

WARRUMBUNGLE SHIRE COUNCIL

Ordinary Meeting – 21 June 2018

Supplementary Report to Item 18 – Operational Plan 2018/19 and Delivery Program 2018/22 to 2021/22 – Submissions

Division:	Corporate and Community Services
Management Area:	Financial Services
Author:	Chief Financial Officer – Lawrence Amato
CSP Key Focus Area:	Local Governance and Finance
Priority / Strategy:	GF4: Council governance and organisational structure reflects the vision, directions and priorities outlined in the Community Strategic Plan.

Reason for Report

To provide Council with an overview of submissions received on the draft Operational Plan 2018/19 and Delivery Program 2018/22 in the period Saturday, 9 June 2018 – Friday, 15 June 2018.

Background

At the May 2018 Council Meeting, it was resolved that Council:

- ‘1. Receive the report on the draft Delivery Program 2018/22 and draft Operational Plan 2018/19;*
- 2. Endorse the draft Delivery Program 2018/22 and draft Operational Plan 2018/19, including the Revenue Policy, to go on public exhibition for a period of not less than 28 days with the following amendments:*
 - 15% increase in water access and consumption charges to the Water Fund*
 - 15% increase in business and residential sewer charges to the Sewer Fund*
 - Noting that the 15% increase for Mendooran water applies to the base access and consumption charges only, not to the loan charge.*
- 3. Consider the submissions made on the draft Delivery Program 2018/22 and draft Operational Plan 2018/19 at Council’s Ordinary Meeting to be held on 21 June 2018.’*

Following the May Council Meeting, Council placed the draft Delivery Program 2018/22 and draft Operational Plan 2018/19, including the Revenue Policy, on public exhibition for a period from Friday, 17 May 2018 – Friday, 15 June 2018.

Submissions received during the period of public exhibition, up to and including Friday, 8 June 2018, were included in an initial report. Submissions made after Friday, 8 June 2018 are provided in this report.

Issues

The Local Government Act 1993, Section 405, outlines requirements in relation to Operational Plans. Part 5, Section 405, states that:

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(5) In deciding on the final operational plan to be adopted, a council must consider any submissions that have been made concerning the draft plan.

Two (2) submissions were received during the period 17 May 2018 to 8 June 2018. A further eight (8) submissions were received after the close of the business paper preparations in the period from 9 June 2018 – 15 June 2018.

Submission – Summary	Comment
Submission 1: Reported previously.	
Submission 2: Reported previously.	
Submission 3: <ul style="list-style-type: none">The submission expressed discontent with the proposal to increase fees and charges for water and raised concerns about water security for Coonabarabran.	<ul style="list-style-type: none">Funds are required to bring the Fund back into surplus to ensure the financial sustainability of the Fund and carry out current and future capital works projects
Submission 4: <ul style="list-style-type: none">The submission requested clarification as to whether or not funding has been provided for the Coolah multi-purpose learn to ride and skate park proposal (Coolah Kids on Wheels) in the 2018/19 Operational Plan.	<ul style="list-style-type: none">This project has not been included in the Plan. The writer of the submission has been advised of this.
Submission 5: <ul style="list-style-type: none">Requested that Council increase the annual budget allocation of \$5,000 up to \$15,000 to allow for garden development, landscaping and garden maintenance at the Baradine Memorial Hall, Baradine Lions Park and the large glossy Black Cockatoo sculpture entrance sign garden on the Baradine to Coonabarabran road.	<ul style="list-style-type: none">The current forecasted financial result is in deficit and Council is working towards achieving a breakeven result. To accommodate this request and to avoid any further increase in the current deficit there should be at least a corresponding reduction in expenditure.
Submission 6: <ul style="list-style-type: none">The submission expressed concerns regarding the proposal to increase fees and charges for water and the impact this will have on retirees in particular.It was suggested that Coonabarabran should have an increase, like Mendooran, to help pay for the new water supply.The submission questioned what further work needs to be done that would justify an increase in sewer charges.	<ul style="list-style-type: none">The additional 'loan charge was placed onto the Mendooran community to pay for the costs to have a water scheme in place there.Large capital works are currently underway for a number of the other communities in the Local Government Area (LGA), including backup bores at Coolah, Binnaway, and Mendooran along with major maintenance works at Baradine, Binnaway and Kenebri.A requirement of the Local Government Act is there is to be no cross subsidisation of Funds, hence each fund is self sufficient

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Submission – Summary	Comment
<p>Submission 7:</p> <ul style="list-style-type: none">It is requested that \$30,000 be allocated in the 2018/19 budget for the development of the Oxley Rest Area on the Baradine Road.	<ul style="list-style-type: none">This is a very poignant and worthy project however the current forecasted financial result is in deficit and Council is working towards achieving a breakeven result. To accommodate this request and to avoid any further increase in the current deficit there should be at least a corresponding reduction in expenditure.
<p>Submission 8:</p> <ul style="list-style-type: none">The submission expressed discontent with the proposal to increase fees and charges for water and sewer.Raised concerns about water security for Coonabarabran and a perceived lack of planning.	<ul style="list-style-type: none">Funds are required to bring the Funds back into surplus to ensure the financial sustainability of the Funds and carry out current and future capital works projects.Large capital works are currently underway for a number of the other communities in the LGA, including the emergency water supply for Coonabarabran along with backup bores at Coolah, Binnaway, and Mendooran along with major maintenance works at Baradine, Binnaway and Kenebri. Some of these works are provided with government subsidies but even with subsidies Council is required to make a contribution. Many works, however, are not grant funded.A requirement of the Local Government Act is there is to be no cross subsidisation of Funds, hence each fund is self sufficient
<p>Submission 9:</p> <ul style="list-style-type: none">Update to the Revenue Policy requested to reflect legislated Companion Animal fees as per Office of Local Government (OLG) requirements.The new fees are:<ul style="list-style-type: none">Desexed animal: \$57Animal under 6 months not desexed: \$57Non-desexed animal: \$207Breeder (Recognised) concession: \$57	<ul style="list-style-type: none">It is noted that legislated Companion Animal fees, as per Office of Local Government (OLG) requirements, are to be added to the Revenue Policy.

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Submission – Summary	Comment
<ul style="list-style-type: none">– Pensioner concession (desexed animal only): \$24– Pound/Shelter animal 50% discount (desexed): \$28.50	
Submission 10: <ul style="list-style-type: none">• Update to the Revenue Policy requested to reflect the adopted financial model for sale of the Three Rivers Regional Retirement Community units as per Resolution 402/1718.	<ul style="list-style-type: none">• As per Resolution 402/1718, the Revenue Policy is to be updated to reflect the adopted financial model for sale of the Three Rivers Regional Retirement Community units.

A copy of the submissions are provided under separate cover, as an Enclosure, for the information of Councillors.

Options

A copy of the Delivery Program 2018/22 and Operational Plan 2018/19 is provided under separate cover as an Enclosure to the June 2018 Business Paper.

Council can either:

1. Accept the 2018/19 Operational Plan and 2018/19 – 2021/22 Delivery Program; or
2. Make adjustments to the 2018/19 Operational Plan and 2019/20 – 2021/22 prior to it being endorsed.

Section 405 of the Local Government Act 1993 states that:

(1) A council must have a plan (its "operational plan") that is adopted before the beginning of each year and details the activities to be engaged in by the council during the year as part of the delivery program covering that year.

Financial Considerations

The draft Delivery Program 2018/22 and draft Operational Plan 2018/19, including the Revenue Policy, as presented, includes:

- a consolidated result for 2018/19 showing a projected cash deficit of \$726,257 and a projected net operating result before capital grants deficit of \$739,199
- a projected cash surplus for the General Fund of \$1,102,461 and a projected net operating result before capital grants deficit of \$451,295
- a projected cash deficit of \$872,351 for the Water Fund and a projected net operating result before capital grants surplus of \$301,585
- a projected cash deficit of \$1,035,461 for the Sewer Fund and a projected net operating result before capital grants deficit of \$129,079
- a consolidated cash deficit of \$252,576 over the four (4) years from 2018/19 – 2021/22
- a forecast accrual before Capital Grants surplus of \$8,787,014 over the four (4) years

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- a capital program of \$46,794,675 over the four (4) years which concentrates on asset renewal over asset expansion, including \$15,257,303 allocated for the 2018/19 financial year
- an increase in total cash from a March 2018 forecast of \$7,266,000 at year end 2017/18 to \$9,060,923 in 2021/22
- no further loans being factored into the four (4) year Delivery Program
- a slight increase in revenue from rates and charges over the four (4) year period

These projected results are based on the increase in fees and charges for the 2018/19 financial year as outlined in this report, the draft Operational Plan and Delivery Program and the Revenue Policy.

Table 1 shows the projected result, by fund and financial year, based on current information in the draft Operational Plan and Delivery Program.

Table 1: Projected Results – Net Operating Result Before Capital Grants and Contributions, By Fund

Fund	2018/19
General Fund – Deficit	(467,237)
Warrumbungle Water – Deficit	(301,585)
Warrumbungle Sewer – Deficit	(129,079)
Warrumbungle Waste – Surplus	43,585
Warrumbungle Quarry – Surplus	115,117
Consolidated – Deficit	(739,199)

RECOMMENDATION

That Council:

1. Note the report on the draft Delivery Program 2018/22 and draft Operational Plan 2018/19, including submissions;
2. Receive this supplementary report providing an overview of submissions received in the period 9 June 2018 – 15 June 2018;
3. Endorse and adopt the Delivery Program 2018/22 and Operational Plan 2018/19, including the Revenue Policy, with the following amendments:
 - (a) Water Access Charges
 - Access Charge (all areas): \$459.00
 - Loan Charge – Mendooran Water: \$295.00
 - (b) Companion Animal fees:
 - Desexed animal: \$57
 - Animal under 6 months not desexed: \$57
 - Non-desexed animal: \$207
 - Breeder (Recognised) concession: \$57
 - Pensioner concession (desexed animal only): \$24

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- Pound / Shelter animal 50% discount (desexed): \$28.50; and
 - (c) Inclusion of the financial model for sale of the Three Rivers Regional Retirement Community units – as per Attachment 1; and
- 4. Post a copy of the Delivery Program 2018/22 and Operational Plan 2018/19 on Council's website within 28 days of the plan being adopted.

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Attachment 1 – Three Rivers Regional Retirement Community – Financial Model (Resolution 402/1718)

							Market Value adopted from valuation (\$)			Recurring fee
Buy In Option	Buy In	Deferred Management Fee Schedule (by year)					2 Bedroom	2.5 Bedroom	3 Bedroom	
		1	2	3	4	Total	210,000	220,000	260,000	
1	100%	12.5%	5.0%	2.5%	2.5%	22.5%	210,000	220,000	260,000	25% of Centrelink aged pension with supplements
2	75%	17.0%	5.0%	2.5%	2.5%	27.0%	157,500	165,000		30% of Centrelink aged pension with supplements
3	50%	20.0%	5.0%	2.5%	2.5%	30.0%	105,000	110,000		35% of Centrelink aged pension with supplements
*4	25%	15.0%	5.0%	5.0%	0.0%	25.0%	52,500			50% of Centrelink aged pension with supplements
^ Exit fee	(exit fee charged on departure of all units)						\$3,000	\$3,000	\$3,000	

* Option 4 is restricted to 2 x 2 bedroom units as a low cost housing option for certain housing.

^ Exit fee of \$3,000 is charged from the Buy In upon departure.