



# **BOGAN SHIRE COUNCIL**

## **Business Paper Extraordinary Meeting (Estimates)**

**14 May 2015**





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7 May 2015

## **COUNCIL MEETING NOTICE**

The Extraordinary (Estimates) Meeting of Council will be held in the Council Chambers, Nyngan on Thursday 14 May 2015 at 9.30am.

### **AGENDA**

1. Opening Prayer
2. Remembrances
3. Apologies
4. Declarations of Interest
5. Manager Corporate Services' Report

Your attendance at this meeting would be appreciated.

Yours sincerely

**Cathy Ellison**

Executive Assistant



## **REPORTS TO EXTRAORDINARY MEETING OF COUNCIL – MANAGER CORPORATE SERVICES**

### **Mayor and Councillors**

I submit the following report for consideration:-

### **1 BUDGET REPORT**

#### **1.1 Introduction**

The purpose of this report is to present the 2015/16 Operating Plan and Budget, for Council's consideration and approval for public exhibition, as required by the provisions of the Local Government Act.

#### **1.2 Background**

The Operational Plan and Budget is the key document within the Integrated Planning and Reporting Framework prescribed by the New South Wales Government and implemented in 2012.

The document details specific activities that will be carried out in the 2015/16 financial year, the estimates of income and expenditure and a Revenue Policy containing the schedule of rates, fees and charges.

The following is a summary of the Operational Plan requirements contained in Section 404 of the Local Government Act:-

- Council must have an annual Operational Plan, adopted before the beginning of each financial year, outlining the activities to be undertaken that year, as part of the Delivery Program.
- The Operational Plan will include a Statement of Revenue Policy.
- The Draft Operational Plan must be publicly exhibited for at least 28 days and public submissions can be made to Council during the period.
- The exhibition must be accompanied by a map showing where the various rates will apply within the Local Government area.
- Council must accept and consider any submissions made on the draft Operational Plan before adoption.

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**1.3 Discussion**

The Operational Plan and Budget sets out the detail of the four years Delivery Program. It provides detailed information on the Council's specific actions and projects that will be implemented for the year for each service, including information on Capital Works, Rates, Fees and Charges.

**Overall Budget**

The overall budgeted result for 2015/16 shows a \$529,007 surplus. This is comprised of surpluses for the General Fund (excluding waste) of \$116,656, Waste of \$27,004, Sewer of \$275,380 and Water \$109,967.

Total operational spending is \$17,661,000 while income excluding transfers from reserves is \$16,950,000. After depreciation is taken out, the operating fund is generating \$2,871,000 in cash. Nett expenditure on Capital (after grants, loans and transfers from reserves) is \$2,341,700, leaving a cash surplus of \$529,007.

As mentioned above Reserve Funds and Loans have been used in some cases to fund Capital Works. These will be detailed later in the report.

	<b>2015/16 Net Result (Operating and Capital)</b>	<b>Transfers from Reserves and Loans to fund capital projects</b>	<b>Net Result</b>
General Fund (excluding Waste)	-3,235,560	3,352,216	116,656
Waste	-432,996	460,000	27,004
Sewerage	180,380	95,000	275,380
Water	-590,363	700,330	109,967
<b>Consolidated total:</b>	<b>-4,078,539</b>	<b>4,607,546</b>	<b>529,007</b>



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The affect on Councils cash reserves are shown in the table below:

<b>Projected Fund Bank Balances</b>				
	<b>General</b>	<b>Water</b>	<b>Sewer</b>	<b>Consolidated</b>
<b>Opening Bank Balance</b>	4,339,000	1,160,000	2,188,000	7,687,000
Net Result 2015/2016	143,660	109,967	275,380	529,007
Trfs from Reserves	404,427	414,000	0	818,427
Trfs to Reserves	400,000			400,000
<b>Closing Bank Balance</b>	<b>4,478,233</b>	<b>855,967</b>	<b>2,463,380</b>	<b>7,797,580</b>

Spending on carry-forward items from 2014/15 has already been included in the opening Bank balance.

The performance of the funds is shown in more detail in Attachment A.

**Issues**

Council is facing the challenge of constricted revenue and increasing operational costs along with the maintenance of a large asset base. It also has the challenge of keeping its large permanent workforce engaged in employment and largely depends on revenue from sources outside of Council to do this.

The major issues relating to the 2015/16 budget are as follows:-

- Rate Increases;
- Increased charges for the Waste Depot and spreading the cost of these charges;
- Grant Funding and decreases in future years;
- RMCC Ordered Works;
- Additional Staff;
- Loans, and funding repayments in future years;
- Long Day-Care;
- Capital Works; and
- The water fund deficit and increased charges for water.

These are detailed below along with major assumptions which have been made when preparing the budget.

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**General Fund**

The operating fund will generate \$2,266,000, after adding back depreciation and subtracting transfers from reserves, to obtain a true cash figure. Nett capital spending is \$2,126,000, leaving the cash surplus of \$143,660.

Council is offering the same projects and services as previous years and consequently the budget is very similar. Wages have increased by 2.7% in accordance with the award. Three new staff have been allowed for and are detailed below. No positions have been made redundant.

Details of budgeted operating expenditure by program for 2015/16 and projected spending for 2014/15 are shown as Attachment B.

**Rates**

Rates have been increased by 2.4% in line with the rate cap.

The amount charged to individual rate assessments will be subject to variations within rating categories where minimum rates, Ad Valorems and valuations cause increases by more or less than this amount, but the average increase will be about 2.4%. Details of land valuations and relevant Ad Valorem rates are shown as Attachment C1. Attachment C2 shows detailed examples of rates payable on a sample of properties.

Outside of the above increase Waste, Water and Sewer will increase by differing amounts. These are discussed in the relevant sections below.

The average residential rates bill for a person living in Nyngan, receiving all the services, is likely to look like this:

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<b>Category</b>	<b>2014/15 Average</b>	<b>2015/16 Average Waste Spread</b>	<b>2015/16 Average Waste Not Spread</b>	<b>\$ Increase if Waste charge not spread</b>	<b>% Increase if waste charge not spread</b>
Rates	277	284	284	7	2.5
Dom Waste Coll	165	190	190	25	15.0
Dom Waste Depot	192	192	276	84	43.7
Dom Waste Recycling	94	107	107	13	13.8
Water Access 20MM	510	535	535	25	4.9
Sewer Access	540	540	540	0	0.0
<b>Total</b>	<b>1,778</b>	<b>1,848</b>	<b>1,932</b>	<b>154</b>	<b>8.6</b>

Residential ratepayers will also pay for the water that they use at the rate of \$1.87 per kilolitre which has increased by 9 cents (5%) per kilolitre. The significant increase in the Waste Depot Charge is discussed below.

### **Waste**

In September 2014 Council considered a report on the implications that the conditions of Development Consent and the Environmental Protection Licence would have on the operations of the new Nyngan Waste Management and Resource Facility.

This report presented, in some detail, the Licence conditions attached to the new Facility and highlighted the operational requirements contained within them which would necessitate a significant change to current waste management practices in order to satisfy the Licence conditions.

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These include the following daily tasks:-

- (a) Opening and closing the facility; (The licensee must take all practicable steps to control entry to the premises)
- (b) Ensuring trucks entering and leaving the site are covered at all times, except during loading and unloading;
- (c) Screen waste delivered to site and remove any waste not permitted to be disposed of at the waste facility;
- (d) Dispose of clinical waste appropriately;
- (e) The waste must be covered in accordance with the following requirements:
  - i. Daily Cover  
Cover material must be applied to a minimum depth of 15 centimetres over all exposed landfill waste prior to ceasing operations at the end of each day.
  - ii. Intermediate cover  
Cover material must be applied to a depth of 30 centimetres over surfaces of the landfilled waste at the premises which are to be exposed for more than 90 days.
  - iii. Cover material stockpile  
At least two weeks cover material must be available at the premises under all weather conditions. This material may be on site, or alternatively a cover stockpile must be maintained adjacent to the tip face;
- (f) Regular site inspections for litter are to be undertaken;
- (g) The cleanliness of roads is to be monitored and maintained; and
- (h) The public drop-off of materials is being restricted to the nominated operating hours.

It is also noted that the Licence states that "The licensee must ensure that adequately trained staff are available at the premises in order to administer the requirements of this licence".

Given these changes to current operations it is felt Council do not currently have the staffing levels to provide the level of service in line with the Environmental Protection Licence conditions.

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**Example Opening Hours and Associated Costs:-**

Option 1 – Open 7 days from 8am to 5pm

(Staff on-site 30min before opening and 30min after closing)

Cost = \$146,000

Option 2 – Open 5 days from 9am to 5pm Monday, Thursday, Friday and Weekends.

(Staff on-site 30min before opening and 30min after closing)

Cost = \$102,000

Option 3 - Open 5 days from 1pm to 5pm Monday, Thursday, Friday and from 9am to 12pm and 2pm to 6pm Weekends.

(Staff on-site 30min before opening and 30min after closing)

Cost = \$74,000

**Funding Options**

Option A – Increase current Waste Management Depot Charge to Residential customers – Nyngan (Currently \$192).

- Option 1 – increase to \$312 (62%)
- Option 2 – increase to \$276 (44%)
- Option 3 – increase to \$208 (8%)

In most cases Council will be charging more to those who currently pay the charge. Although a few residential customers who have not paid and will pay under this scenario, conversely some farmland properties who have been paying the charge will henceforth not pay.

The charge has been applied inconsistently in the past. If the same ratepayers were to be charged as in the past it would be hard to articulate how the charge should be levied in the Operational Plan.

Council could issue a card or vouchers to ratepayers paying the waste depot charge and require all who don't pay the charge to pay an additional fee either by purchasing an annual access card or making a casual payment at each time of use.

Option B – Implement a Waste Management Depot Charge payable on all rateable properties within the Bogan Shire (excluding non-rateable).

- Option 1 – increase to \$205 (7%)
- Option 2 – decrease to \$182 (-10%)
- Option 3 – decrease to \$137 (-29%)

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This spreads the burden of running the Waste Depots across the maximum possible number of ratepayers, therefore the cost to each ratepayer paying the charge is lower.

Option C - Implement a Waste Management Depot Charge payable on all rateable properties in the Bogan Shire within a certain radius of the Nyngan or village waste management facilities.

Increases depend on radius used and whether only properties with residential dwellings on them are liable for the charge. A quick calculation of all properties within a 5KM radius of each waste depot shows that collections would be about the same. Therefore an increase of \$84, to \$276, would still be necessary. The only difference being that a few properties which have been levied in the past would no longer be levied and some other properties which have not been levied would be levied for the first time. The advantage to this is there is some logic in how the charge is levied.

An alternative payment option for those who do not pay the levy, as specified in option A, would still apply.

Option D – Allow the General Fund (rates income) to subsidise the waste service and not increase or expand the Waste Management Depot Charges.

In principle, the Waste Fund should be self-financing as an economic service based on user-pays.

The implications of such a step need to be clearly understood – that is that there is, on an annual basis, as long as the system is in operation, \$102,000 (if funding option B) less available in the General Fund to meet operational needs or fund capital projects. For this reason this option is not recommended.

An additional source of revenue for Council could be tipping charges, charged whenever someone takes waste out to the Facility. Council currently has a schedule of tipping charges but, without the tip being manned, relies on people's honesty to pay these charges. Bourke Shire Council, for example, charge even for a 240 litre bin brought in by car (\$8.00). Shire residents could be provided with a certain number of vouchers allowing them free access during the year.

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Regardless of opening and closing hours Council should consider the option of calling for expressions of interest for a contractor to man the tip as possibly a more cost-effective alternative to staffing it.

### **Domestic Waste Collection**

Domestic Waste Collection charges have been budgeted to increase by \$30,000 which would mean an increase of \$25 to \$190 per for each property receiving this service. The primary reason for the increase is higher plant charges.

### **Recycling**

Recycling charges have been increased by \$11,500, which amounts to approx. \$13 extra per property totalling, \$107 for each property receiving this service.

Overall, if all of the above is taken into account, and option A is preferred for the funding of the waste depot (assuming that we are funding option 2), the increase in waste charges will be approximately 27% for the average residential ratepayer.

### **Grants**

Council has allowed for \$942,000 in Roads to Recovery (R2R) Grants for 2015/16, but will only have \$624,000 per annum to spend over the following three years. This spending is required under the R2R program. Council must be aware of the drop off in funding and the associated consequences of being able to pay its workforce in subsequent years.

Council has also budgeted an additional \$200,000 in Financial Assistance Grants (FAG's), based on verbal advice from the Office of Local Government regarding the re-calculation of FAG's according to a recommendation from the Revitalising Local Government Report.

No amount has been allowed for the RMS repair grant as Council has received it for the last three years and therefore does not expect to qualify for it in 2015/16.

An amount for the Block Grant of \$970,000 (\$820K operating, 150K Capital) has been allowed for which is the same as 2014/15. Block Grant money can only be spent on Council owned regional roads such as Tottenham Road, Cockies Road and Hermidale-Nymagee Road.

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### **RMCC Ordered Works**

RMCC Ordered Works are works on State Roads that Council tenders for with the RMS.

Income from this source has been budgeted at \$700,000 for 2015/16. This is less than 2014/15, for which Council budgeted \$916,000 but has actually received \$1,700,000 to date. This means that Council will have less external income to pay its work-force during 2015/16, unless it is successful at tendering for more work from the RMS.

Due to the lower income from this area, it has been allowed for in the budget to fund more road-works from rates.

### **Additional staff**

The following additional staff have been allowed for in the General Fund Budget:

1 Water Cart Operator – funded by reducing water cart contractor costs.

1 Tip Operator – funded from additional Waste Facility Charges.

1 Finance Internal relief – funded from a reduction in casuals.

An increase in hours for Visitor Information Staff, equating to approximately 0.2 EFT, to meet accreditation requirements.

### **Loans**

A total of \$1,405,000 has been allowed for as cash in-flows in the Capital budget. They are as follows:-

\$460,000 for the waste depot and recycling facility;

\$460,000 for the Medical Centre;

\$285,000 for the Long Day-Care Centre; and

\$200,000 for the AAA project. (To be recouped from sale of units)

Repayments have not been included as it has been assumed that the loans will not be taken out until the end of the financial year. However repayments of \$174,000 per annum will have to be met from the operating budget from 2016/17 onwards. About \$35,000 of the repayments will relate to the Long Day-Care Centre which will be off-set by fee-income, but the remaining \$139,000 will need to be found out of operations.



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A schedule of loan repayments is shown as Attachment D.

**Long Day-Care Centre**

The Long Day-Care Centre is expected to be operational by about February/March 2016. It will depend on when and if grant funding is approved and the time-frame of the builder who is engaged. It is expected that the project will take six months to complete once started.

No amounts have been allowed for in the operating budget as the project has not been approved and funded by the Federal Government as yet. If approved it is expected that income will off-set expenditure for 2015/16.

**Capital**

The Capital Program has been categorised into high, medium and low priorities from the workshop on Wednesday 22 April 2015. All low priority projects have been taken out of the Capital Program in order to fit the cost of the program into the budget. Council will need to agree on this prioritised list of Capital works at this meeting in order for the budget to be placed on public exhibition and ultimately adopted.

Council has \$516,000 worth of Capital works which will not be completed in 2014/15 and therefore carried forward to the following budget year, thus increasing the Capital works program for 2015/16.

Major Capital Works in this budget are:	\$
Pangee St Medical Centre	800,000
Nyngan Long Day-Care Centre	735,000
Waste & Recycling Depot	460,000
Gravel Re-sheeting of Rural Roads	792,000
Re-sealing of Local Roads	150,000
Construction of 1KM of Colane Rd	150,000
Construction of 1KM of Hermidale Nymagee Rd	150,000
Town Hall Toilets	162,000

A list of Capital Works, their prioritisation and funding source is shown as Attachment E.

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### **Water Fund**

The Water Fund is showing a cash surplus of \$110,000. The operating budget is generating \$297,000 but capital spending has been budgeted at \$601,000. The fund has \$1,307,000 to pay for this over-spend. Fixed charges to customers have been budgeted to increase by 5% to \$535 per connection. Variable charges have also been budgeted to increase by 5% to \$1.87 per kilolitre.

Although the fund can afford to pay for the over-spending in this budget year it is not sustainable. It also limits Council's ability to undertake large Capital Works in future years.

A summary of the income and expenditure in the Water Fund is shown as Attachment F. Details of capital works to be undertaken are shown as part of Attachment E.

### **Sewer Fund**

Due to the healthy state of the Sewer Fund and a projected cash surplus in the 2015/16 financial year, a nil increase has been budgeted for sewer charges. Residential properties will pay a fixed charge of \$540 per connection while non-residential properties will pay a fee based on their water usage.

Cash of \$308,000 will be generated by the operating fund, while only \$33,000 will be spent on Capital projects. The remaining \$275,000 will be transferred to the sewer fund reserve.

Given the cash situation of the Sewer Fund it will be in a position to lend money to the General Fund for Capital Works. In future years this could benefit the Sewer Fund by about \$14,000 as it will receive approx.1% higher return for its money, and could benefit the General Fund by about \$21,000 which could will pay 1.5% lower than the borrowing rate.

A summary of the of the income and expenditure in the sewer fund is shown as Attachment G. Details of capital works to be undertaken are shown as part of Attachment E.

### **Cash-flow**

Council's consolidated cash balance at the start of the 2015/16 financial year is projected to be \$7,670,000. The budgeted cash surplus for 2015/16 will be \$631,000. Therefore the cash balance at the end of the year is budgeted to be \$8,301,000.

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Council's cash-flow will be supported by \$1,405,000 in loans for the Long Day-Care Centre, Medical Centre and Waste Facility. This is quite acceptable as these projects will benefit future generations, but Council must be aware that commitment to these loans will affect Council's cash-flow in future years.

The consolidated cash-flow statement for Bogan Shire forms part of the long term financial plan and can be seen along with the Balance Sheet and Profit and Loss Statement as Attachment H.

#### **1.4 Attachments**

- A. Operating Budget Summary
- B. General Fund Operating and Capital by Program
- C1. Rates Estimates Report
- C2. Rates Samples
- D. Loans
- E. Capital Budget
- F. Water Fund Operating and Capital
- G. Sewer Fund Operating and Capital
- H. Consolidated Financial Statements

Included in the mailout:-

Draft Operational Plan & Budget, including:-

Revenue Policy – General and Development

2015/16 Estimates – Income & Expenditure

#### **1.5 Recommendation**

That the draft Operational Plan and Budget for 2015/16 be considered and approved for public exhibition.

**Luke Taberner**

**MANAGER CORPORATE SERVICES**



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**NOTES**
