Income | - | \$(153,780) |
| | Sewage Management Facilities Operating Expenses | - | \$206,584 |
| | Total Operational Program Costs | - | \$52,804 |

2007/08 Proposed Fee + Operational Budget

- | | | | |
|----|--|---|---------|
| 1. | Operation of Sewage Management Facilities Annual Renewal Fee | - | \$34.00 |
| 2. | Issue of Approval to Operate (incl. site inspection) | - | nil |

The Operation of Sewage Management Facilities Annual Renewal Fee is calculated on the basis of the estimated costs to provide this service. This is the same 'cost-sharing' principle that Council applies to its sullage service.

It is proposed that the \$34.00 Operation of Sewage Management Facilities Annual Renewal Fee be included on applicable 2007/08 Rates and Charges Notice's.

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3.	Sewage Management Facilities Operating Income	-	\$(287,572)
	Sewage Management Facilities Operating Expenses	-	\$288,573
	Total Operational Program Costs (incl. indexation, vehicle for inspection staff, depreciation, overheads)	-	\$1,046

On-Site Sewage Management Fee Comparison

On-site Sewage System Risk Category	Existing Annual Fee	Proposed Annual Fee	Difference in Annual Fee
High	\$70.50	\$34.00	(\$36.50)
Medium	\$23.50	\$34.00	\$10.50
Low	\$14.10	\$34.00	\$19.90

The proposed annual Sewage Management Facilities Annual Renewal Fee would therefore equate to a saving of \$36.50 for customers with high-risk category systems. The majority of these customers are on septic pumpout systems. Customers with Medium + Low risk category systems will be required to fund an additional \$10.50 - \$19.90 per annum for the provision of the sewage management facilities program.

Pricing Structure Comparison With Other Councils

Council	Annual Fee	Inspection Fee
Liverpool Council	\$50.00 Included on Rates Notice	\$110.00
Camden Council	\$50.00 Included on Rates Notice	nil
Penrith City Council		\$109.00 Combined registration + inspection fee (every 1, 3, + 5 years depending on risk)
Baulkham Hills Council		\$90.00 Combined registration + inspection fee (every 3 years)
Blue Mountains Council	\$12.00 5 year approval = \$60.00	\$125.00

Alternative Pricing Option

To ensure On-site Sewage Management is provided on a full cost recovery basis an alternative pricing structure is increasing the issue of the Approval to Operate (incl. Site inspection) fee to \$120.00 (2007/08 budget). This fee is calculated on the completion of 2400 inspections annually.

Recommendation

1. Hawkesbury City Council's Sewage Management Facilities program is operated on a full cost recovery basis.
2. A Sewage Management Facilities Annual Renewal Fee of \$34.00 is advertised for public comment in Council's 2007/2008 Draft Revenue Pricing Policy.
3. A Sewage Management Facilities Annual Renewal Fee of \$34.00, if adopted by Council in its 2007/2008 Revenue Pricing Policy is included on all Rates and Charges Notices for properties that operate a Sewage Management Facility.

Occasional Care and Family Day Care

It is recommended that Council delegate management responsibility for the operation of the Richmond Occasional Child Care Centre and Family Day Care to Peppercorn Services Inc. These two services are the remaining externally funded services directly operated by Council.

Do to structural reductions in government operating subsidies, and the employment of staff under the Local Government Award (rather than the relevant awards applicable to the child care industry), Council has been required to subsidise the operation of these services. The proposed transfer of management delegation of these services to PS Inc. will provide opportunities for cost reductions through economies of scale, more flexible workforce arrangements, the re-alignment of supervisory responsibilities, the sharing of administrative resources, the temporary equalisation of operating losses, and a reduction in corporate overheads. Service levels will remain unchanged. Savings generated would be \$34,034 in the 2007/2008 financial year as Council would not be required to fund the operating losses of these services.

Recommendation:

That Council delegate management responsibility for the operation of the Richmond Occasional Child Care Centre and Family Day Care to Peppercorn Services Inc.

Community & Cultural grants program***Background:***

Council administers a Community and Cultural Grants Program (CCGDP), which distributes \$60,000 in Sec 356 financial assistance to community groups on an annual basis.

In 2001, Council adopted a Grants and Donations Policy to regulate the provision of Section 356 financial assistance. The Policy was developed to primarily support the provision of seed funding to local community groups, who do not have access to alternate sources of funding, for projects to address unmet community needs. In practice, the CCGDP program has evolved into the opposite direction – it now provides a fixed program of financial assistance to support or subsidise the annual operations and activities of the same pool of community and school groups, most of which are state or federally funded agencies.

The proportion of Section 356 financial assistance, which is provided as an operational subsidy to state and/or federally funded organizations, has been steadily increasing. Council currently provides ongoing subsidies to state and federal funded agencies to cover a range of operating and capital costs (rent, venue hire, equipment, program costs etc) and has been increasingly called upon to fund shortfalls in service provision which are primarily the responsibility of other levels of

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government. As the level of government closest to local communities, Council has been increasingly called upon to redress financial shortfalls arising from decreasing grants and/or increased demand for human services.

Proposal:

It is proposed that Council cease providing Section 356 financial assistance to state and federal funded government departments and community agencies which are used to subsidise the day-to-day operating costs of these entities. This would result in the withdrawal of the rental subsidy paid to the Women's Cottage, contribution to the Cancer Council Relay for Life event, and the funding of the subsidised hire of the Windsor Function Centre for school presentation nights and events. Amongst its immediate neighbours Hawkesbury City Council, is the only Local Government authority that provides for the subsidised hire of its 'town hall' on an open-ended, ongoing basis.

Under this proposal, those entities no longer provided an operational subsidy, would still be eligible for Section 356 financial assistance, but only for programs or activities, which address community needs as identified in Council Community and Cultural Plans, and which do not constitute a day-to-day operational expense which should ordinarily be met from funds provided by state and federal governments.

Impact:

Cost Reduction: \$20,000 (2007/2008) \$20,000 (2008/2009)

If approved, the cessation of Section 356 financial assistance to state and federal funded government departments and community agencies, which are used to subsidise the day-to-day operating costs of these entities, will require these entities to identify alternate sources of funds to cover these operating costs.

Alternative:

Should Council retain the provision of Section 356 financial assistance in the form of operating subsidies to state and federal funded government departments and community agencies, it is likely that the level of 'cost shifting' underwritten by the Community and Cultural Grants Program will continue to escalate.

Recommendation:

That Council cease providing Section 356 financial assistance under the Community and Cultural Grants Programs to state and federal funded agencies, where these funds are used to subsidise the day-to-day operations costs of these agencies.

Sister City Association

Background:

Council presently allocates funds of some \$30,000 for the purpose of its Sister City activities, which includes almost \$20,000 for general expenses and around \$10,000 for additional expenses such as travel, functions, etc. Given Council's difficult financial situation, it is prudent to consider relinquishing \$15,000 from the local economic development budget to help offset Council's projected operating deficit and to narrow Council's Sister City activities.

Recommendation:

That \$15,000 from Section 356 expenditure for Sister City's be reduced from the budget, equally from both allocations, for local economic development within the Commercial Response Unit.

Cycleways - Capital***Background:***

A grant of \$50,000 is received annually from the Roads and Traffic Authority on a dollar-for-dollar basis to be utilised for the ongoing expansion and development of a regional cycleway network. The works are carried out in accordance with a program adopted each year by both Council and the RTA. The works generally consist of a combination of both off-road (concrete) and on-road (shoulder sealing) components.

In terms of asset management principles, additional infrastructure should not be provided where there are insufficient funds available to undertake the maintenance and replacement of such infrastructure over time. As Council would be aware, the majority of capital works funding is currently being directed at the rehabilitation and/or replacement of failed footpaths, kerb and gutter, and road pavements. The continued expansion of the cycleway network is considered to be currently unsustainable and should cease until adequate funds become available.

Recommendation:

That future RTA funding for cycleways not be accepted at this stage and the 2007/2008 budget be reduced by the \$50,000 normally identified for this purpose.

RFS - Discretionary expenditure***Background:***

The Rural Fire Service estimates submitted recently for Council's consideration consists of two components. The Rural Fire Fighting Fund (RFFF) component is submitted to the NSW Rural Fire Service, and Council is obligated under the Rural Fires Act to contribute 13.3 per cent of this budget. The budget submission, which was endorsed by Council totalled \$2,470,539 of which Council's contribution would be \$310,892.69.

The RFS budget includes an "Other Programs" charge, which is essentially an overheads component to assist running the NSW Rural Fire Service head office. A list of "Other Programs" includes voluntary training, fire mitigation works, insurances, development control/hazard reduction, community education, training, planning, emergency funds, operations, engineering, corporate communications, administration, strategic development, and regional administration. Council is able to claim as a reimbursement the 13.3 per cent of the charges, which is estimated at \$133,000.

The second component is the submission made to Council (Council Bid Provided by Council) and is discretionary funding for a range of programs, which Council may consider. It should be noted that the "Provided by Council" component includes costs which can be directly attributed to the Service Level Agreement including insurance for the RFS stations and vehicles (\$50,000), Council rates (\$11,000), printing and stationery (\$35,000), coming to a total of \$96,000. There is also an additional \$332,700 identified within the Council Bid, which Hawkesbury Rural Fire Service deem to be necessary to undertake their operations. This makes a total of \$428,700. The 2006/2007 budget included \$250,000 of discretionary funding plus \$42,000 for salaries for casuals and \$11,000 for rates, making a total available of \$303,000 for 2006/2007.

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When Rural Fire Service budget submissions being investigated during May 2005, 5 Councils were contacted to ascertain the amount of discretionary funding provided across Local Government and the results are tabulated below:

	Rural Fire Fighting Fund (RFFF) Statutory 13.3%		Discretionary Funding	
Baulkham Hills	\$340,000	Average	\$150-200,000	Average
Blue Mountains	\$380,000		\$220,000	
Hornsby	\$371,000		\$129,000	
Lithgow	\$180,000	Contribution to office & stationery costs		
Penrith	\$178,000		\$182,000	
Hawkesbury	\$393,702		\$365,700	

At that time it was resolved that an amount of \$250,000 be allocated for the Rural Fire Service in respect of discretionary funding.

When the Rural Fire Service estimates for 2007/2008 were considered by the Council at its meeting on 26 September 2006 it was subsequently resolved as follows:

"That:

1. *The 2007/2008 Rural Fire Fighting Fund estimates as submitted by the NSW Rural Fire Service be endorsed in principle.*
2. *Based on the advice that there will be no additional discretionary funding greater than \$250,000 (indexed to the CPI), should the Rural Fire Service seek additional funds from the Rural Fire Fighting Fund, a request for an extension of time to allow further consideration by Council be requested.*
3. *Consideration of the request for additional funding above the existing 2006/2007 Budget Allocation be deferred until Council's 2007/08 Budget estimates are determined."*

As indicated above, the discretionary funding request from the Rural Fire Service for 2007/2008 totals \$428,700, including \$45,000 for salaries for casuals and \$11,000 for rates. These latter two amounts have, in the past, been provided separately to the discretionary funding and on this basis results in a nett request of \$372,700. The corresponding request in 2006/2007 was \$352,100 with \$250,000 actually being allocated for 2006/2007.

A breakdown of the discretionary funding request for 2007/2008 (excluding casual salaries and rates) is as follows:

Item	Discretionary Funding Requested \$
Station Maintenance & Repair	10,000
Station Upgrades	40,000
Cleaning - Fire Control	25,000
Insurances (Stations)	10,000
Insurances (Vehicles)	40,000
Stations - Water	1,000
Fire Control - Water	1,000
Travelling Expenses	35,000

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Item	Discretionary Funding Requested \$
Telephone Calls	13,000
Telephone Rental	12,000
Catering	18,000
Radio Repairs	10,000
Vehicle Maintenance & Repair	33,000
Group Officer Vehicle Replacement (4)	85,000
Mitigation Works	10,000
Training	17,700
Field Day	12,000
TOTAL	\$ 372,700

As a further measure to reduce costs, it is proposed that the discretionary funding currently identified for the Rural Fire Service be reduced from \$250,000 to \$180,000, within the 2007/08 budget. As the provision for salaries for casuals (\$45,000) and the rates component (\$11,000) have been identified separately within the budget, it is proposed to reduce the discretionary funding for the RFS by \$70,000, which would then leave the discretionary funding at the same level that was previously identified, ie \$236,000.

Recommendation:

That the Rural Fire Service discretionary funding be reduced by \$70,000.

Overtime - Start & finish***Background:***

When Hawkesbury City Council was formed through the amalgamation of Colo Shire and Windsor Municipal Councils, the practice of Colo Shire Council in relation to outdoor staff starting and finishing on the job was adopted by Hawkesbury Council. The outdoor staff of Windsor Municipal Council up to that time had been required to start and finish in the Windsor Depot. As the Windsor Municipality consisted of a far smaller area, subsequently less travelling time was required to access work locations throughout the municipality. Colo Shire on the other hand extended from St Albans to Bilpin and had adopted the practice of starting and finishing on the worksite at the requisite start and finishing times.

Under the Award, an employee who is required to commence and/or finish at a location away from the employees normal starting point at the normal starting and/or finishing times, shall be paid a travelling allowance. Whilst this was deemed acceptable to compensate those people travelling to and from the job, it was obviously necessary to have the appropriate plant and equipment on the job at the starting time to enable work to commence at that time. It was considered that those employees driving such plant and equipment to the jobs were in fact working and as such were paid overtime to undertake those duties. So in effect, drivers and plant operators are paid overtime to have plant and equipment on the work sites at the designated starting time, whilst operational assistants are paid a travelling allowance to compensate for getting to the job at the starting time. The current cost for on-the-job start and finish is around \$150,000.

It is proposed to change from the current practice where a majority of employees start and finish on the job to a regime where all employees start and finish at a depot. Whilst it is appreciated that there will be a reduction of productivity of around 12 per cent, it is deemed that this is a realistic measure to be undertaken to reduce costs.

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Recommendation:

That all employees be required to start and finish at an appropriate depot.

Hawkesbury Sports Council

Background:

The Hawkesbury Sports Council Inc. has been delegated authority to undertake maintenance and operation including improvements to active sporting areas within the city. Funding in an amount of \$563,750 for maintenance activity and \$215,000 for improvement works is currently allocated from Council's operational budget.

It should be noted that capital expenditure includes the construction of additional facilities/structures on sporting fields which also adds to the ongoing increase in maintenance and rehabilitation demands currently being experienced.

In line with cost reductions currently being undertaken over the entire spectrum of Council's activities, it is considered appropriate that the amount of funding allocated to the Sports Council also be reduced. It is proposed that a reduction of \$75,000 be implemented within the 2007/2008 budget period.

It is noted from the Hawkesbury Sports Council Financial Report as at 31 December 2006, reported to Council's meeting of 13 February 2007, that there is a \$72,750 surplus in operating funds and \$69,790 deficit in capital funds at that time.

Recommendation:

That funding to the Hawkesbury Sports Council Inc. be reduced by \$75,000 for the 2007/08 financial year.

City Planning Consultancies

Background:

The City Planning Consultancy vote currently previously stood at \$58,000 a year, and is used to engage consultants to assist the City Planning staff to carry out tasks beyond their expertise or beyond their work program. The removal of these funds would mean that the amount of tasks undertaken by the planning staff will be restricted to those they can fit into their normal staff time. This will have an effect on any Strategic Planning Program and any amendments to the Local Environmental Plan that Council may wish to carry out where external funding cannot be obtained for.

It should be noted, however, that possibly with the advent of Planning Agreements and Deeds of Agreements with proponents, that some funds can be obtained for some strategic tasks by this means.

Recommendation:

That an amount of \$20,000 be reduced from City Planning Consultancies within the 2007/2008 Budget.

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Heritage Assistance Program

Background:

The Heritage Program consists of two individual items: firstly \$20,000 used to conduct a program of grants for people to carry out renovation to their heritage listed properties. Secondly a sum of some \$20,000 to undertake ongoing review of the heritage items listed in the Local Environmental Plan. The removal of these items will mean that there will be no Grant Program available for owners of heritage items and the heritage review will cease. It should be noted, however, that this financial year there is money to carry out the heritage review, together with the sums carried over from last year, so a concerted effort can be made to finalise, as far as possible, the heritage review without a continuation the following year.

The Grant Program is fully funded by Council, and Council is not entitled to apply for matching funds from the heritage office unless the provisions for these funds have been changed in recent times. The amount represents a relatively modest amount compared with the number of heritage items in the local area and the funds required to maintain these heritage items. There has also been a relatively limited take-up of the heritage grants, notwithstanding the fact that they had been given in past years.

Recommendation:

That an amount of \$20,000 be reduced from the Heritage Assistance Program within the 2007/2008 Budget, and other recommendations, where necessary, have been incorporated into the recommendation at the end of this report.

All recommended reductions in respect of the above listed expenditure reductions have been incorporated into the 2007/2008 draft Budget and other recommendations, where necessary, have been incorporated in the recommendation at the conclusion of this report.

Based on current trends, Council can no longer absorb the growing gap between income and expenditure without continuing to either reduce service levels or by identifying opportunities for increased revenue.

A significant number of reductions, as detailed above, have been nominated by Management in order to achieve a balanced budget. In the event that Council wishes to alter any of these reductions it is suggested that it would also be necessary for Council to nominate an alternate source of funding from within the budget from which funds could be deducted in order to increase an item that had been reduced.

The use of reserve funds (effectively a form of deficit budgeting) is not recommended as it simply defers a required reduction to a subsequent period while at the same time reducing available reserves that could be required to meet unforeseen circumstances that may arise in the future.

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 savings in employee costs totalling in excess of \$1m. This reduction represented a 7% decrease in Council's FTE base.

Even after these reductions, projected increases in employee costs in 2007/2008 alone outstrip the additional revenue generated through rate pegging. Employee costs continue to increase above a projected Rate Pegging Rate Rise of 3.25% with the average award increase at 4% plus 1.8% for increments and reclassifications in 2007/2008.

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Based on the current staff establishment the projected 2007/2008 increase in employee costs is estimated at \$841,454 as follows:

Employee Costs Summary	\$
Superannuation (reinstatement of superannuation holiday)	61,108
Award Increase - 4.00%	469,246
Increments	276,715
Allowances	(18,104)
Overtime	22,489
Reclassifications	30,000
Total Increase	841,454

As a result of the transfer of approximately 16 staff to Peppercorn Services Inc, employee costs in the amount of \$549,381 have now been excluded from the draft 2007/2008 budget.

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.

As part of the 2007/2008 budgetary process a total of seven new positions and an increase in hours for a further two positions was sought by various areas within the Council. Following a review of these requests by Management provision has been included in the 2007/2008 draft Budget for one new position and an increase in hours for two positions. Details of these are as follows:

Division	Section	Position	Reasons	Cost \$
External Services	Regulatory	Resource Recovery Officer	This position is required to generate extra income from resource recovery activities. This would be achieved by processing materials into viable products and establishing a customer base.	68,631
External Services	Library	Library Officer - Info Services	Increase in staff hours required to undertake 3, 4 hour reference desk shifts. This will allow the Librarian to be taken "Off desk" in order to work on less operational duties appropriate to the Librarian position.	16,571
External Services	Library	Library Assistant - Local Studies	Increase in staff hours required for a library assistant to undertake support duties within local studies. The focus will be on making collections more accessible through processing and digitising materials.	16,571
TOTAL				\$101,778

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Superannuation Contributions

Due to the performance of the superannuation schemes, until 2005/06 Council had enjoyed a "contribution holiday" for members of the Retirement & Defined Benefit Schemes. Advice was received that Council should make provision in the 2005/06 budget for an amount of \$300,000 equivalent to a 50% contribution with 100% or a further \$282,000 required in the 2006/2007 and subsequent years.

Advice was then received that due to the continued high performance of the fund, the reintroduction of the remaining 50% contributions in 2006/07 would now be deferred until 2007/08. As a result of this advice, the additional \$282,000 that was required to fund the increase in superannuation contributions for 2006/07 was transferred to the Employee Entitlements Reserve. This assisted in attempts to ensure that this reserve remains at an acceptable level after the payment of voluntary redundancies and that the funds will be available in 2007/08 without any adverse impact on future budgets.

Advice has once again been received that the 50% "holiday" will now continue into the 2007/2008 financial year, however, a commitment to the continuation of this "holiday" beyond this period has not been given and it has been suggested that Council should continue to budget for the payment of this amount in the future.

Accordingly, it is once again proposed that the savings achieved from this 50% "holiday" in 2007/2008, being an estimated amount of \$208,000 be transferred to the Employee Entitlements Reserve.

Council Controlled Fees

Council receives annually approximately \$3.6 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, 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.

Table 4 below summarises the major sources of fees and charges income -

Table 4 - Summary of major fees and charges

FEE	Budget 2006/2007	Budget 2007/08	% Increase / (Decrease)
Building & Development	1,256,884	1,226,691	(2.4%)
Animal Management	357,503	335,000	(6.29%)
Parking Patrol	220,000	220,000	0%
Pool Income	111,204	115,096	3.5%
Cemeteries	106,000	109,710	3.5%
Inspections & Permits	207,721	278,526	34%
Total Major Fees	2,259,312	2,285,023	1.14%

Statutory Fees

Council's revenue stream from statutory fees is approximately \$1.9m per annum or 35% of the total fees and charges received. These fees are increased by the State Government, and based on past history, they are not increased regularly.

SPECIAL MEETING**Meeting Date:** 17 April 2007**Rental Income**

Council's leases a diverse and extensive range of properties. Currently leased properties are worth over \$26.7 million, which continues to provide a vital alternative source of income for Council with rental returns in excess of \$1.7 million.

Council has averaged approximately \$1.4 million in rental income over the past five years and is projected to receive \$1.86 million in 2007/2008 with a nearly 100% occupancy rate. This represents a \$0.1m, or 5.4%, increase on the 2006/2007 Budget.

The property portfolio includes the following range of properties:

Property Category	No. of Properties	Rental Income
Commercial	25	\$1,048,430
Residential	12	\$128,580
Retail	3	\$516,498
Total	40	\$1,693,508

In addition to these properties Council also receives other rental income of \$166,210 from properties under licenses, road, telecommunications, crown land, land and grazing leases.

Service Standards

In general, current operational service levels are maintained in the 2007/2008 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.

Table 5 contains a comparison of the Budget for 2006/2007 and the Draft 2007/2008 Operational Budget.

Table 5 - Comparison Budget

<u>OPERATIONAL ACTIVITIES</u>	2007 AMENDED BUDGET	2008 DRAFT BUDGET
	\$	\$
Income from continuing operations		
General Rates (Note 1)	19,888	20,535
Utility Rates & Charges	12,547	11,766
	32,435	32,301
Fees & Charges (Note 2)	5,514	5,284
Grants & Contributions- Operating (Note 3)	9,174	6,702
Interest	1,318	1,347
Other Operating Revenue	2,546	2,558
Total Income from continuing operations	50,987	48,192
Expenses from continuing operations		
Employee Costs (Note 4)	13,958	13,801
Other Employee Costs	815	737

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Materials & Services	24,234	20,775
Borrowing Costs	2	2
Depreciation	7,447	8,119
Other Expenses	8,987	6,000
Total expenses from continuing operations	55,443	49,434
Net Operating result before capital grants & contributions	-4,456	- 1,242
Grants & Contributions - Capital (Note 5)	3,185	1,554
Net Operating result for the year	1,271	- 312

	2008
	DRAFT BUDGET
	\$
Proceeds from sale of assets (Note 6)	1,394
Depreciation	8,119
Grants & Contributions - capital	1,554
Total funding source	11,067
Application of funds	
Land & buildings	1,620
Infrastructure	4,225
Plant & equipment	2,848
Other	276
Total Income from continuing operations	8,969
Net transfer to reserves	804

	2008
	DRAFT BUDGET
	\$
Net Operating result before capital grants & Cont	1,241
Total funding source	- 11,067
Total funding application	8,969
Net transfer to reserves	804
Projected budget surplus	- 53

Notes

1. Increase in general rate revenue as a result of either 3.25% Rate Pegging and includes growth in properties from 2006/2007.
2. Fees & charges includes rental income, statutory fees, discretionary fees i.e building & development, animal control, parking and inspections, other income and internal administration recoveries.

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3. Financial Assistance Grant is estimated to increase by 3.08% to \$4.35 million on amount received in 2006/2007 \$4.22 million. In the Draft 07/08 budget only Grants that are certain have been included. Other grants may be applied for during the year and will consequently be reflected in quarterly reviews.
4. Employee costs estimated to decrease by \$0.23 million. Increases in employee costs due to award increases and reclassifications have been offset by a reduction in employee costs due to the transfer of approximately 16 staff to Peppercorn Services Inc.
5. Capital Grants include Roads to recovery \$754,966, Blackspot and RTA grants of \$744,000.
6. Sale of Assets includes the disposal of fleet vehicles and properties.

New Initiatives & Strategies

Given the degree of expenditure required on maintenance and rehabilitation of infrastructure, the draft budget has been developed on the basis that the provision of existing operational service levels will remain static. The draft budget has therefore not provided for the inclusion of any new initiatives or strategies e.g. customer service strategy, communication strategy and no provision has been made for the future implementation of regulatory or legislative requirements eg Water Action Plan.

No provision has been made for increased services in any operational area and this will be reviewed annually to determine if service level priorities change. This review will consider the appropriateness of the provided service and the cost effectiveness of delivering these services.

Any potential change in service levels will need to be contained within the existing operational expenditure estimates.

Although the draft budget does not provide for an increase in operational service levels, it does enable Council to continue to maintain the existing levels of services including libraries, gallery, recreational facilities, child care, regulatory enforcement, development, building control and community facilities.

Council has undertaken a review of its operational plan, including key performance indicators and service standards to be achieved on an annual basis. A summary of the major service standards and targets that will be achieved and which will form part of reporting on the operational success of the plan is incorporated in the Draft Management Plan.

Capital Budget

The Special Rate Variation works budget has been prepared using the 10 year Infrastructure Renewal Program incorporated in the attached Booklets. This list of works has been reviewed and modified since the IIP to reflect any changes in capital works priorities and works referred to budget since that time.

As indicated earlier in this report, the main priority and objective of the Special Variation Budget's Infrastructure Renewal. It is proposed that the Special Rate Variation would be based on a 10 year Infrastructure Renewal Program is to provide for and direct funds towards the ongoing maintenance of the Council's existing infrastructure assets.

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The below table provides a summary of the proposed capital works expenditure under both the Base Budget and the Special Variation Budget for 2007/2008:

Program	Base Budget 2007/2008 \$	Special Rate Variation 2007/2008 \$
		Additional Works
Community Services	50,800	0
Waste Management Services	778,712	0
Building Services	1,592,550	482,000
Operations Management	214,000	0
Roads	3,312,878	3,132,774
Parks	725,884	876,000
Environmental Stormwater	0	0
Sewerage Services	924,212	0
Fleet	440,512	0
Emergency Services	38,000	0
Cultural Precinct	345,574	0
Sewerage Mgt facilities	52,000	0
Health Services	31,000	0
Animal Control	20,000	0
IT & Records	438,850	0
Land Acquisition Income	-250000	0
Totals	8,714,972	4,490,774

The various works detailed under the Special Rate Variation program are in excess of the funds that may be raised via the Special Rate Variation and will require prioritisation in order to meet the requirements for the variation submission and this will be undertaken prior to the submissions dispatch to the Department of Local Government.

Loan Borrowings

Debt financing is a sound financial practice by which Local Governments can finance needed community facilities and ensure the cost of providing the facility is distributed across generations therefore achieving intergenerational equity.

Debt financing should only be considered for identifiable major capital projects and should not be utilised to meet operational or maintenance requirements. The current draft budget does not anticipate any debt financing, as the majority of the Infrastructure Improvement Program will be spent on renewals maintenance of existing assets and therefore should not include borrowings.

Loan borrowings have not been proposed as part of the 2007/2008 base Budget but have been provided for in the 2007/2008 Special Variation Budget forming part of the Infrastructure Renewal Program. The draft Management Plan indicates that as part of this program Council may considered borrowings of up to \$3 million over the next three years. This, as well as the proposed program, will be kept under review on an on-going basis through out the life of the program.

Contingency Reserve

At a recent Council meeting it was requested that details be provided to Council in relation to the present position of the Contingency Reserve.

It will be recalled that in the last two financial years Council experienced considerable difficulty in maintaining a balanced budget position due to a number of factors, including reduced income from a

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number of areas together with costs increasing at a level greater than the prevailing CPI or rate pegging increase levels. Effectively, in each of the 2004/2005 and 2005/2006 financial years Council had to cut in excess of \$2m from its budgets in order to maintain a balanced position. This was achieved through a number of methods, including the reduction of staff numbers and benefits.

As a result of the rigorous approach adopted to the management and monitoring of Council's budgetary position surplus budgetary positions were achieved at the conclusion of the 2005/2006 financial year and the 1st and 2nd quarters of the current financial year. Initially, it was suggested that in view of the experiences of the recent past with required budget reductions that these surpluses should be placed in a contingency reserve in order to provide for further difficulties that may be experienced in the future.

At present, the Contingency Reserve stands as follows:

Surplus From:	Amount \$
2005/2006	231,000
First ¼ 2006/2007 Budget review	191,000
Second ¼ 2006/2007 Budget review	49,000
Total @ 31/12/06	471,000

The third ¼ 2006/2007 Budget review is due to commence in the near future and due to additional Workers Compensation/OH&S cost that will require adjustment in this period, as recently reported to Council it may be necessary to call upon this reserve to balance the review if other cost reductions or increased income can not be identified.

Balancing The Budget

The Draft Budget as presented has a small surplus of \$53,792 after incorporating the budget reductions listed previously of \$1,024,598. It should be noted that the continued pressure on maintaining an appropriate income vs. cost containment mix in each budget is becoming increasingly difficult. It is proposed that this small surplus, if achieved, would ultimately be transferred to the Contingency Reserve referred to previously in this report.

Future Sustainability

This is the third year of intense scrutiny of the budget and management consider that there can be no further reductions in expenditure without reducing service levels.

Significant advances have been made during this budget to reduce operational costs and to direct rate revenue and operational savings towards funding future capital works. Although this is achievable for this budget year, this is not a sustainable strategy without future reviews on:

- Service levels requirements;
- Capital works programming and prioritisation;
- Internal and external borrowings; and
- Rates modeling and future rate increases.
- These reviews are imperative to ensure the future sustainability of Council's Ten Year Financial Plan.

9. 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.

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10. Adoption Of Budget For Year Ended 30 June 2008

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 24 April 2007.

Council will be able to hold a Special Meeting of Council on Monday, 25 June 2007 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 2008. It is anticipated that by this meeting the Council will have been advised of the Minister's determination of Council's submission for a Special Rate Variation. If this is not the case a further meeting will need to be set to fix rates once the Ministers determination is known.

RECOMMENDATION:

That:

1. The General Manager's report regarding the 2007/2008 draft Management Plan and Budget be received.
2.
 - (a) Hawkesbury City Council's Sewage Management Facilities program be operated on a full cost recovery basis.
 - (b) A Sewage Management Facilities Annual Renewal Fee of \$34.00 be advertised for public comment in Council's 2007/2008 Draft Revenue Pricing Policy.
 - (c) A Sewage Management Facilities Annual Renewal Fee of \$34.00, if adopted by Council in its 2007/2008 Revenue Pricing Policy be included on all Rates and Charges Notices for properties that operate a Sewage Management Facility.
3. That Council delegate management responsibility for the operation of the Richmond Occasional Child Care Centre and Family Day Care to Peppercorn Services Inc.
4. That Council cease providing Section 356 financial assistance under the Community and Cultural Grants Programs to state and federal funded agencies, where these funds are used to subsidise the day-to-day operations costs of these agencies.
5. The 2007/2008 draft Management Plan, incorporating Council's Strategic Plan, Operational Plan, Budget Estimates and Revenue Pricing Policy, based upon the Special Variation Budget providing for a rate increase of 9.5%, subject to Ministerial approval, be adopted for exhibition purposes and be advertised in accordance with section 405 of the *Local Government Act 1993*
6. A Special Meeting of Council be held on Monday, 25 June 2007 to consider any public submissions received in respect of the 2007/2008 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 2008.

ATTACHMENTS:

- AT - 1** The 2007/2008 draft Management Plan and Budget, incorporated within Booklets 1 to 4, has been separately circulated to all Councillors.

oooO END OF REPORT Oooo

SPECIAL MEETING

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special
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.