

INVERELL SHIRE COUNCIL

NOTICE OF ECONOMIC & COMMUNITY SUSTAINABILITY COMMITTEE MEETING

2 April, 2015

An Economic & Community Sustainability Committee Meeting will be held in the Committee Room, Administrative Centre, 144 Otho Street, Inverell on Wednesday, 8 April, 2015, commencing at 10.30am.

Your attendance at this Economic & Community Sustainability Committee Meeting would be appreciated.

P J HENRY PSM

GENERAL MANAGER






A G E N D A

SECTION A	APOLOGIES CONFIRMATION OF MINUTES DISCLOSURE OF CONFLICT OF INTERESTS/PECUNIARY AND NON-PECUNIARY INTERESTS
SECTION B	ADVOCACY REPORTS
SECTION C	COMMITTEE REPORTS
SECTION D	DESTINATION REPORTS
SECTION E	INFORMATION REPORTS
SECTION F	GENERAL BUSINESS
SECTION G	CONFIDENTIAL MATTERS (COMMITTEE-OF-THE-WHOLE)
SECTION H	GOVERNANCE REPORTS

Quick Reference Guide

Below is a legend that is common between the:

- Inverell Shire Council Strategic Plan
- Inverell Shire Council Delivery Plan
- Inverell Shire Council Management Plan.

<i>Destinations</i>	<i>Icon</i>	<i>Code</i>
<p>1. A recognised leader in a broader context.</p> <p>Giving priority to the recognition of the Shire as a vital component of the New England North West Region through Regional Leadership.</p>		R
<p>2. A community that is healthy, educated and sustained.</p> <p>Giving priority to the Shire as a sustainable and equitable place that promotes health, well being, life long learning and lifestyle diversity.</p>		C
<p>3. An environment that is protected and sustained.</p> <p>Giving priority to sustainable agriculture, the protection and conservation of rivers, waterways bio diversity and the built environment.</p>		E
<p>4. A strong local economy.</p> <p>Giving priority to economic and employment growth and the attraction of visitors.</p>		B
<p>5. The Communities are served by sustainable services and infrastructure.</p> <p>Giving priority to the provision of community focused services and the maintenance, enhancement and upgrade of infrastructure.</p>		S

ECONOMIC & COMMUNITY SUSTAINABILITY COMMITTEE MEETING

Wednesday, 8 April, 2015

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MINUTES OF THE ECONOMIC & COMMUNITY SUSTAINABILITY COMMITTEE
MEETING HELD IN THE COMMITTEE ROOM, INVERELL SHIRE COUNCIL, 144
OTHO STREET, INVERELL ON WEDNESDAY, 11 MARCH, 2015, COMMENCING
AT 10.03AM.

PRESENT: Cr J A Watts (Chairperson), Crs D F Baker, P J Girle, P J Harmon and
A A Michael.

Also in attendance: Crs H N Castledine, B C Johnston and D C
Jones.

Paul Henry (General Manager), Ken Beddie (Director Corporate and
Economic Services), Brett McInnes (Director Civil and Environmental
Services) and Stephen Golding (Executive Manager Corporate and
Community Services).

APOLOGIES:

There were no apologies received.

SECTION A

1. CONFIRMATION OF MINUTES

*RESOLVED (Baker/Michael) that the Minutes of the Economic and Community
Sustainability Committee Meeting held on 11 February, 2015 as circulated to
members, be confirmed as a true and correct record of that meeting.*

2. DISCLOSURE OF CONFLICT OF INTERESTS/PECUNIARY AND NON-
PECUNIARY INTERESTS

There were no interests declared.

3. BUSINESS ARISING FROM PREVIOUS MINUTES

Nil.

SECTION B
ADVOCACY REPORTS

Cr Michael Chamber of Commerce

Cr Michael informed the Committee that the Chamber of
Commerce TV advertising promotion will commence soon.

SUPPLEMENTARY SECTION B
ADVOCACY REPORT

*RESOLVED (Harmon/Baker) that the Supplementary Section B Advocacy Report be
considered.*

1. INTEGRITY MANAGEMENT PROGRAM S27.3.2

RESOLVED (Harmon/Michael) that the information be received and noted.

SECTION D
DESTINATION REPORTS

1. REQUEST FOR REDUCTION IN TOWN HALL HIRE FEES/SPONSORSHIP –
GWYMAC LANDCARE S12.22.1/08 & S5.24.4/08

CSOP-A *RESOLVED (Michael/Baker) that the Committee recommend to Council that Council
not accede to the request for the reduction in Town Hall Hire Fees.*

2. REQUEST FOR DONATION – DELUNGRA GIRL GUIDES S12.22.1/08

CSOP-A *RESOLVED (Baker/Girle) that the Committee recommend to Council that Council donate \$500 to the Delungra Girl Guides with the funds being sourced from the Villages Grant Development Program.*

3. BEST EMPLOYMENT LTD (LISTING) S8.3.1/08

RESOLVED (Harmon/Michael) that the matter be referred to Closed Council for consideration as:

- i) the matters and information are 'commercial information of a confidential nature that would, if disclosed, prejudice the commercial position of the person who supplied it.' (Section 10A(2)(d)(i) of the Local Government Act, 1993);*
- ii) on balance the public interest in preserving the confidentiality of the information outweighs the public interest in openness and transparency in Council decision-making by discussing the matter in open meeting; and*
- iii) all reports and correspondence relevant to the subject business be withheld from access to the media and public as required by section 11(2) of the Local Government Act, 1993.*

4. TRANSGRID - PROPOSAL TO CREATE RIGHT OF CARRIAGEWAY - MANDOE RADIO SITE S5.10.61

DCS-A *RESOLVED (Baker/Harmon) that the Committee recommend to Council that:*

- i) Council agree to the purchase and creation of a 6m wide Floating or Track in Use Easement through Lot 22, DP 721168;*
- ii) Council is prepared to accept the sum of \$5,000 for the purchase of the proposed easement;*
- iii) the purchase and creation of the easement be subject to any terms and conditions as negotiated with the General Manager; and*
- iv) the Common Seal of Council be affixed to any necessary documentation.*

5. FIT FOR THE FUTURE (FFF) ROADMAP – GENERAL ACTIVITIES S13.1.2

DCS-A *RESOLVED (Michael/Baker) that the Committee recommend to Council that Inverell Shire Council prepare a roadmap that is consistent with the following principles:*

- a) remain a 'standalone' Council as recommended by the Independent Review Panel, and*
- b) Council has a capacity to provide leadership to a broader area within this region.*

SECTION F
QUESTIONS WITHOUT NOTICE

Cr Girle Community Drug Awareness Program

Cr Girle raised the prospect of establishing a Community Drug Awareness Program. Cr Girle will provide information at the next meeting.

GM-A	Cr Michael	<u>Development of Council Owned Land for Residential Properties S5.2.0/08</u>
		Cr Michael tabled a proposal for the Committee to consider the need to generate income streams other than rates and interest on investments. Suggestions included development and subdivision to meet the increasing reduction in available developed residential blocks.
		<i>RESOLVED (Michael/Baker) that a report on development of the identified Council land be prepared for the March, Ordinary Meeting of Council.</i>
EXA-A	Cr Jones	<u>Forms of Recognition S2.2.2</u>
		Cr Jones requested that consideration be given to recognising a member of the Inverell community.
		<i>RESOLVED (Jones/Baker) that a report be prepared for the April, Economic and Community Sustainability Committee meeting regarding Council's existing policy on Forms of Significant Recognition.</i>
DCS-A	Director Corporate and Economic Services	<u>Elsmore Rural Fire Shed S5.9.18</u>
		The Director Corporate and Economic Services, Mr Ken Beddie, advised that an approach has been made for the old Rural Fire Shed to be transferred to the Trustees of the Elsmore Soldiers Memorial Hall. It was noted that the old Rural Fire Shed is housed on the Hall site. A new Rural Fire Shed has been constructed on another site.
		<i>RESOLVED (Michael/Harmon) that the Committee recommend to Council that Council transfer ownership of the old Rural Fire Shed at Elsmore to the Trustees of the Elsmore Soldiers Memorial Hall.</i>

SECTION H GOVERNANCE REPORTS

1. GOVERNANCE - MONTHLY INVESTMENT REPORT S12.12.2/08

RESOLVED (Baker/Michael) that the Committee recommend to Council that:

- i) the report indicating Council's Fund Management position be received and noted; and*
- ii) the Certification of the Responsible Accounting Officer be noted.*

2. STORES & MATERIALS STOCKTAKE S23.16.5/08

EC-A *RESOLVED (Baker/Michael) that the Committee recommend to Council that:*

- i) the stores and materials Stocktake information be received and noted; and*
- ii) the adjustment of **-\$1,526.58** be made in the Stores Ledger.*

SECTION G CONFIDENTIAL REPORTS IN CLOSED COMMITTEE (SECTION 10A(2) OF THE LOCAL GOVERNMENT ACT 1993)

At 11.55am, the Chairperson offered the opportunity to members of the public to make representations as to whether any part of the Committee Meeting should not be considered in Closed Committee. There were no members of the public present to respond.

CLOSED COMMITTEE REPORTS

RESOLVED (Harmon/Michael) that the Committee proceed into Closed Committee to discuss the matters referred to it, for the reasons stated in the motions of referral.

Upon resuming Open Committee, at 12.16pm, the Chair verbally reported that the Committee, with the Press and Public excluded, having considered the matters referred to it, recommends as follows:

1. BEST EMPLOYMENT LTD S8.3.1/08

GM-A *That the Committee recommend to Council that Council determine a course of action for this land, after all Expressions of Interest have been considered.*

ADOPTION OF RECOMMENDATION

RESOLVED (Harmon/Michael) that the recommendation from Closed Committee be adopted.

There being no further business, the meeting closed at 12.17pm.

CR J A WATTS

CHAIRPERSON

TO ECONOMIC & COMMUNITY SUSTAINABILITY COMMITTEE MEETING 08/04/2015

ITEM NO:	1.	FILE NO: S5.10.83
DESTINATION 5:	The communities are served by sustainable services and infrastructure	S
SUBJECT:	REQUEST TO LICENCE LAND – STRAHLEY	
PREPARED BY:	Hayley Nichols, Corporate Support Officer - Publishing	

SUMMARY:

Council has received an Expression of Interest from Mr Rob and Mrs Jacqui Strahley to licence land known as Part Lot 3 DP 738104, Inverell.

The Committee is requested to consider the request to licence the land.

COMMENTARY:

Council has received an Expression of Interest from Mr Rob and Mrs Jacqui Strahley to licence land known as Part Lot 3 DP 738104, Inverell for \$200.00 (GST Inclusive) per annum for a two (2) year period.

Mr and Mrs Strahley wish to utilise the land for the purpose of grazing horses.

It is suggested that Council enter into an agreement with Mr and Mrs Strahley for a two (2) year term with a further two (2) year option and that the licence fee be \$200.00 per annum, being subject to a 3% yearly increase.



RELATIONSHIP TO STRATEGIC PLAN, DELIVERY PLAN AND OPERATIONAL PLAN:

Strategy: S.01 Sound Local Government Administration, Governance and Financial Management are provided.

Term Achievement: S.01.10 Best Practice in Land Use Administration has been adopted and implemented.

Operational Objective: S.01.10.01 To provide and maintain a modern efficient and reliable land use administration system which enables the effective and efficient management of Shire land.

POLICY IMPLICATIONS:

Nil.

CHIEF FINANCIAL OFFICERS COMMENT:

Nil.

LEGAL IMPLICATIONS:

Nil.

RECOMMENDATION:

That the Committee recommend to Council that:

- i) Council enter into a Licence Agreement with Mr Rob and Mrs Jacqui Strahley for Part Lot 3 DP 738104, Inverell for a two (2) year period with a further two (2) year option;*
- ii) the Licence fee be \$200.00 per annum (GST Inclusive) with a 3% increase per annum; and*
- iii) the Licence Agreement be subject to any other terms and conditions as negotiated by Council's General Manager.*

ITEM NO:	2.	FILE NO: S12.5.3
DESTINATION 5:	The communities are served by sustainable services and infrastructure	S
SUBJECT:	2015/2016 DRAFT ESTIMATES & OPERATIONAL PLAN	
PREPARED BY:	Paul Henry, General Manager	

SUMMARY:

The purpose of this report is to consider the Draft 2015/2016 Operational Plan and Budget and to make a recommendation to Council in this matter.

COMMENTARY:

Enclosed with this Business Paper is a copy of the Draft 2015/2016 Operational Plan and Budget.

The Draft Operational Plan indicates the “major” actions, which will be undertaken by Council during the financial year 2015/2016, and the Draft Budget indicates how these Activities will be funded.

The budgets for the three (3) Activities (General, Water and Sewerage) have been compiled utilising the following principles:

- (1) The sustainable provision of core Local Government Services and Infrastructure to the community.

Some votes have been reduced below the 2014/2015 level due to “special one off” expenditure being included in the votes in that year being excluded and also due to ongoing cost savings being identified.

The Budget has been predicated on the principle that the maintenance of existing facilities should be paramount and therefore maintenance votes in the works area have been maintained. The implications of this principle are raised in later sections of this report. This principle and its implications warrant special consideration at today's meeting.

- (2) The continuation of Council's Strategic Capital Infrastructure and Projects Fund as a vehicle for Council to be able to undertake strategic projects which enhance the amenity of the community and which provide Council with a capacity to attract grant funding. (Most grant funding now requires \$ for \$ matching contributions).
- (3) A “Balanced” Budget for all Activities is to be presented to the Committee for consideration.

Noting these principles, a “Balanced” and “Operationally Sound” Budget has been presented. No “Surplus Funds” have been identified, with all revenues being matched to expenditures to maintain Council's existing programs. The Budget recommends the continuation of all of Council's existing Services and its Asset Management Program, which is now a major requirement of State and Federal Governments.

When preparing the Budget it was necessary for the following external factors (beyond Council's ability to control income/expenditure) be taken into account. The factors include:

- Ratepegging limit – IPART has advised Council of the maximum permissible increase. The draft estimates have been prepared on the basis of Council utilising the full 2.4% increase in the General Activities rate income for 2015/2016. The 2.4% increase yields Council additional revenue of \$247K. It is recommended that Council again take the maximum permissible increase allowed. Failure to do so will negatively impact Council's sustainability. The NSW Independent Local Government Review Panel noted in November, 2012 that the average Rates in NSW are \$120 per capita or 22% less than the average Rates across the remainder of Australia.
- Fixed Cost increases in the General Fund of \$356K (ie \$109K more than the Rate Peg increase), Water Fund of \$34K and Sewerage Fund of \$10K.
- The Electricity Costs included in the Draft Budget are \$621K General Fund, \$803K Water Fund and \$197K Sewer Fund for a total of \$1.62M (down from high of \$1.8M in 2013/2014 due to Council's energy efficiency initiatives).
- Wages and salaries increases averaging 2.7% (Local Government State Award increase effective 1 July, 2015), on top of a 3.5% in July 2014, 3.25% in July 2013, have been allowed for, including increases in respect of Staff Movements within Council's Salary System. The Superannuation Guarantee Charge has been allowed for at the legislated 9.5%. It is a fact that each year the Award Increase has exceeded the Rate Peg.

- The Consumer Price Index all Groups has increased by 1.7% in the last 12 months compared with 2.7%, 2.2%, 3.1%, 2.7%, 2.1% and 3.7% in the previous periods. Local Government Cost index increases at 2.47% for 2014/2015 have continued to outstrip the Consumer Price Index and Rate Peg amount.
- Insurance Premium increases across the three (3) Funds totaling \$10K.
- The Finance Assistant Grant has been included at \$3.4M, the ACRD Road Grant at \$1.9M the same level as 2013/2014 noting the Federal Governments three (3) year indexation freeze on this grant, the Roads to Recovery Grant at \$1.8M (being a special one-off double allocation of funds) and the Regional Roads Block Grant at \$2.4M.
- Cost shifting is now reported by Local Government New South Wales (LGNSW) to be costing Councils almost 6% of their Total Annual Revenues. In the General Fund this equates to \$1.5M or a 15% Rate Increase.

Accordingly, no non recurrent discretionary expenditure has been provided for in the General Fund 2015/2016 Draft Budget. The Water and Sewer Fund (restricted by legislation) continue to have the capacity to fund "non recurrent discretionary expenditures", however, the major focuses within these funds are asset management and asset renewal needs.

On a cash basis the General Fund will return a Cash Surplus of \$1,361, Water Fund a Cash Surplus of \$6,952 and Sewerage Fund a Cash Surplus of \$698 for a Combined Fund Cash Surplus of \$9,011.

The following additional information is provided for the Committee's consideration, noting Council's ongoing discussions in respect of Road Asset Service Levels and the Road Asset Works Program which consumes 37% of Council's Budget, and the ongoing inadequacy of the Rate Peg Limit to provide sufficient funding to enable Council to address this matter.

ROAD NETWORK AND ROAD FUNDING:

A major issue discussed on a continuing basis and at each Budget Meeting is Council's Road Network and the funding of Maintenance, Asset Renewal and Road Upgrades. These matters have again been extensively reviewed in the preparation of the 2015/2016 Draft Budget and the following information is provided.

STATE HIGHWAY:

The Gwydir Highway is owned and controlled by the State Government. Council is contracted on a fee for service basis to undertake Maintenance and Upgrade Works on the Highway. These works generate a small profit to Council, but more importantly enable Council to bring additional economies of scale and efficiencies into its Works Program and Operations. Specifically these works have enabled Council to purchase high cost equipment (Road Reclaimer, Cement/Lime Spreader etc) that are then utilised across the Shire's Regional and Local Road Network to generate efficiencies and a higher level of service than could otherwise be provided for Shire residents.

REGIONAL ROADS:

The Regional Road Network was previously owned by the State Government who transferred its ownership to Councils by legislation. The Network is currently funded by NSW Roads and Maritime Services (RMS), however, the funding is barely adequate to keep the network in an acceptable condition. The RMS have advised that it is their view that Councils should utilise their own Rate Income to supplement the RMS Funding and if necessary raise additional Rate income for this purpose. Council has not done this at this point of time.

The following Roads are currently classified as Regional Roads:

REGIONAL ROAD NETWORK			km
SH16 Bruxner Highway			104.04
MR63 Warialda Road			32.28
MR73 Bundarra Road			16.00
MR134 Bingara Road			18.12
MR135 Guyra Road			29.71
MR137 Ashford/Bonshaw Road			93.92
MR138 Texas Road			3.50
MR187 Yetman Road			92.98
TOTAL SEALED LENGTH			390.55
TOTAL UNSEALED LENGTH			-

The RMS funding, includes funding for the sections of these roads that are both in the Rural and Urban Areas. The RMS provide two sources of Grant Funding as follows:

- RMS Block Grant \$2.36M
 - RMS Repair Program Grant \$0.33M – Varies from year to year
- TOTAL \$2.69M**

These funds cannot be utilised for any other purpose or on any other Road.

In addition to the physical Roads, Council is also responsible for the following associated Regional Road Infrastructure:

- 105 Bridges and Major Culverts
- 912 Culverts and Causeways

RURAL (SHIRE) LOCAL ROADS:

Council has extensive Rural Local Road Assets. The Roads are Classified into four (4) categories under Council's Road Hierarchy System as shown in the following table.

SHIRE LOCAL ROAD NETWORK			KM
CATEGORY A - ARTERIAL	SEALED		230
	UNSEALED		136
CATEGORY C - COLLECTOR	SEALED		68
	UNSEALED		203
CATEGORY L LOCAL	SEALED		32
	UNSEALED		694
CATEGORY M - MINOR	SEALED		3
	UNSEALED		201
			1,567
CATEGORY A and C	GRAVEL		339
CATEGORY L	GRAVEL		694
CATEGORY M	GRAVEL		201
TOTAL GRAVEL LENGTH			1,234
TOTAL SEALED LENGTH			333

In addition to the physical Roads, Council is also responsible for the following associated Rural Local Road Infrastructure:

- 69 Bridges and Major Culverts
- 3,157 Culverts and Causeways

Council expends approximately \$4.6M annually on the Rural Local Road Network. This expenditure is funded from the following funding sources:

FINANCE AND ASSISTANCE GRANT – LOCAL ROADS COMPONENT:

The Finance and Assistance Grant - Local Road Component is Federal Government Funding provided to Council on an annual basis, based on Council's population, local road length and bridge length. Council receives \$1.9M each year from this funding source. These funds are not tied and can be expended by Council for any purpose; however, Council has always and continues to expend these funds entirely on the Rural and Urban Road Network. This grant has always been indexed by the CPI; however, in 2014/2015 the Federal Government froze indexation on this Grant for a three (3) year period. The freeze on indexation on this particular grant will cost Council \$57K in 2014/2015, \$116K in 2015/2016 and \$176K in 2016/2017 and beyond. This ongoing \$176K loss in revenue is a very significant hit on Council's Road Funding Budget and Council would need a Special General Rate Increase of 1.76% across all Ratepayers to recover this amount.

While Council allocates these funds between Urban Local and Rural Local Roads on an annual basis according to Council's Asset Management needs, the large majority of these funds have always been allocated to Rural Local Roads maintenance and upgrade. The allocation to Rural Local Roads in 2014/2015 was \$1.74M, with Urban Local Roads receiving \$0.16M of this amount, which is representative of Council's annual allocations.

If Council allocated these funds according to the Grants Commission Distribution Formula used to allocate these funds to Council, the allocation would be 72.46% Rural Local Roads being \$1.38M and 27.54% Urban Local Roads being \$0.52M. This would result in a reduction in Rural Local Road Funding of \$0.36M, to the benefit of Urban Local Roads.

ROADS TO RECOVERY FUNDING – FEDERAL GRANT:

The objective of the Federal Government's Roads to Recovery Program is to contribute to the Nations Infrastructure Investment Programme through supporting maintenance of the nation's local road infrastructure asset, which facilitates greater access for Australians and improved safety, economic and social outcomes.

Council currently receives \$0.91M p.a. from this grant. This funding is currently only guaranteed to 2018/2019. These funds may be expended by Council anywhere on the Rural or Urban Road Network in accordance with the Program Guidelines and are distributed on the same formula as for the Finance and Assistance Grant Local Roads Component. The eligible projects include;

- Road – Maintenance, Renewal and Upgrade;
- Traffic signs and control equipment;
- Street lighting equipment;
- Vehicular ferries;
- Bridges or tunnels, including pedestrian bridges or tunnels;
- Bicycle paths and footpaths (only when directly associated with a road); and
- Drainage projects where the purpose of the project is connected to a road e.g. culverts.

In providing the funding to Councils, the Federal Government is seeking Key Outcomes in the following areas:

1. Road safety
2. Regional economic development
3. Achievement of asset maintenance strategy
4. Improved access for heavy vehicles
5. Promotion of tourism
6. Improvements of school bus routes
7. Access to remote communities
8. Access to intermodal facilities
9. Traffic management
10. Improved recreational opportunities

11. Amenity of nearby residents
12. Equity of access (remote areas)
13. Other

Since the Scheme's inception in 2000, Council has allocated the full \$11M received, entirely to the Rural Local Road Network. If Council allocated these funds according to the Grants Commission Distribution Formula used to allocate these funds to Council, the allocation would be 72.46% Rural Local Roads being \$0.66M and 27.54% Urban Local Roads being \$0.25M. This would result in a reduction in Rural Local Road Funding of \$0.25M, to the benefit of Urban Local Roads.

In 2015/2016 the Federal Government is providing a double allocation of the Grant, ie an additional \$0.91M. Subject to Council approval these funds, are recommended to be allocated again to Rural Local Roads for Gravel Resheeting, Culverts and Causeway Upgrade, Bitumen Road Renewal and Heavy Patching in accordance with Council's identified Asset Management needs.

GENERAL RATES:

In 2014/2015 Council has levied the following General Rates:

RESIDENTIAL	40.2%	\$	4,136,423
RURAL RESIDENTIAL	7.5%	\$	766,217
BUSINESS RATES	20.3%	\$	2,084,502
FARMLAND RATES	32.0%	\$	3,295,081
MINING RATES		\$	-
TOTAL GENERAL RATE REVENUE	100.0%	\$	10,282,223

When Inverell Shire Council was established in 1979, the Farmland Ratepayers (1,336 Assessments) paid approximately 40% of the General Rates. This has reduced over time to the existing 32% with Rural Residential Ratepayers contributing the difference. The Farmland Rates would be 29% higher had this not occurred.

As a comparison the following surrounding Councils generate a significantly higher proportion of the General Rate Revenue from their Farmland Rating Categories:

- Moree Plains Shire Council 67 % \$14.04M
(Have had two (2) 30% Rate Increases)
- Gwydir Shire Council 85 % \$ 4.81M
(Pursuing a 32.25% Rate Increase for Roads Expenditure for 2015/2016 and 2016/2017 which would see the Farmland Rates increase by a further \$1.60M to \$6.41M being double the Inverell Shire Farmland Rate Income)
- Glen Innes Severn Shire Council 43 % \$ 2.36M
- Guyra Shire Council 70 % \$ 1.87M
(Have had one (1) 30% Rate Increase)

In respect of Farmland Rates, the issue has been noted that as some farmland rated properties are consolidated, that the cost burden for the gravel roads contained in those properties is removed from Council. Any funds freed up by this farmland property consolidation are maintained in the Rural Roads Budget and utilised for other required works across the Rural Local Road network. The funds are not transferred to other Council expenditure areas. It is often the case also, that the owners have the Valuer General's Land Valuations for these properties amalgamated for rating purposes, which ultimately results in a reduced combined valuation and less Farmland Rates being levied on the consolidated property.

OTHER FUNDING:

Council has on a continuing basis been able to attract additional Grant Funding for Road Upgrade Projects, with strong success in the area of Sealing MR 187 (Roads and Maritime Services - NSW) and the Copeton Northern Foreshores Road (Fisheries NSW) and Bridge Replacements (Roads and Maritime Services – NSW). It is fact, however, that very few funding avenues exist for funding Road Maintenance or Upgrades outside of Council General Rates.

It is noted that during times when Interest Rates were higher, Council undertook a range of additional works on the Rural Local and Urban Local Road Network funded directly from the additional interest income Council received on its Investment Portfolio. These surpluses have not been available over the last two (2) years in a falling interest rate market, and Official Interest Rates are now at historical lows being 2.0% and are expected to fall by a further 0.5% in 2015. This will have significant implications for the 2016/2017 Budget as the majority of Council's investments mature during 2015/2016.

For a number of years Council also benefited from a contribution holiday to the now closed Local Government Defined Benefits Superannuation Scheme (up to \$120K p.a.) with these savings being expended on Roads. During the Global Financial Crisis, this Industry Managed Scheme went substantially into Deficit resulting in Council having to make additional contributions for existing scheme members. These additional contributions exceed the amount of the contribution holiday and will be ongoing for several years yet as reported by the Scheme Trustees (the Scheme deficit as at 30/06/2015 is expected to be \$22M for NSW Councils).

URBAN ROADS:

The \$2.64M expended annually on the Urban and Villages Road Network (121km Sealed and 13 km unsealed) is sourced from the Residential Rates and Business Rates (\$6.2m Total) and a small proportion of the Finance and Assistance Grant (\$176K in 2014/2015 for Urban and Village Bitumen Reseals). The annual Urban Construction Budget of \$517K which is utilised for projects such as the CBD Renewal and Upgrades, Footpaths, Kerb and Gutter, Urban Street Renewal, Urban Drainage etc, is funded entirely from the Inverell Residential Rates and Inverell Business Rates. In respect of the core CBD area, (as shown on the following map) Council collects \$1.2M or 12% of its General Rates from the 235 Businesses in this area.

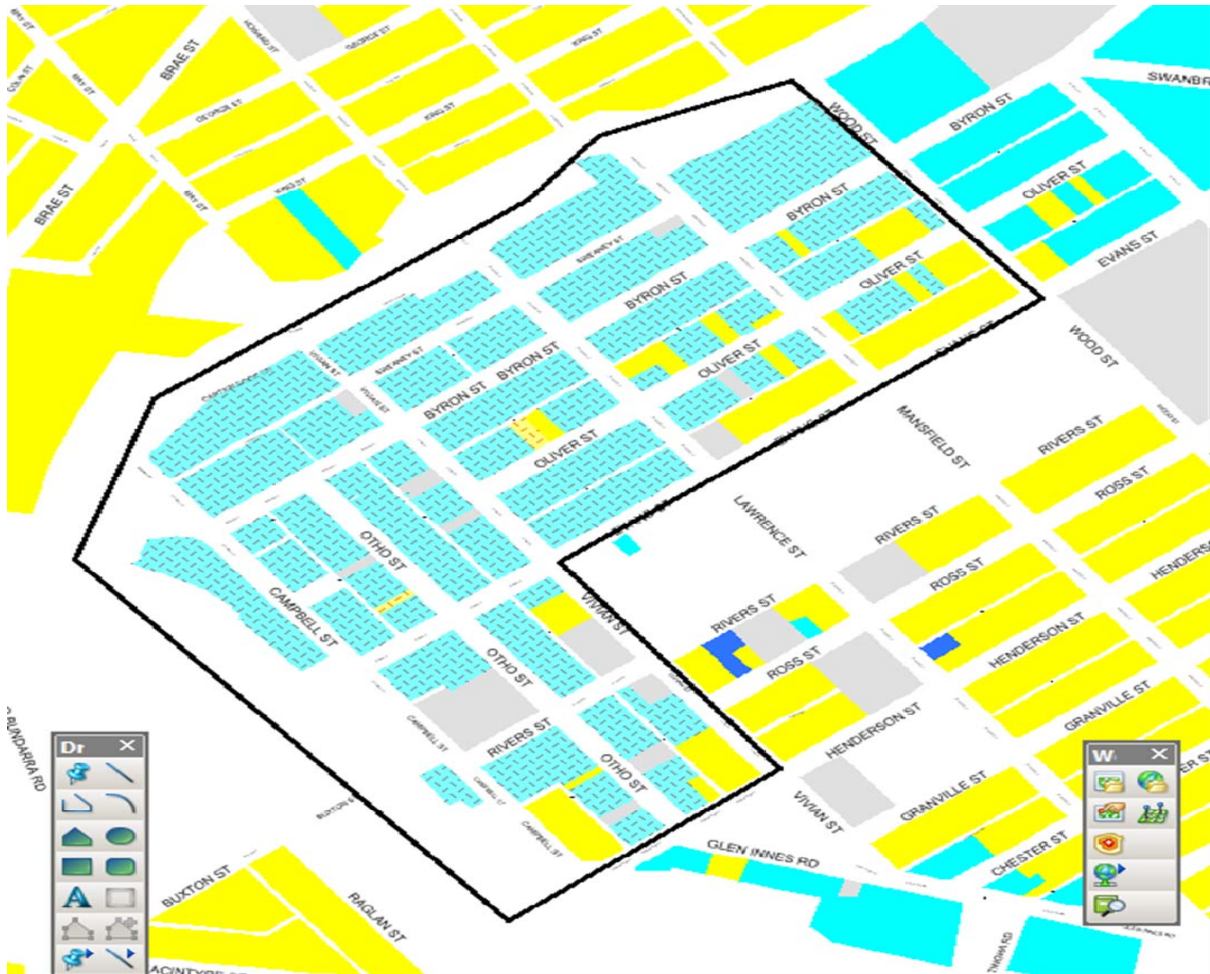
In the General Fund it is noted that the Inverell Residential and Inverell Business Ratepayers pay the large majority of the costs associated with the delivery of Council's wide range of non-road related services.

In respect of Urban Asset renewal and upgrade funding it is noted that approximately \$1M p.a. was previously available, however, Council in 2010/2011 transferred \$500K of this amount to Rural Local Roads.

In addition to the physical Roads, Council is also responsible for the following associated Urban Road Infrastructure:

- 7 Bridges and Major Culverts
- 12 Culverts and Causeways
- A wide range of other Transport assets including Carparks, Footpaths, Cycleways, Kerb and Gutter, and Drainage

INVERELL CORE CBD BUSINESS RATE AREA – 2014/2015 BUSINESS RATES \$1.2M.



Attachments 3 and 4 in the Operational Plan provide a breakdown of Council's Road Funding.

In respect of the 2015/2016 Budget, it is noted that \$220K of the \$517K Urban Works Construction Budget will need to be allocated to match the recently announced Roads and Maritime Services Active Transport Funding Program 2015/2016 - Footpaths/Cycleways \$220K allocation.

RATE PEGGING:

As reported by Council on a continuing basis, the NSW Government Legislated Annual Rate Pegging Limit has not kept pace with increases in Council's costs, which due to the nature of Council's Operations, rise at a level higher than the Consumer Price Index (CPI). The 2015/2016 Rate Peg of 2.4% will generate an additional \$247K in General Rate Income, however, this does not cover the Legislated 2.7% increase in Council's 2015/2016 Wages bill due to the normal NSW Local Government State Award annual increase. It is noted that Inverell Shire Council remains as one of the few Large Rural Shires in NSW that have not applied for and been granted a Special Rate Variation for Asset Maintenance and Upgrade purposes, with 30% being the norm. Long Term planning has consistently highlighted that Council will require a Special Rate Variation of 5% to maintain its existing Service Levels in 2017/2018.

It is also noted that the Federal Government has frozen indexation on Finance and Assistance Grants for the period 2014/2015 to 2016/2017 which will cost Council \$822K over the period and then \$425K per annum on an ongoing basis. This annual \$425K reduction in Federal Grant Funding equates to an addition rate increase of 4.25%.

This matter has been pursued both by Local Government NSW and the Australian Local Government Association on a continuing basis with the Federal Government.

OTHER INFORMATION:

The Office of Local Government produce a number of Industry Performance Benchmarks for Large Rural Councils and the following figures for 2012/2013 are noted:

	<u>Inverell</u>	<u>Group Average</u>
<i>Governance and Administration Expenditure Per Capita</i>	\$ 209.66	\$ 335.85

(Council's Expenditure in this area for 2013/14 reduced further to \$173.37, indicating that Council spends 50% less on Governance and Administration than other similar sized Councils, freeing up more funds for service and infrastructure delivery, and maintenance).

<i>Average Farmland Rate p.a.(1,336 Assessments)</i>	\$ 2,329.33	\$ 2,432.74
<i>Average Residential Rate p.a.(5,015 Assessments)</i>	\$ 720.62	\$ 652.52
<i>Average Business Rate p.a.(413 Assessments)</i>	\$ 3,128.21	\$ 1,890.97

(The 2013/2014 Data is yet to be published by the Office of Local Government).

<i>Bitumen Reseal Cost – Rural</i>	\$ 3.23/square metre	\$ 4.72/square metre
<i>Bitumen Reseal Cost -- Urban</i>	\$ 3.67/square metre	\$ 4.79/square metre

(Council has Bitumen Resealed 73.3 km of Road in 2014/2015 being 10km more than the budgeted amount due to ongoing efficiencies).

Council currently spends 37% or approximately \$10M of its annual General Fund Budget on Roads and Road related Infrastructure, with 73% of this amount being expended in the Rural Area.

WHAT IT WOULD COST TO PROVIDE A HIGHER LEVEL OF SERVICE ON LOCAL ROADS:

Noting that Council runs "Balanced Budgets" in the General Fund and that no surplus funds are available in the Fund for additional maintenance activities or for new works outside of Council's existing programs, the question arises as to how additional Council revenues can be raised to fund additional works to deliver a higher Service Level to Council's Road Assets.

In respect of Grants, as noted above the funding sources are the Finance and Assistance Grant – Local Roads Component, Roads to Recovery, and RMS Block Grant with very limited opportunities to have these increased or to attract other grant funding for roads.

RURAL LOCAL GRAVEL ROADS MAINTENANCE AND GRAVEL RESHEETING:

Council in 2014/2015 allocated \$2.53M to the Rural Gravel Road network, being \$1.35M Maintenance and \$1.18M Renewal (Gravel Resheeting). If Council wished to increase the level of service provided on this asset class in the rural area with funding provided from a 1% Special Variation in the Farmland Rates (1,340 Assessments) above the Rate Peg limit the following could be achieved (an additional 1% increase in the Farmland Rate would generate \$32K):

- \$32K would provide for an additional 35 km of Grading with the Water Cart and Roller (Current cost \$913/km)
- \$32K would provide for an additional 25.70 km of Grading with the Water Cart and Roller if the grade included doing the table drains (Current cost \$1,245/km);
- \$32K would provide for an additional 1.73 km of Gravel Sheeting on the Arterial/Collector Gravel Road Class (Current cost \$18,500/km);
- \$32K would provide for an additional 1.83 km of Gravel Sheeting on the Local Gravel Road Class (Current cost \$17,500/km);

- \$32K would provide for an additional 2.4 km of Gravel Sheeting on the Minor Gravel Road Class (Current cost \$13,350/km);

Council currently undertakes approximately 60 - 70km of Gravel Resheeting on Rural Local Roads each year dependant on local and road class.

RURAL LOCAL GRAVEL ROAD UPGRADE TO BITUMEN STANDARD:

Council's current Budget does not provide funding to enable the upgrade of Rural Local Roads from Gravel to Bitumen Standard, and then for the ongoing higher cost of maintaining a bitumen pavement. This is the case for almost all Rural Councils and many Rural Councils now have in place "No new Bitumen Policies". While some Rural Council's have rolled out new bitumen in recent years, based on industry advice this has largely been at the expense of the Council's existing Rural Local Road asset management needs and resulted in larger infrastructure backlogs. Council will note that the recent bitumen extension works undertaken on Rifle Range Road were funded from the Gravel Pits Royalty Road Maintenance and Upgrade Reserve, with these funds being collected specifically for this purpose.

If Council were to upgrade one (1) kilometre of Rural Local Road per annum to Bitumen Road standard (\$250K to \$400K per kilometre depending on topography, soil types etc) and then maintain that new bitumen road funded from the Farmland Ratepayers, the rate increase required to be paid by the Farmland Ratepayers would be 12.75%. This Rate increase would double to 25.50% if two (2) kilometres of Rural Local Road were to be upgraded to Bitumen Road Standard each year.

RURAL LOCAL SEALED ROADS:

The cost of rehabilitating one (1) kilometre of Rural Local Sealed Road is approximately \$250K. If Council wished to rehabilitate an additional one (1) kilometre of bitumen Rural Local Road each year, this equates to a Farmland Rate increase of 7.8%.

Council in 2014/2015 completed 29.7km of Bitumen Reseals on the 333 km Rural Local Sealed Road Network. This is a reseal cycle of nine (9) years, noting that Council is undertaking a catch-up in this area. Each additional one (1) kilometre of Bitumen Reseal undertaken would cost \$19,380 (\$3.23 per square metre x 6 metres wide x 1,000 metres). This equates to an additional Farmland Rate increase of 0.6%.

URBAN LOCAL ROADS:

The cost of rehabilitating one (1) Residential Urban Block averages approximately \$250K for General Fund Costs. If Council wished to rehabilitate an additional block each year, this equates to a Residential Rate (5,105 Assessments) increase of 6.8%. The cost of rehabilitating Commercial/Industrial Precinct Streets varies substantially dependant on its location/services etc. For example Brissett Street cost \$825K. Council is currently undertaking significant Urban Local Road and Drainage Upgrades in Gilgai which should be completed over the next five (5) years. These works are funded from the \$517K Urban Construction Budget and the \$107K Urban Stormwater Management Levy.

Council in 2014/2015 completed 5.3km of Bitumen Reseals on the 121 km Urban Local Sealed Road Network. This is a Bitumen Reseal cycle of 22 years. Each additional one (1) kilometre of Bitumen Reseal undertaken would cost \$36,700 for an Inverell Urban Street (\$3.67) per square metre x 10 metres wide x 1,000 metres). This equates to an Inverell Residential Rate increase of 1.0%.

GENERAL RATE INCREASE – ALL RATEPAYERS

Should Council wish to consider a General Rate increase across all General Fund Ratepayers it is noted that a 1.0% Special Rate Variation would provide an additional \$103K.

COST PRESSURES ON OTHER COUNCIL SERVICES:

As noted above, Council is facing significant cost pressures, noting the continuing inadequate IPART determined Rate Pegging amounts and the Federal Government's three year freeze on Finance and Assistance Grant Indexation. The 2015/2016 Budget while being delivered as a "Balance Budget" will be the fourth Budget in which Budget Allocations have been frozen at their 2011/2012 level, other than unavoidable increases in fixed costs.

Council has been able to manage in this environment since 2011/2012 by implementing additional efficiency and effectiveness measures, including energy efficiency; however, Council is rapidly approaching the point where further efficiency and effectiveness gains are less likely. As noted above for example Council already has Governance and Administration Costs which are 50% lower than comparable Councils.

INFRASTRUCTURE BACKLOG:

Council's Special Schedule 7 records the following unaudited Infrastructure Backlogs:

- Bitumen Sealed Roads \$ 20.85M
- Gravel Roads \$ 4.89M

During 2014/2015 significant work has been undertaken in respect of the technical condition assessment and revaluation of Council's Road Assets. A significant proportion of Council's Road Assets have been independently inspected and a technical condition rating applied. This work will form the basis of Council's Road Asset Management Plan which is currently being prepared for Council's consideration. At the end of this process Council will be able to accurately define its Road Asset Infrastructure Backlog which will be audited.

While Special Schedule 7 does not record a current Infrastructure Backlog in respect of Footpaths, Cycleways, Stormwater Drainage and Culverts/Causeways the current review indicates that the current budget allocations for these areas must be maintained to address identified asset maintenance and renewal activities in these areas.

2015/2016 DRAFT BUDGET

The following matters require determination by the Committee:

1. GENERAL ACTIVITIES

Councillors will be aware of the continuing cost pressures being faced by local government. These are highly evident in the General Fund which is also impacted by Rate Pegging and State Government Cost Shifting. LGNSW have advised that State Government Cost Shifting now costs Councils 6% of their total income being \$1.5M p.a. for Inverell Shire. (It is noted that New South Wales remains the only State where Rate Pegging applies). Increasing community demands for improved services and infrastructure are also noted. The Federal Governments three (3) year freeze on indexation of the Finance and Assistance Grant will cost the General Fund \$265K in 2015/2016.

These matters are having a very significant impact on Council's operations, and as shown above the maximum increase allowed in Council's General Rate income for 2015/2016 does not meet increases in Council's fixed costs, let alone increases in the remainder of Council's annual operational and capital budget. This has had a very significant impact on the 2015/2016 Draft Budget and will impact Council's capacity to deliver services and infrastructure in future Budgets.

1.1 Urban Works Program:

The Urban Works program is a multi-component joint program involving the General Fund and the Water Fund, supplemented by some minor grant funds. The General Fund funds Drainage, Kerb and Gutter, Roadworks, Pedestrian Works and Beautification Works. The Water Fund funds the replacement and relocation of the Water Mains out of the Road into the footpath.

Councillors will be aware that General Fund monies can be used for any purpose while Water Fund monies can only be utilised for activities of the Water Fund.

In previous years, it had been the practice of Council to allocate up to \$1.0M from the General Fund (funded directly from rates collected in the Inverell Residential and Business area) for certain works in the Asset Renewal and Upgrade Works in the Urban areas (Inverell and Villages – the Villages are subsidised by the Inverell Residential Ratepayers in respect of the Urban Works Program).

These works were carried out in the following areas:

- i) Urban improvement works/Kerb and Gutter;
- ii) Pavement widening;
- iii) Sealing of village streets/village works/beautification;
- iv) Footpath Construction; and
- v) Urban Drainage Reconstruction.

Council, in late 2009, adopted a new 10 Year Road Infrastructure Financial and Asset Management Plan and with its adoption it was determined that 2010/2011 would be a transition year and that 2011/2012 would be the first year that the full amended categorisation of works would be undertaken. This transition saw the available funds for the Urban Works Construction/Asset Renewal Program reduce to \$517K with the remainder of the Urban Works Construction/Asset Renewal Funding being transferred to Rural Local Roads. Accordingly, the following major work categories are now used as sub-components of the Urban Works Program:

- A. Inverell and Villages - Urban Renewal and Upgrade
- B. Footpaths and Cycleway
- C. Urban Drainage Construction/Reconstruction

In addition to these categories the following categories are also part of the Urban Works Program:

- D. Village Works – Community suggested projects
- E. Asset Maintenance Program

The Urban based works proposed to be funded in the 2015/2016 Urban Works Program are as follows:

<u>A. Inverell and Villages - Urban Renewal and Upgrade</u>	<u>General Fund</u>	<u>Water Fund</u>
Urban Construction and Asset Renewal	\$ 297K	\$ 0K
(Subject to report to Civil and Environment Committee Noting additional funding required for the Gilgai drainage project will need to be allocated from these Funds).		
<u>B. Footpaths and Cycleway</u>	\$ 220K	
\$ for \$ Contribution to PAMP Program (RMS approved the 2015/2016 Program)		
<u>C. Urban Drainage Construction/Reconstruction</u>		
Drainage Constructions – Funded from Stormwater Management Service Charge – See separate section below		
TOTAL	\$ 517K	\$ 0K

D. Village Works – Community suggested projects

Ashford	\$ 5K
Delungra	\$ 5K
Gilgai	\$ 5K
Yetman	\$ 4K
Oakwood	\$ 1K
Bonshaw	\$ 1K
Graman	\$ 1K
Nullamanna	\$ 1K
Elsmore	\$ 1K
Stannifer	\$ 1K
Gum Flat	\$ 1K

E. Asset Maintenance Program \$ 100K

GENERAL FUND GRAND TOTAL	\$ 643K
WATER FUND TOTAL	\$ 0K

RECOMMENDATION:

That the Committee recommend to Council the following works be funded from the Urban Works Vote and be included in the 2015/2016 Budget:

A. Inverell and Villages - Urban Renewal and Upgrade General Fund Water Fund

Urban Construction and Asset Renewal (Subject to report to Civil and Environment Committee Noting additional funding required for the Gilgai drainage project will need to be allocated from these Funds).	\$ 297K
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B. Footpaths and Cycleway Construction

\$ for \$ Contribution to PAMP Program (RMS approved the 2015/2016 Program)	\$ 220K
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C. Urban Drainage Construction/Reconstruction

Drainage Constructions – Funded from Stormwater
Management Service Charge – See separate section below

D. Village Works – Community suggested projects

Ashford	\$ 5K
Delungra	\$ 5K
Gilgai	\$ 5K
Yetman	\$ 4K
Oakwood	\$ 1K
Bonshaw	\$ 1K
Graman	\$ 1K
Nullamanna	\$ 1K
Elsmore	\$ 1K
Stannifer	\$ 1K
Gum Flat	\$ 1K

E. <u>Asset Maintenance Program (new Item)</u>	\$ 100K
GENERAL FUND GRAND TOTAL	\$ 643K
WATER FUND TOTAL	\$ 0K

1.2 Finance and Assistance Grant – Local Roads Component (ACRD) 2015/2016 Program

The Finance and Assistance Grant – Local Roads Component (Formerly ACRD) Grant is a Federal Government Grant, which provides approximately \$1.9M per year. The grant is not tied; however, Council has traditionally allocated the grant exclusively for expenditure on Rural Local Roads and Urban Local Roads within the Shire. Council is one of the few Councils who continue to allocate this grant entirely to Roads.

Council in late 2009 adopted a new 10 Year Road Infrastructure Financial and Asset Management Plan and with its adoption it was determined that 2010/2011 would be a transition year and that 2011/2012 would be the first year that the full amended categorisation of works would be undertaken. Accordingly, the following work categories are now the sub-components of the Program:

- A. Gravel Resheeting Program
- B. Blackspot Program
- C. Bitumen Reseals Program – Rural and Urban
- D. Pavement Management Program
- E. Culverts/Causeways/Bridges Program
- F. Bitumen Renewal/Heavy Patching Program
- G. Environment Works
- H. Local Shire Roads Asset Maintenance Program.

Accordingly, the \$1.9M proposed program for 2015/2016 is as follows:

A. Gravel Resheeting

Arterial and Collector Roads	20.11km @\$18.5K/km	\$ 372.0K
Local Roads	14.37km @\$17.5K/km	\$ 251.5K
TOTAL	34.48km	\$ 623.5K

(Priority of Works to be determined from Asset Management System)
(Minor Roads Gravel Resheeting allocation of \$38.2K funded from Council's Revenue Funded Program in addition to \$35.5K for gravel patching)

B. Blackspot Program **\$ 22K**

(Priority of Works to be determined from Asset Management System for Shire Local Gravel Roads)

C. Bitumen Reseals Program

Bitumen Reseals – Rural	\$ 565K
Bitumen Reseals – Urban	\$ 160K
Bitumen Reseals – Villages	\$ 16K
TOTAL	\$ 741K

(Priority of Works to be determined from Asset Management System)

D. Pavement Management **\$ 24K**

E. Culverts/Causeways **\$ 114K**

F.	<u>Bitumen Road Renewal/Heavy Patching</u>	\$	117K
(Priority of Works to be determined from Asset Management System)			
G.	<u>Environmental Works</u>	\$	5K
H.	<u>Asset Maintenance Program</u>	\$	270K
TOTAL PROGRAM		\$	1.9165M

RECOMMENDATION:

That the Committee recommend to Council that the budget allocations for the 2015/2016 ACRD Program be noted and a further report be presented to the Civil and Environmental Services Committee in respect of the funding allocations and individual works proposed to be undertaken under this program.

1.3 RMS Supplementary Block Grant Program

The RMS Supplementary Block Grant Program (previously 3x4 Program) provides tied funds of \$160,000 to be utilised on the Regional Road Network for upgrade/major maintenance works. This amount has not increased in over 18 years.

Staff are currently conducting a review of the Regional Road Network to identify funding priorities for 2015/2016. At this point of time it appears that Heavy Patching will again be a high priority for 2015/2016. Accordingly, it is proposed that the allocation of these funds in 2015/2016 be the subject of a further report to the Civil and Environmental Services Committee once this review is completed.

RECOMMENDATION:

RMS Supplementary Block Grant Program

That the Committee recommend to Council that the allocation of the \$160K RMS Supplementary Block Grant Program be the subject of a further report to the Civil and Environmental Services Committee Meeting.

1.4 Roads to Recovery Program

The allocation of funds for 2015/2016 will be \$1.82M including a special one-off double allocation of funds. The works to be completed under this program require Federal Government approval in accordance with the Program Guidelines. The following program is proposed for 2015/2016 being entirely on the Rural Local Road Network.

Gravel Resheeting

Rural Local Roads	40.32km @\$18.5K/km	\$ 7463K
TOTAL	40.32km	\$ 746K

(Priority of Works to be determined from Asset Management System – current gravel resheet costs are \$18.5K/km on Arterial/Collector Roads, \$17.5K/km on Local Roads and \$13.35K/km on Minor Roads).

Culverts/Causeways/Bridges	\$ 200K
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(Subject to a further report to Civil and Environmental Services Committee - the 2014/2015 Culverts and Causeways Technical Condition Assessment and Revaluation Review will inform this Report).

Bitumen Road Renewal

(Priority of Works to be determined from Asset Management System)

\$ 600K**Heavy Patching**

(Priority of Works to be determined from Asset Management System)

\$ 274K

It is noted that these matters will be subject of a report to the Civil and Environmental Services Committee and then adoption by Council prior to any works commencing.

TOTAL ROADS TO RECOVERY PROGRAM \$1,82M

Councillors should note that the funding provided to Council under this program is not ongoing. Funding is only guaranteed under Federal Legislation for this program to the end of the current program in 2019. If this program is not continued, the impacts on Council's Rural Shire Road Assets and Workforce will be significant.

RECOMMENDATION:

That the Committee recommend to Council that the budget allocation for the 2015/2016 Roads to Recovery Program be endorsed and a further report be presented to the Civil and Environment Committee in respect of the specific projects to be funded.

1.5 Block Grant Program – Regional Roads

Council will receive \$2.37M from NSW Roads and Maritime Services (RMS) Block Grant Program in 2015/2016 for the carrying out of maintenance and improvement works on the Regional Road Network. These funds cannot be expended outside of the Regional Road Network and this Program is subject to ongoing RMS audit. The 2015/2016 Program is as follows:

Repair Program - \$ for \$ with Roads and Maritime Services	\$ 924K
Asset Management/Pavement Management Program	\$ 15K
Traffic Facilities Program	\$ 110K
Regional Roads – Other Programs	\$ 100K
Regional Roads Bitumen Reseals and Maintenance Program	\$ 1,679K

A report on the projects for the Roads and Maritime Services approved Repair Program for 2015/2016 will be provided to the Civil and Environmental Services Committee once advice has been received in this matter.

RECOMMENDATION:

That the Committee recommend to Council that the 2015/2016 Block Grant Program be endorsed.

1.6 Variations to Budget**1.6.1 Significant Variations/One off Expenditure Increases**

Again, as in previous years, the 2015/2016 Draft Budget does not allocate funds to any "Non-recurrent Discretionary Expenditure". The Draft Budget provides for only minimal or in a significant number of cases, no increased budget allocations in ongoing programs. The Draft Budget does not provide for any new programs or services.

Noting the above, and the need for Council to take actions to ensure it continues to be sustainable in the long term, during 2015/2016 it will again be required that Council continue to review and consolidate its Programs, Service Levels and Service Delivery Methods. It will also be required going forward, that Council continue to carefully consider the impact that any new project, infrastructure or initiative will have on Council's Operational Budget

Considering the information included above, Council remains in a sound position at this time. This is a direct result of Council's strong financial management and financial performance which have placed a strong foundation under Council's operations and programs. It is noted that increases in Budget Allocations over and above inflation from general revenues were made over the 10 years to 30 June, 2011 however, that the majority of budgets have been frozen outside of fixed cost increases since that time. These increases were made to address Council's changing and increasing Asset Management needs and also to specifically address those issues raised by the Council and the Community as being a high priority.

Council will be aware that in 2010/2011 an amount of \$400K was permanently transferred from the Strategic Capital Infrastructure and Projects Fund to Road and Road Infrastructure maintenance activities on a continuing basis, along with \$500K being transferred from the Urban Works Program to Rural Local Roads maintenance.

This action resulted in the total quantum of Council's Road and Road Infrastructure funding increasing by 35% over the 10 years to 30 June, 2016 as opposed to a Rate Pegging Increase of only 25.38% over the same period. These increases were complimented by revised Plant Fleet management practices which have seen only minimal increases in Council's Plant Hire Rates, resulting in a significantly increased capacity to undertake works (rates would normally increase by 3% each year).

INCREASES IN COUNCIL'S FIXED COSTS:

The increases in fixed costs across Council's General Fund have largely been in the areas of Employment Costs, Contracts, Materials, Electricity/Gas and Fuel, Insurances and Legislative Compliance. Examples of these cost increases are as follows:

Insurance:

Council's insurances increased by over 500% during the period 1 July, 1998 to 30 June, 2015. The following costs are expected in 2015/2016.

BUDGET	2014/2015	2015/2016
General Fund	\$ 534,115	\$ 549,130
Water Fund	\$ 69,489	\$ 66,482
Sewer Fund	\$ 41,887	\$ 40,051
TOTAL	\$ 645,491	\$ 655,663

Note: This figure would have been higher; however, Council was able to achieve a substantial decrease of \$43,990 in insurance costs in 2010/2011 due to a reduction in Council's Public Risk and Professional Indemnity Insurance Premiums. These reductions have been maintained.

Legislative Compliance:

It is difficult to calculate the current cost to Council of Legislative Compliance, as it is now a significant factor in almost all of Council's operations, especially in respect of the WH&S Act.

A summary of the easily identified significant increases in fixed costs incurred by Council in respect of Environmental Legislative Compliance costs is as follows:

Environmental Costs	2014/2015	2015/2016
• Garbage Tip EPA Licence	\$ 3,600	\$ 3,600

• Garbage Tip Environmental Monitoring	\$30,500	\$30,500
• Environmental Works – Maintenance/Construction Programs	\$10,000	\$10,000
TOTAL	\$44,100	\$44,100

Fortunately, Council's Waste Operations are not subject to the State Based Waste Levies at this time. Should these become applicable to Council, a very substantial cost would apply which would need to be passed directly onto Shire Ratepayers.

Council also pays a Load Based Licence Fee for discharge from the Sewerage Treatment Works of approximately \$70K per annum.

Employment Costs – Combined Fund:

	General Fund	Water Fund	Sewer Fund	TOTAL
Wages/Oncost	11,402,871	828,985	281,195	12,513,051
Superannuation	1,268,011	128,461	55,675	1,452,146
TOTAL 2015/2016	12,670,882	957,447	336,869	13,965,198
Wages/Oncost	11,141,386	824,088	274,365	12,239,839
Superannuation	1,210,774	114,780	50,290	1,375,844
TOTAL 2014/2015	12,352,160	938,868	324,655	13,615,683
Increase/(Decrease)	318,722	18,579	12,214	349,515

As shown above the Total Net Cost increase in Employment Costs for 2015/2016 will be \$349,515 across the three (3) Funds with the Legislated Award increase again being greater than the Rate Peg amount. The continuing large deficit in the now closed Defined Benefits Superannuation Scheme continues to impact Employer Superannuation Contribution Costs.

Continuing actions are being taken to contain Employment Costs and to deliver further efficiencies. Council's continuing strong performance in respect of having one of the lowest Workers Compensation premiums for NSW Councils is noted. Across the region over the last three years and again in 2015/2016, a number of Councils have and will again be reducing Employment Costs by way of significant decreases in employment numbers, which then has a negative flow on effect to service and infrastructure delivery, negatively impacting their economic and population growth.

Contracts, Materials, Electricity and Fuel:

These increases have now flattened out and reduced as a result of Council's Energy Efficiency Initiatives.

In the 2015/2016 Draft Budget the following costs have been provided for in the Combined Fund:

	General Fund	Water Fund	Sewer Fund	TOTAL
• Contracts	\$ 1,020,010	\$ 9,080	\$ 5,300	\$ 1,034,580
• Electricity	\$ 621,435	\$ 802,500	\$ 197,000	\$ 1,620,935
Total	\$ 1,641,445	\$ 811,580	\$ 202,300	\$ 2,655,435

The following are the cost increases/(decreases) above the 2014/2015 budget:

• Contracts	\$ 46,965	\$ 0	\$ 0	\$ 46,965
• Electricity	\$ (22,715)	\$ 18,000	\$ 0	\$ -4715
Total	\$ 24,250	\$ 18,000	\$ 0	\$ 42,250

It is noted that this Total Net Increase in Council's fixed costs across the Combined Fund of \$400K comes on top of a cost increase of \$290K in 2014/2015, \$508K in 2013/2014, \$379K in 2012/2013, \$231K in 2011/2012, \$453K in 2010/2011, \$174K in 2009/2010, \$226K in 2008/2009 and \$311K in 2007/2008.

The impact of Fuel and other costs increases is not known at this time, however, it is expected that Council's Plant Hire Rates will not need to be increased at 1 July, 2015.

Council continually reviews its activities to ensure it delivers its services in a cost effective, efficient, and sustainable manner. This ongoing practice has resulted in Council being able to absorb the cost increases indicated above without having to significantly reduce services to the Community to this point.

The abovementioned information, however, highlights that Council must utilise the maximum increase allowed under rate pegging each year combined with sound and justifiable increases in its other fees and charges, if Council wishes to maintain its services a minimum level and to be sustainable in the medium and long term. As indicated this must be linked with a continued review and consolidation of Council's services and programs.

Based on the abovementioned information, it will be necessary that Council in the short term give serious consideration to a Special Rate variation, noting that IPART continue to provide less than satisfactory increases in the Rate Peg. This action has not been recommended for the 2015/2016 Draft Budget, but will require consideration in 2016/2017 for the 2017/2018 Budget Year, particularly when the Fit for the Future Performance Benchmarks are considered.

SERVICE LEVELS – WORKS AND MAINTENANCE PROGRAMS:

In the preparation of the 2015/2016 Draft Budget as indicated above, all fixed cost increases have been provided for.

In respect of Council's Revenue funded Works and Maintenance Programs, outside of increases in the budget to cover increases in fixed costs and some Grant Funded Programs, the only increase provided has been provided to the Cameron Park Maintenance Budget. No other Budget increases can be provided for without a Special Rate Variation.

1.6.2 Industry Promotions and Assistance

The 2015/2016 Operational Plan includes an allocation for the assistance and promotion of Business and Industry of \$150K. These funds may be utilised, subject to a Resolution of Council, for works on Private Lands or for the provision of direct financial assistance to private individuals and businesses during 2015/2016. Council has made the following funding commitments that are funded from previous years allocations:

- Bindaree Beef - current funding commitment of \$300K in respect of Power Upgrades, Traffic Safety Works and Development works which support the continuation and expansion of existing employment (Inverell's major employer with 800 jobs);
- Medical Precinct Establishment – current funding commitment of \$300K being for Council infrastructure development works, being an acceleration of the Urban Works Program in the Killeen Street/Swanbrook Road area including Water, Sewer, Drainage and Kerb and Gutter Works and \$150K for Internal Carparking and Roadworks (to facilitate the provision of enhanced Medical Services).

Council will shortly be undertaking a Industrial/Economic Development Review of the Shire and it is proposed that the 2015/2016 Funding be allocated to implementing Strategies identified under this review as prioritised by Council.

1.6.3 Strategic Capital Infrastructure/Projects Fund

Council recognises the need to ensure the long term financial sustainability and growth of its Community, and that substantial funds must be available for strategic projects which enhance and strengthen the Shire Community economically, culturally and socially. The expenditure of funds in these areas usually result in a flow on increase in Council's general revenues. Council also recognises that any new project or initiative undertaken, must not negatively impact financially or otherwise on Council's ability to meet its current and future service and infrastructure maintenance and renewal needs.

In this regard, Council has been financially responsible and quarantined the funds previously allocated to loan repayments specifically for projects which would have otherwise been funded by way of loans or which assist the economic, cultural and social growth of the Community. This highly successful strategy has and continues to enable this Council to undertake a range of very successful projects (eg CBD Redevelopment, Visitors Centre, Campbell Park Upgrade, Library Redevelopment, new Rural Bitumen Seals and accelerating the Urban Works Program) which have resulted in Inverell emerging as a regional centre.

In 2010/2011 Council, following the adoption of a 10 Year Road Infrastructure Financial Plan and Asset Management Plan allocated an amount of \$250K from this fund on a continuing basis to Council's Road and supporting Infrastructure Maintenance Program. A further \$250K was allocated into Council Road Asset Renewal Program, the majority of which was allocated to Gravel Resheeting on Local and Minor Roads (Budget Allocation to Roads etc increased by 25% over four (4) years to end of 2010/2011). This reduced the annual quantum of funds available in 2010/2011 from \$1M to \$560K. The proposed allocation for 2015/2016 is \$515K, being the same level as 2013/2014 and 2014/2015.

If Council is to be in a position to fund strategic projects which grow the Shire and subsequently generate new revenues for Council, it is critical that this fund not reduce below this amount. The annual provision of these funds is essential to Council's ability to attract special State and Federal Government Grants all of which basically now require at least a matching Council contribution.

The 2015/2016 Budget allocates the \$515K to the following priority areas as resolved by Council in the development of Council's new Four (4) Year Delivery Plan:

- | | | |
|---|---|---------|
| • | Shade Shelter Gilgai Playground Equipment WHS | \$ 25K |
| • | Community Building Partnerships Program \$ for \$ | \$ 60K |
| • | Solar Lighting Campbell Park | \$ 50K |
| • | Amenities Renewal/Asset Upgrades \$ for \$ Grants | \$ 380K |

RECOMMENDATION:

That the Committee recommend to Council that:

- i) the information be noted and projects be endorsed;*
- ii) the Committee recommend to Council that Council provide an allocation of \$150,000 for joint industry promotions and assistance;*
- iii) the following 2015/2016 Strategic Capital Infrastructure/Projects Program projects be endorsed:*

•	Shade Shelter Gilgai Playground Equipment WHS	\$ 25K
•	Community Building Partnerships Program \$ for \$	\$ 60K
•	Solar Lighting Campbell Park	\$ 50K
•	Amenities Renewal/Asset Upgrades \$ for \$ Grants	\$ 380K
- iv) the transfers to and from Internally Restricted Assets be endorsed:*

1.7 Rates

1.7.1 General Comments

The rate increase allowable in terms of Section 506 of the Act (Ratepegging Section) for the 2015/2016 rating year is 2.4% and has been included to partly fund the increase in fixed costs in the General Fund. Revenue generated from levying the estimated maximum permissible increase of 2.4% is only \$247K. The increase in Council's "fixed costs" in the General Fund totals \$356K (Insurances \$15K, Contracts \$47K, Electricity -\$23K and Wages \$319K). This leaves a shortfall of \$109K in the funding of Council's Fixed Cost increases and comes on top of the 2014/2015 shortfall \$146.4K. This comes on top of the 3 year freeze on indexation on Council's Finance and Assistance Grant. This will impact service delivery.

The annualised CPI movement to 31 December, 2014 was 1.7%. IPART have calculated the Local Government Cost Index increase to September, 2013 at 2.47%, then deducted 0.7% for efficiency gains ignoring the growth needs of Councils and the communities increasing demands.

It is recommended that the maximum permissible increase allowed by IPART be taken. Failure to take the maximum increase allowed will further negatively impact on Council's sustainability in future years noting the inadequacy of the 2015/2016 increase.

Accordingly, the Budget has been prepared on the following basis:

- Utilising the full allowable increase to fund increases in Council's fixed costs,
- Continuation of the existing rating structure ie. Base amount and an ad valorem rate; and
- A base rate of \$185.00.

It is of concern that this is now the eighth year in which Council has had to apply the rate increase against fixed cost increases and that increases in Council's fixed costs continue to substantially outstrip rate increases. Rate Pegging under IPART, continues to deprive Council of SURPLUS FUNDS which could be directed to infrastructure renewal, new services and increased Service Levels. As advised to Council, this matter dictates that a further consolidation and review of its Service Levels and Service Delivery methods must continue during 2015/2016 to ensure Council's medium and long term sustainability.

Attachment 2 of the Operational Plan details the information included above in respect of Variations to the Budget and trends over the last 10 years. Details of Council's Major Works Programs are included in Attachments 3 and 4.

RECOMMENDATION:

That the Committee recommend to Council that Council utilise the maximum permissible rate increase allowed by the IPART/State Government of 2.4%.

1.7.2 Rating Structure

Rating Options:

As indicated above, the Draft Estimates have been prepared on the following basis:

- The continuation of the existing rating structure, utilising a base amount and ad valorem rates, with no additional rating categories to be introduced.
- A base rate of \$185.00 (on 7,851 up from 7,823 Assessments in 2014/2015, and 7,786 assessments in 2013/2014 – Rate base grow has been consistent but relatively limited over the last 5 years).

REVENUE RAISED FROM EACH CATEGORY:

When determining the distribution of the rate burden for the 2015/2016 rating year, the existing policy of collecting a certain percentage of rate revenue from each category is noted. The percentage collected from each category in previous years is as follows:

CATEGORY	2012/2013 % from Category	2013/2014 % from Category	2014/2015 % from Category	2015/2016 % from Category
Residential	40.24%	40.20%	40.20%	40.20%
Residential Rural	7.31%	7.42%	7.47%	7.46%
Farmland	32.27%	32.17%	32.08%	32.10%
Business	20.18%	20.21%	20.25%	20.24%
Mining	nil	nil	nil	nil

The small variations between categories results from properties moving into different categories as the result of subdivisions and largely a community that is becoming more urbanised.

In respect of distribution of the Rate Burden, it is advised that if the Council believes that additional funds should be expended in the rural area for example, then the percentage of rates collected from the rural area should increase as a percentage of the total rate burden, (ie by more than the Rate Peg amount with Rates in other categories increasing by a lesser amount). The same would apply in respect of the Urban area and each of the Villages. As the Rate Increase does not cover the increases in Council's fixed costs, however, no surplus funds are being generated for allocation to increased service levels in any area and accordingly an increase in service levels in an area can only come at the expense of a decrease in service levels in other areas.

RECOMMENDATION:

That the Committee recommend to Council that the General Base Amount and the General Ad Valorem Rates be determined utilising the maximum permissible increase allowed by the State Government and the categories be:

*Residential – Inverell
 Residential – General.
 Residential – Ashford.
 Residential – Delungra.
 Residential – Gilgai.
 Residential – Yetman.
 Residential – Rural.
 Business – Inverell Industrial/Commercial.
 Business – Other.
 Farmland.
 Mining.*

1.7.3 Effect on Rates

To gain an insight into the effect of adopting the increase of 2.4%, an attachment detailing a comparison of a 2.4% increase over 2015/2016 and other increased charges is included in the Operational Plan.

As in previous years, it is recommended that the Interest Rate applicable to Outstanding Rates and Charges for 2015/2016 be the maximum rate allowable as advised by the Division of Local Government.

RECOMMENDATION:

That the Committee recommend to Council that:

- i) the information be noted; and*
- ii) the Interest Rate applicable to Outstanding Rates and Charges for 2015/2016 be the maximum allowable as advised by the Division of Local Government.*

1.8 Waste Management Charges

In 2014/2015, the Domestic Waste Management charge was \$280.00 and the Other Waste Management charge was \$280.00 plus GST. The Waste Management Charge on all ratable properties was \$55.00 per assessment. This charge, is levied under *Section 501 of the Local Government Act* is not captured in Council's Maximum Permissible Rate Income, and results in all of Council's Ratepayers contributing directly to the Waste Management facilities located across the Shire. Council introduced a new Commercial Recycling Charge of \$92.00 plus GST for a Weekly Service and \$46.00 plus GST for a Fortnightly Service in 2014/2015 to meet Business demands for this service.

In 2015/2016, the Domestic Waste Management charge is recommended to increase to \$300.00 and the Other Waste Management charge to \$300.00 plus GST if applicable. The Waste Management Charge on all rateable properties is recommended at \$70.00 per assessment. The Commercial Recycling Charge is recommended at \$100.00 for a Weekly Service and \$50.00 for a Fortnightly Service.

This charge structure is required to enable Council to fully meet its operational and legislative obligations in regard to its adopted Waste Management Strategy. This structure sees the cost burden for waste management equitably distributed across the entire Shire. The transfer to Internally Restricted Assets is estimated at \$420K, however, substantial costs will be incurred in 2015/2016 and beyond in respect of the continuing implementation of Council's new Waste Management strategy. The Draft Budget includes \$2M of new Loan Borrowings to complete the implementation of the Waste Strategy with Loan Repayments being funded from the increase in Charges

Council will note that a "Other Waste Management Charge" is levied for the provision of a commercial garbage collection service to businesses in the Inverell CBD. This charge is levied per bin collection on a user pays basis.

RECOMMENDATION:

That the Committee recommend to Council that the following Waste Management Charges be adopted:

- i) Waste Management Charge – All Properties \$ 70.00*
- ii) Domestic Waste Management - Occupied Charge:*

<i>Number of Services per Assessment</i>	<i>Annual Charge per Assessment</i>
1	\$ 300.00
2	\$ 600.00
3	\$ 900.00
4	\$ 1,200.00
5	\$ 1,500.00
6	\$ 1,800.00
7	\$ 2,100.00
8	\$ 2,400.00
9	\$ 2,700.00
10	\$ 3,000.00
11	\$ 3,300.00
12	\$ 3,600.00
13	\$ 3,900.00
14	\$ 4,200.00
15	\$ 4,500.00
	<i>etc</i>

c) Domestic Waste Management – Unoccupied Charge \$40.00

d) Other Waste Management Charge

<i>Number of Services</i>	<i>Yearly Charge per Service (Ex GST)</i>	<i>Yearly Charge per Service (Inc GST)</i>
1	\$ 300.00	\$330.00
2	\$ 600.00	\$660.00
3	\$ 900.00	\$990.00
4	\$ 1,200.00	\$1,320.00
5	\$ 1,500.00	\$1,650.00
6	\$ 1,800.00	\$1,980.00
7	\$ 2,100.00	\$2,310.00
8	\$ 2,400.00	\$2,640.00
9	\$ 2,700.00	\$2,970.00
10	\$ 3,000.00	\$3,300.00
11	\$ 3,300.00	\$3,630.00
12	\$ 3,600.00	\$3,960.00
13	\$ 3,900.00	\$4,290.00
14	\$ 4,200.00	\$4,620.00
15	\$ 4,500.00	\$4,950.00
		<i>etc</i>

e) Weekly Commercial Recycling Charge \$ 100.00 plus GST
Fortnightly Commercial Recycling Charge \$ 50.00 plus GST
(These Charge are levied per Service, and GST is only charged if applicable)

1.9 Fees & Charges

Also included with the Draft Budget are the proposed 2015/2016 Fees and Charges.

A number of Fees and Charges have been retained at their present level. Where an increase is recommended, these fees are highlighted. It will be noted that GST has been added to those charges to which the new tax applies.

RECOMMENDATION:

That the Committee recommend to Council that the Fees and Charges, as recommended, be adopted.

1.10 Stormwater Management Service Charge

The Draft Budget as indicated in the Urban Works Program, proposes the continuation of a Stormwater Management Service Charge, the funding mechanism put in place for Councils outside of the Notional Yield Calculation by the State Government for the funding of Stormwater Management and Drainage Works in Urban Areas. The charge has since its inception been applied to all land within the Inverell, Ashford, Delungra, Yetman and Gilgai Urban areas that fall within the residential or business categories for rating purposes (except vacant land) to which stormwater services are provided. The Charge has previously been set by Council at the maximum unit charge of \$25.00 for all Residential (generates \$97,375) (and Business Properties (generates \$9,625). While \$25.00 is the maximum charge for Residential Properties, the Regulation states for Business properties that;

"The maximum annual charge for stormwater management services that may be levied in respect of a parcel of rateable land is, for land categorised as business, \$25.00 plus an additional \$25.00 for each 350 square metres or part of 350 square metres by which the area of the parcel of land exceeds 350 square metres".

Staff have undertaken a review of Business Properties in the Urban Areas. This review indicates that of the 287 business properties within the Urban area only 50 should be paying the \$25.00 charge and the remainder should be charged a higher amount under the regulation. The review also indicates, however, that if Council were to apply the full charges under the Regulation that some Business Properties would be paying a charge of up to \$2,100.00 per annum.

Noting Council's significant funding needs in respect of Stormwater Management and Drainage Services in the Urban Areas, and being mindful of the ability of Ratepayers to pay, it is recommended that Council implement the provisions of the Regulation in respect of Business Premises, but limit the maximum amount levied as follows:

- Businesses Stormwater Levy Maximum Total Levy 2015/2016 \$100.00;
- Businesses Stormwater Levy Maximum Total Levy 2016/2017 \$150.00; and
- Businesses Stormwater Levy Maximum Total Levy 2017/2018 \$200.00.

The current Stormwater Management Levy generated \$107K in 2014/2015. The revised income in accordance under the recommendation would be:

- 2015/2016 \$129K (Residential \$97,375, Business \$31,750)
- 2016/2017 \$139K (Residential \$97,375, Business \$41,275)
- 2017/2018 \$145K (Residential \$97,375, Business \$47,425)

It is recommended to raise \$129K from the charge in 2015/2016 to be utilised on the following projects:

- | | |
|----------------------------|---------|
| 1) Gilgai Drainage Project | \$ 129K |
|----------------------------|---------|

Once the Gilgai Drainage Project is complete it is proposed to return to undertake additional works in the Inverell Commercial and Industrial Areas.

RECOMMENDATION:

That the Committee recommend to Council that the Stormwater Management Service Charge be set at the maximum amount allowable of \$25.00 for Residential Premises, and \$25.00 for Business Premises for each 350 square metres or additional part thereof, subject to a maximum charge on Business Premises of \$100.00, and the Stormwater Management Program as recommended, be adopted.

1.11 Summary

An operationally sound Draft Budget has again been delivered for 2015/2016 in the General Fund. The following matters are highlighted:

- Despite very substantial cost pressures, a Balanced Budget has been achieved;
- The Budget provides for a **CONTINUATION OF ALL** of Council's existing services and works/asset management programs; and
- Cost savings following for Council's efficiency initiatives have had to be applied to fixed cost increases and no funds are available for new or expanded services or increased service levels.

1.12 Fit for the Future

In respect of "Fit for the Future" the following Performance Ratios result from the adoption of the 2015/2016 Draft Budget.

OPERATING PERFORMANCE RESULT									
Benchmark: - Greater or equal to break even average over 3 years									
	GENERAL FUND			WATER FUND			SEWER		
2011-12	2,666	=	0.094	-119	=	-0.033	-96	=	-0.045
	28,276			3608			2114		
2012-13	1,977	=	0.072	178	=	0.044	74	=	0.034
	27,560			4015			2202		
2013-14	-1,189	=	-0.048	679	=	0.147	96	=	0.042
	24,973			4614			2302		
2014-15	-2,406	=	-0.101	-273	=	-0.069	-177	=	-0.077
	23,867			3984			2308		
2015-16	-2,022	=	-0.084	27	=	0.006	-58	=	-0.024
	23,952			4202			2434		
2016-17	-1,936	=	-0.079	83	=	0.019	-1	=	0.000
	24,486			4419			2541		
Average 2011-12 to 2013-14		✓	0.039		✓	0.053		✓	0.010
Average 2014-15 to 2016-17		✗	-0.088		✗	-0.014		✗	-0.034

This Ratio highlights that Council's revenues are not keeping pace with increases in Council's costs, and are not generating sufficient surplus funds for Asset Renewal and Upgrade. This is despite Council's ongoing Efficiency and Cost Reduction Programs. Council requires additional Operating Revenues to move this Ratio back above a "break even average over three (3) years.

Benchmark: - Greater than 60% average over 3 years

	GENERAL FUND			WATER FUND			SEWER		
2011-12	16,330	=	53.7%	3539	=	93.1%	2056	=	94.9%
	30,424			3801			2167		
2012-13	17,471	=	59.7%	3927	=	90.3%	2145	=	94.4%
	29,241			4351			2273		
2013-14	17,361	=	62.1%	4455	=	92.4%	2244	=	96.2%
	27,972			4821			2333		
2014-15	15,199	=	57.1%	3847	=	93.1%	2250	=	97.5%
	26,600			4134			2308		
2015-16	17,240	=	57.7%	4056	=	93.2%	2375	=	96.9%
	29,881			4354			2450		
2016-17	15,811	=	57.7%	3992	=	87.3%	2492	=	97.5%
	27,407			4572			2557		
Average 2011-12 to 2013-14		✗	58.5%		✓	91.9%		✓	95.1%
Average 2014-15 to 2016-17		✗	57.5%		✓	91.2%		✓	97.3%

As shown, the Water and Sewer Fund are meeting this Benchmark. The General Fund is below this Benchmark and will stay there unless additional "Own Source Revenues" can be generated. These revenues include General Rates, Interest on Investments, Private Works Incomes and User Charges. While work undertaken on behalf of RMS on the State Highway can assist greatly in this area, these works are not guaranteed. The large majority of Councils are addressing this matter by significant Special Rate Variations. For example 19 Councils have applied for a Special Rate Variation in 2015/2016 of between 3.89 and 39.00%. Four (4) more Councils have been granted extensions of time to submit an application to IPART. This comes on top of the 99 Councils granted Special Rate Variations in the period 2011/2012 to 2014/2015 of between 2.32 and 63.22%.

% increase in permissible income (including rate Peg)

[illegible]

OTHER COUNCILS IN THE REGION									
Council Name	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	Cumulative Increase %
Coffs Harbour		5.64	5.43	7.90	8.14	7.75			34.86
Lismore			3.82						3.82
Bellingen				11.80					11.80
Richmond Valley	5.96			12.30	5.50	5.50	5.50	5.50	40.26
Tamworth		20.60							20.60
Armidale Dumaresq				12.36					12.36
Glen Innes Severn				11.21	10.02	5.59			26.82
Guyra				8.00					8.00
Gwydir Shire *					15.00	15.00			30.00
Liverpool Plains Shire				12.50					12.50
Narrabri Shire	8.79								8.79
Tenterfield				15.00	10.00	10.00	10.00		45.00
Moree secured a 27.75% Variation in 2010/2011 over 3 years									27.75
AVERAGE INCREASE %									21.74
* Not yet approved by lpart									

SUMMARY OF SPECIAL RATE VARIATIONS FOR NSW COUNCILS									
Council Name	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	TOTAL
Total number of Approvals	21.00	15.00	28.00	35.00	19.00				118
Lowest Cumulative Increase	4.30	3.60	3.40	2.32	3.89				
High Cumulative Increase	40.50	59.45	43.00	63.22	43.20				

REAL OPERATING EXPENDITURE PER CAPITA RESULT									
Benchmark: - A Decrease in Real Operating Expenditure per capita over time									
	GENERAL FUND			WATER FUND			SEWER		
2009-10	25,072	=	1.53	3336	=	0.20	1955	=	0.119
	16,398			16398			16398		
2010-11	27,608	=	1.67	3333	=	0.20	1977	=	0.120
	16,530			16530			16530		
2011-12	23,542	=	1.42	3426	=	0.21	2032	=	0.122
	16,631			16631			16631		
2012-13	22,718	=	1.36	3407	=	0.20	1890	=	0.113
	16,703			16703			16703		
2013-14	22,372	=	1.34	3365	=	0.20	1886	=	0.113
	16,727			16727			16727		
2014-15	21,793	=	1.30	3531	=	0.211	2061	=	0.123
	16,744			16744			16744		
2015-16	20,898	=	1.25	3359	=	0.200	2005	=	0.120
	16,760			16760			16760		
2016-17	20,621	=	1.23	3384	=	0.202	1983	=	0.118
	16,777			16777			16777		
Decrease over time		✓			✗			✗	

Council's performance in this area is sound. The increase in the Water and Sewer Funds results from the significant Loan Borrowings undertaken for Asset Renewals and Upgrades.

DEBT SERVICE RESULT									
Benchmark: - Greater than 0% and less than or equal to 20% average over 3 years									
	GENERAL FUND			WATER FUND			SEWER		
2011-12	0	=	0.00%	275	=	7.62%	0	=	0.0%
	28,276			3608			2114		
2012-13	0	=	0.00%	341	=	8.49%	0	=	0.0%
	27,560			4015			2202		
2013-14	0	=	0.00%	549	=	11.90%	0	=	0.0%
	24,973			4614			2302		
2014-15	0	=	0.00%	260	=	6.53%	263	=	11.4%
	23,867			3984			2308		
2015-16	254	=	0.98%	261	=	6.21%	241	=	9.9%
	25,814			4202			2434		
2016-17	250	=	1.02%	291	=	6.59%	242	=	9.5%
	24,486			4419			2541		
Average 2011-12 to 2013-14		✗	0.0%		✓	9.3%		✓	0.0%
Average 2014-15 to 2016-17		✓	0.7%		✓	6.4%		✓	10.3%

These Ratios all meet Benchmark. As noted above, \$2M of new Borrowings are proposed in the Draft Budget for Waste Management Activities which bring the General Fund into the Benchmark Range.

ASSET MAINTENANCE RESULT									
Benchmark: - Greater than 100% average over 3 years									
	GENERAL FUND			WATER FUND			SEWER		
2011-12	5,969	=	101.2%	744	=	81.0%	555	=	112.1%
	5,897			918			495		
2012-13	5,428	=	100.1%	817	=	99.9%	618	=	121.2%
	5,421			818			510		
2013-14	5,312	=	101.6%	827	=	107.8%	609	=	108.9%
	5,228			767			559		
2014-15	0	=	101.0%	0	=	101.0%	0	=	101.0%
	0			0			0		
2015-16	0	=	101.0%	0	=	101.0%	0	=	101.0%
	0			0			0		
2016-17	0	=	101.0%	0	=	101.0%	0	=	101.0%
	0			0			0		
Average 2011-12 to 2013-14		✓	101.0%		✗	96.2%		✓	114.1%
Average 2014-15 to 2016-17		✓	101.0%		✓	101.0%		✓	101.0%

This ratio is measured at the close of each reporting period. It is planned to provide the required level to Council's Assets in each period with any additional maintenance requirements above Budget being funded from Profits on Private Works, Cost savings in other areas and any additional revenues achieved.

BUILDING & INFRASTRUCTURE ASSET RENEWAL RESULT									
Benchmark: - Greater than 100% average over 3 years									
	GENERAL FUND			WATER FUND			SEWER		
2011-12	3,851	=	76.6%	260	=	34.3%	702	=	144.7%
	5,029			758			485		
2012-13	3,707	=	71.8%	162	=	21.0%	347	=	51.0%
	5,165			772			681		
2013-14	7,285	=	122.1%	263	=	33.2%	348	=	50.9%
	5,964			792			684		
2014-15	8,032	=	142.0%	3963	=	511.4%	1919	=	280.1%
	5,655			775			685		
2015-16	6,019	=	122.4%	792	=	99.0%	480	=	70.1%
	4,919			800			685		
2016-17	5,376	=	109.3%	874	=	100.5%	540	=	77.6%
	4,919			870			696		
Average 2011-12 to 2013-14		✗	90.2%		✗	29.5%		✗	82.2%
Average 2014-15 to 2016-17		✓	124.6%		✓	236.9%		✓	142.6%

This Ratio measures Council's Asset Renewal Expenditures against its Depreciation Expense. As shown over the period to 2016/2017. The Draft Budget provides for Asset Renewals in all Funds significantly above the Depreciation Expenses as major infrastructure is renewed and upgraded. In the General Fund this should see a reduction in the Infrastructure Backlog.

INFRASTRUCTURE BACKLOG RESULT									
Benchmark: - lessan 2%									
	GENERAL FUND			WATER FUND			SEWER		
2013-14	25,747	=	8.7%	0	=	0.000	0	=	0.000
	297,478			71628			45245		
2014-15		=	TBA		=	0.000		=	0.000
2015-16		=	TBA		=	0.000		=	0.000
2016-17		=	TBA		=	0.000		=	0.000
2011-12 to 2013-14		✗	8.7%		✓	0.0%		✓	0.0%
2014-15 to 2016-17		✗	TBA		✓	0.0%		✓	0.0%

As shown Council has no Infrastructure Backlog in the Water or Sewerage Funds. The Infrastructure Backlog in the General Fund is in respect of Council's Sealed and Gravel Road Assets. An audit of these assets is currently being undertaken to determine the accuracy of the reported amount.

The Committee is asked to consider this information and determine its position in respect of the Fit for the Future Performance Benchmarks to enable completion of its Fit for the Future Proposal. This may require that the Draft Budget be varied, particularly in respect the 2016/2017 Budget Estimates.

RECOMMENDATION:

That the Committee recommend to Council that:

- i) the report on the balanced budget be noted,*
- ii) the list of inclusions and omissions as included in the Draft Operational Plan/Budget be endorsed;*
- iii) The Committee determine its response to the Fit for the Future Performance Benchmarks for the General Fund; and*
- iv) the Draft Estimates (incorporating the Operational Plan) for the General Activities for 2015/2016 be adopted and placed on public exhibition for a period of twenty eight (28) days as required by Section 405 of the Local Government Act 1993.*

2. SEWERAGE ACTIVITIES

This Activity's Budget is based on:

- i) a "Balanced" Budget,
- ii) a 5.0% increase in Sewerage Charges to fund the substantial major Asset Renewal and Upgrade Works being undertaken. These proposed increases are in line with the increases discussed by Council in respect of Council's Water and Sewerage Strategy.

After the proposed increases are applied, Council's charge will still remain significantly below the NSW average charges. The Charge applicable to McLean Care at \$2,230.50, represents an approximate \$7,000.00 annual subsidy to this Organisation.

Sewerage Fund has been categorised as a Category 1 Business Activity in the Draft Operational Plan to comply with the requirements of the National Competition Policy and the COAG Agreement. It is a requirement of the COAG Agreement that Council's Sewerage Operations financially break-even at a minimum, after the depreciation of sewerage assets is brought to account.

The Draft Budget provides for Capital Works totalling \$160K. These works include \$40K for equipment purchases, \$100K for Sewer Mains Relining and \$20K for preliminary Design Works in respect of replacement of the Inverell Sewer Pump Station Number 1. This will be the first year of full repayments on the Sewerage Fund \$2M Loan for the Inverell Sewerage Treatment Works Asset Renewal and Upgrade Project (\$163k Principal plus \$78K interest less subsidy of \$59K). "Long Term Financial Modelling" conducted in conjunction with the Department of Commerce highlights that the Sewerage Fund is sustainable in the long term and will be able to meet all its operational and Capital expenditure requirements over the next 20 years. Substantial Works are currently being undertaken in respect of ascertaining the condition of Council's older underground sewer mains in the Asset Management Area. Significant funds are indicated in the 25 year plan for mains relining and replacement.

The Operational Plan does not provide for the payment of a dividend to the General Fund from the Sewerage Fund, but does include a \$300K transfer to Internally Restricted Assets as part funding for the Inverell Sewer Pump Station Number 1 (Cost \$1.6M to \$2M based on past costs) which is scheduled to commence in 2018/2019.

RECOMMENDATION:

That the Committee recommend to Council that:

i) the Sewerage Charges as listed below be adopted for 2015/2016:

<i>Sewerage Charge Occupied</i>	<i>\$ 476.20</i>
<i>Sewerage Charge Unoccupied</i>	<i>\$ 298.30</i>
<i>Sewerage Charge Flats/Units</i>	<i>\$ 298.30</i>
<i>Sewerage Charge Nursing Homes</i>	<i>\$2,230.50</i>

<i>Sewerage Charge Hotel/Licensed Clubs</i>	<i>\$1,428.40</i>
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<i>Number of Services per Assessment</i>	<i>Annual Charge Per Assessment</i>
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<i>1</i>	<i>\$ 476.20</i>
<i>2</i>	<i>\$ 774.50</i>
<i>3</i>	<i>\$1,072.80</i>
<i>4</i>	<i>\$1,371.10</i>
<i>5</i>	<i>\$1,669.40</i>
<i>6</i>	<i>\$1,967.70</i>
<i>7</i>	<i>\$2,266.00</i>
<i>8</i>	<i>\$2,564.30</i>
<i>9</i>	<i>\$2,862.60</i>
<i>10</i>	<i>\$3,160.90</i>
<i>11</i>	<i>\$3,459.20</i>
<i>12</i>	<i>\$3,757.50</i>
<i>13</i>	<i>\$4,055.80</i>
<i>14</i>	<i>\$4,354.10</i>
<i>15</i>	<i>\$4,652.40</i>

<i>Sewerage Non-Rateable Schools – WC's</i>	<i>\$ 69.00 per receptacle</i>
<i>Sewerage Non-Rateable Other – WC's</i>	<i>\$ 115.00 per receptacle</i>
<i>Sewerage Non-Rateable Urinals</i>	<i>\$ 69.00 per receptacle</i>

New Charge Structure for Motels and Caravan Parks

In accordance with the new charge structure for Motels and Caravan Parks the following charges are proposed with 2015/2016.

<i>Motel Residence</i>	<i>\$ 476.20</i>
<i>Motel Restaurant</i>	<i>\$ 476.20</i>
<i>Motel Ensuite</i>	<i>\$ 149.15</i>
<i>Caravan Park Residence</i>	<i>\$ 476.20</i>
<i>Caravan Park Amenities Block</i>	<i>\$1,428.40</i>
<i>Caravan Park Ensuite Cabins</i>	<i>\$ 149.15</i>

ii) the Committee determine its response to the Fit for the Future Performance Benchmarks for the Sewer Fund; and

iii) the Draft Estimates (incorporating Operational Plan) for the Sewerage Fund for 2015/2016 be adopted and placed on public exhibition for a period of 28 days as required by Section 405 of the Local Government Act 1993.

3. WATER ACTIVITIES

This Activity's Budget is presented on the following basis:

- a) a "Balanced" Budget,
- b) A 5.0% increase in the base access charge to \$346.20,
- c) a commercial water consumption charge of \$1.37 per kilolitre,
- d) an Abattoirs water consumption charge of \$0.72 per kilolitre; less 20% early settlement discount; and
- e) a "stepped tariff" residential water consumption charge of:
\$1.37 per kilolitre 0 to 600 kl annual consumption.
\$1.60 per kilolitre over 600 kl annual consumption.
- f) a raw water charge of \$0.36 per kilolitre.

These proposed increases are in line with the increases discussed by Council in respect of Council's Water and Sewerage Strategy. After the proposed increases are applied, Council's Water Charges will still remain at a level equivalent to NSW average charges, with a high level of Supply Security.

Council will be aware that the Water Consumption Charge did not increase over the six (6) year period to 2010/2011. The State median charge for water consumption in 2013/2014 was \$1.99 per kilolitre. The figures for 2014/2015 have not yet been released.

The cost per kilolitre of water for the Abattoirs did not increase from 1 July, 2004 to 30 June 2010 and was 60.00 cents per kilolitre plus the 20 per cent early settlement discount. (Actual cost per kl after discount was 48.00cents per kilolitre, which was less than the cost of production plus pumping of 71.00 cents per kilolitre). It is proposed to increase that Abattoirs Water Charge to \$0.72 cents per kilolitre (Actual cost per kl after discount will be 57.6 cents per kilolitre, which is still substantially less than the cost of production plus pumping of 73.0 cents per kilolitre). Councillors will be aware that significant costs of up to \$300K will be incurred in respect of the refurbishment of the dedicated Abattoir Pumps and electrical works in the medium term. The total subsidy, which has now been provided to the Abattoir, in respect of Water Charges of approximately \$3.8M.

Capital works totalling \$807K are proposed in the Draft Budget, funded from Revenue. The projects include Mains Replacement \$150K, Minor Extensions \$15K, New Meters \$67K, Backflow Prevention \$275K, Pump Station Upgrades (Bindaree Beef Pumps) \$300K. Water Fund has been categorised as a Category 1 Business Activity (turnover over \$2M p.a.) in the Draft Operational Plan to comply with the requirements of the National Competition Policy.

The Operational Plan does not provide for the payment of a Dividend to the General Fund from the Water Fund or transfers to/from Internally Restricted Assets.

RECOMMENDATION:

That the Committee recommend to Council that:

- i) a water charge of \$346.50 be adopted for 2015/2016;*
- ii) a charge of \$1.37 per kilolitre be adopted for commercial water consumption for 2015/2016;*
- iii) a charge of \$1.37 per kilolitre, 0 to 600 kilolitres and \$1.60 per kilolitre over 600 kilolitres be adopted for residential water consumption for 2015/2016;*
- iv) a charge of \$0.72 per kilolitre be adopted for water consumption - Abattoirs, plus a 20 per cent early settlement discount for 2015/2016;*
- v) a charge of \$0.36 per kilolitre adopted for Raw Water consumption for 2015/2016;*

vi)	<i>The Committee determine its response to the Fit for the Future Performance Benchmarks for the Water Fund; and</i>
vii)	<i>the Draft Estimates (incorporating Operational Plan) for the Water Fund for 2015/2016 be adopted and placed on public exhibition for a period of 28 days as required by Section 405 of the Local Government Act, 1993.</i>

ITEM NO:	3.	FILE NO: S5.2.3
DESTINATION 5:	The communities are served by sustainable services and infrastructure	S
SUBJECT:	LAND MATTER (LISTING)	
PREPARED BY:	Paul Henry, General Manager	

SUMMARY:

Council is in receipt of information involving a parcel of land that Council is responsible for. Council is requested to determine its position with respect to this parcel of land.

COMMENTARY:

Local Government Act 1993 (the Act), and the *Local Government (General) Regulation 2005* makes provision for the closure of meetings to the public and media in specified circumstances. In particular s.10A of the Act provides that Council may close to the public and media so much of a meeting as relates to the discussion and consideration of information identified in s.10A(2). The matters which may be closed to the public and media, as stated in the Act, must involve:

- (a) *Personnel matters concerning particular individuals (other than councillors.)*
- (b) *The personal hardship of any resident or ratepayer.*
- (c) *Information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business.*
- (d) *Commercial information of a confidential nature that would, if disclosed:*
 - (i) *prejudice the commercial position of the person who supplied it, or*
 - (ii) *confer a commercial advantage on a competitor of the council, or*
 - (iii) *reveal a trade secret.*
- (e) *Information that would, if disclosed, prejudice the maintenance of law.*
- (f) *Matters affecting the security of the council, councillors, council staff or council property.*
- (g) *Advice concerning litigation, or advice that would otherwise be privileged from production in legal proceedings on the grounds of legal professional privilege.*
- (h) *Information concerning the nature and location of a place or an item of Aboriginal significance on community land.*

In considering whether to close a part of a meeting to the public and media, Councillors are also reminded of further provisions of s.10D of the Act which states:

Grounds for closing part of meeting to be specified

- (1) *The grounds on which part of a meeting is closed must be stated in the decision to close that part of the meeting and must be recorded in the minutes of the meeting.*
- (2) *The grounds must specify the following:*
 - (a) *the relevant provision of section 10A (2),*

- (b) *the matter that is to be discussed during the closed part of the meeting,*
- (c) *the reasons why the part of the meeting is being closed, including (if the matter concerned is a matter other than a personnel matter concerning particular individuals, the personal hardship of a resident or ratepayer or a trade secret) an explanation of the way in which discussion of the matter in an open meeting would be, on balance, contrary to the public interest.*

Having regard for the requirements stated in s.10D of the Act Councillors should note that the matter listed for discussion in Closed Committee includes matters affecting the security of Council property.

The recommendation that this item of business be considered in Closed Committee is specifically relied on section 10A(2)(f) of the Act as consideration of the matter involves:

- a) Commercial information of a confidential nature that would, if disclosed prejudice the commercial position of the person who supplied it, and
- b) On balance, the public interest in preserving the confidentiality of the matter outweighs the public interest in openness and transparency in Council decision-making by discussing the matter in open meeting.

RELATIONSHIP TO STRATEGIC PLAN, DELIVERY PLAN AND MANAGEMENT PLAN:

Strategy: S.07 Provide accessible and usable recreation facilities and services meet the needs of the community.

Term Achievement: S.07.01 Recreational and leisure facilities and services that meet community needs and are maintained to promote optimal utilisation.

Operational Objective: S.07.01.01 Facilitate joint use of the Shire's recreation and leisure facilities, sporting and open space facilities including co-location of programs.

POLICY IMPLICATIONS:

Nil.

CHIEF FINANCIAL OFFICERS COMMENT:

Nil.

LEGAL IMPLICATIONS:

Nil.

RECOMMENDATION:

That the matter be referred to Closed Council for consideration as:

- i) *the matters and information are 'Matters affecting the security of the council, councillors, council staff or council property.' (Section 10A(2)(f) of the Local Government Act, 1993);*
- ii) *on balance the public interest in preserving the confidentiality of the information outweighs the public interest in openness and transparency in Council decision-making by discussing the matter in open meeting; and*
- iii) *all reports and correspondence relevant to the subject business be withheld from access to the media and public as required by section 11(2) of the Local Government Act, 1993.*

TO ECONOMIC & COMMUNITY SUSTAINABILITY COMMITTEE MEETING 08/04/2015

ITEM NO:	1.	FILE NO: S12.12.2/08
DESTINATION 5:	The communities are served by sustainable services and infrastructure	S
SUBJECT:	GOVERNANCE - MONTHLY INVESTMENT REPORT	
PREPARED BY:	Paul Pay, Manager Financial Services	

SUMMARY:

To report the balance of investments held as at 31 March, 2015.

COMMENTARY:

Contained within this report are the following items that highlight Council's Investment Portfolio performance for the month to 31 March, 2015 and an update of the investment environment:

- (a) Council's Investments as at 31 March, 2015.
- (b) Council Investments by Fund as at 31 March, 2015.
- (c) Interest – Budgeted vs Actual.
- (d) Investment Portfolio Performance.
- (e) Investment Commentary.
- (f) Certification – Responsible Accounting Officer.

A) Council Investments as at 31 March, 2015.

Term Deposits							
Maturity Date	Current Yield	Borrower	FUND	Rating	Risk Rating	Principal Value	Current value
08-Apr-15	3.60%	St George Bank	General	A1+	1	2,000,000.00	2,000,000.00
16-Apr-15	3.80%	St George Bank	General	A1+	1	1,000,000.00	1,000,000.00
14-Apr-15	3.55%	St George Bank	General	A1+	1	1,000,000.00	1,000,000.00
27-May-15	3.11%	St George Bank	Water	A1+	1	1,000,000.00	1,000,000.00
28-May-15	3.15%	Bank West	Sewer	A1+	1	2,000,000.00	2,000,000.00
28-May-15	3.65%	CBA	General	A1	2	1,000,000.00	1,000,000.00
01-Jun-15	3.70%	National Australia Bank	General	A1+	1	2,000,000.00	2,000,000.00
10-Jun-15	3.70%	National Australia Bank	General	A1+	1	1,000,000.00	1,000,000.00
17-Jun-15	3.65%	National Australia Bank	General	A1+	1	2,000,000.00	2,000,000.00
22-Jun-14	3.65%	National Australia Bank	Water	A1+	1	1,000,000.00	1,000,000.00
15-Jul-15	3.75%	National Australia Bank	General	A1+	1	2,000,000.00	2,000,000.00
27-Jul-15	3.07%	St George Bank	Water	A1+	1	1,000,000.00	1,000,000.00
13-Aug-15	3.75%	National Australia Bank	Water	A1+	1	1,000,000.00	1,000,000.00
18-Aug-15	3.60%	AMP BANK	General	A1	2	1,000,000.00	1,000,000.00
24-Aug-15	3.11%	ING	General	A1	2	1,000,000.00	1,000,000.00
02-Sep-15	3.70%	St George Bank	Water	A1+	1	1,000,000.00	1,000,000.00
04-Sep-15	4.00%	NECU (community mutual)	General	NR	3	1,000,000.00	1,000,000.00
11-Sep-15	4.00%	NECU (community mutual)	General	NR	3	1,000,000.00	1,000,000.00
14-Sep-15	3.30%	ING	General	A1	2	1,000,000.00	1,000,000.00
16-Sep-15	4.00%	CBA	General	A1	2	1,000,000.00	1,000,000.00
16-Sep-15	4.11%	National Australia Bank	General	A1+	1	1,000,000.00	1,000,000.00
17-Sep-15	3.61%	National Australia Bank	Sewer	A1+	1	2,000,000.00	2,000,000.00
23-Sep-15	4.00%	NECU (community mutual)	General	NR	3	1,000,000.00	1,000,000.00
15-Oct-15	3.60%	National Australia Bank	General	A1+	1	1,000,000.00	1,000,000.00
28-Oct-15	3.59%	Westpac	General	A1+	1	3,000,000.00	3,000,000.00
11-Dec-15	3.55%	CBA	Sewer	A1+	1	1,500,000.00	1,500,000.00
12-Dec-16	3.80%	CBA	General	A1+	1	1,000,000.00	1,000,000.00
16-Dec-16	4.31%	Westpac	General	A1+	1	2,000,000.00	2,000,000.00
15-Jul-17	4.05%	CBA	General	A1+	1	1,000,000.00	1,000,000.00
15-Jul-17	4.05%	CBA	General	A1+	1	1,000,000.00	1,000,000.00
15-Jul-17	4.05%	CBA	General	A1+	1	1,000,000.00	1,000,000.00
01-Sep-17	3.90%	CBA	General	A1	2	1,000,000.00	1,000,000.00
03-Sep-18	4.10%	Bank of Queensland	General	A1	2	1,000,000.00	1,000,000.00
Sub Total - Term Deposit Investment Group						42,500,000.00	42,500,000.00
Cash Deposit Accounts							
As at Date	Current Yield	Borrower	FUND	Rating	Risk Rating	Principal Value	Current value
31/03/2015	2.80%	National Australia Bank (Cash Maximiser)	General	A1+	1	2,000,000.00	2,000,000.00
31/03/2015	2.25%	UBS Cash Manmagement Account	General	A1+	1	2,768.92	2,768.92
Sub Total - Cash Deposit accounts Investment Group						2,002,768.92	2,002,768.92
Floating Rate Notes Investment Group							
As at Date	Current Yield	Borrower	FUND	Rating	Risk Rating	Principal Value	Current value
Sub Total - Floating Rate Notes Investment Group						-	-

Structured Product Investments Group				Maturity Date					
As at Date	Current Yield	Borrower		FUND	Rating	Risk Rating	Principal Value	Written Down Value 30-6-14	Current value
28/02/2015	0.000%	Lehman Brothers Treasury Co. B.v (CPPI - 7457)	9/05/2010*	Water	AA-	5	300,000	48,000.00	30,000.00
							300,000	48,000.00	30,000.00

The written down value of the Structured Product Investment Group as at 30 June, 2014 was \$48,000 now decreasing to \$30,000. As previously advised, the write down in the value of Structured Products, has been funded from previous years above benchmark investment returns (\$6.8M) which had been held in Internal Restricted Assets. These investments were all rated AA- and up to AAA (strong investment grade) when they were entered into and were permissible under the Ministers Investment Order. As Noted by the Auditor in their 2011/2012 Audit Report, the Sewer Fund maintains a sound financial position to meet its operational requirements and the Water Fund maintains a strong financial position.

RISK MATRIX		
Investment Type		Risk Rating
At Call Deposits		1
Bonds	Commonwealth	1
	State	2
	Territory	2
Interest Bearing Deposits (Fixed)		
	Major Bank	1
	Other Banks	2
	Large Credit Union	2
	Small Credit Union	3
Interest Bearing Deposit (Floating)		
	Major Bank	2
	Other Banks	3
	Large Credit Union	3
	Small Credit Union	4
T-Corp Hour Glass Facility		1
Deposits with LGFS		3
Grandfathered Investments		
	Managed Funds	5
	Strcutured Products	5
Large Credit Union - Assets over 1 Billion		
Small Credit Union - Assets under 1 Billion		

B) Council Investments by Fund 31 March, 2015

Portfolio by Fund	as at 28-2-2015	as at 31-3-2015
General Fund	34,002,768.92	34,002,768.92
Water Fund	5,030,000.00	5,030,000.00
Sewer Fund	5,500,000.00	5,500,000.00
TOTAL	44,532,768.92	44,532,768.92

While the level of Investments has been largely maintained over recent years, these will decrease during 2014/2015 as a number of major projects are completed. These include:

- Ashford Water Treatment Plant \$ 1.7 M
- Inverell Sewerage Treatment Works \$ 3.0 M

In addition to these amounts, Council also holds substantial unexpended Grant Funds in the General Fund which can only be utilised for the purpose for which they were granted.

C) Interest – Budgeted verses Actual Result to Date

	Ledger	2014/2015 Budget	Actuals to Date
General Fund	128820	1,050,000.00	498,348.30
Water Fund	812350	50,000.00	65,335.36
Sewer Fund	906320	10,000.00	45,394.53
TOTAL		1,110,000.00	609,078.19

The interest received to date (cash basis) is in accordance with Budget and does not include accruals. It is anticipated that Council will meet budgeted interest targets when allowing for end of year accruals.

D) Investment Portfolio Performance

Investment Portfolio Return		Benchmarks	
	% pa	UBSA Bank Bill	11am Cash Rate
Benchmark as at 28-2-15		2.63%	2.25%
Term Deposits	3.71%		
Cash Deposit Accounts	2.53%		
Floating Rate Notes			
Structured Products*	0.00%		

*Structured Products exclude 1 CDO's currently in default and returning zero coupon

E) Investment Commentary

Council's investment portfolio returns exceeded the 11am Cash Rate benchmark in all investment categories except for Structured Products and Term Deposits exceed the UBSA Bank Bill Index benchmark. Money is held in cash deposits accounts for liquidity purposes.

Council's investment portfolio of \$44.5M is almost entirely invested in fixed term deposits. Overall, the portfolio is highly liquid, highly rated and short-dated from a counterparty perspective.

The RBA decided to keep the official cash rate unchanged at 2.25% in March. The board remains concerned about an inflated residential property market in Sydney, indicating that they are “working with other regulators (APRA) to assess and contain risks that may arise from the housing market”. Although the board felt that it was “appropriate to hold interest rates”, they signalled their easing bias, suggesting that a “further easing of policy may be appropriate” in the future.

Money markets continue to price in another rate cut by the end of June 2015 and potentially another one by the end of the year. Recent quoted term deposit rates would support this with rates now ranging from 2.40 - 2.90%

Council staff will continue to monitor interest movements to ensure the best possible returns on investments.

F) Certification – Responsible Accounting Officer

I Ken Beddie, hereby certify that the investments listed in this report have been made in accordance with Section 625 of the *Local Government Act 1993*, Clause 212 of the Local Government (General) Regulations 2005 and Council’s Investment Policy.

RELATIONSHIP TO STRATEGIC PLAN, DELIVERY PLAN AND MANAGEMENT PLAN:

Strategy: S.01 Sound Local Government Administration, Governance and Financial Management are provided.

Term Achievement: S.01.02 A sound long term financial position is maintained.

Operational Objective: S.01.02.01 To manage Council Finances with the view to ensuring Council's ongoing financial health and stability, the discharge of statutory and fiduciary responsibilities, proper accounting systems and standards and an efficient and equitable revenue base.

POLICY IMPLICATIONS:

Nil.

CHIEF FINANCIAL OFFICERS COMMENT:

It is noted that the volatility for current financial markets and pending legal actions will not impact on Council's Rates and Charges, its ability to deliver its existing Services across the funds, or its medium or long term sustainability. Council's overall Investment Portfolio remains sounds.

LEGAL IMPLICATIONS:

Nil.

RECOMMENDATION:

That the Committee recommend to Council that:

- i) the report indicating Council's Fund Management position be received and noted; and*
- ii) the Certification of the Responsible Accounting Officer be noted.*