



BOGAN SHIRE COUNCIL

Business Paper Extraordinary Meeting (Estimates)

8 May 2019



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1 May 2018

COUNCIL MEETING NOTICE

The Extraordinary (Estimates) Meeting of Council will be held in the Council Chambers, Nyngan on Wednesday 8 May 2019 at **8.30am**.

AGENDA

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

Your attendance at this meeting would be appreciated.

Yours sincerely

Cathy Ellison

Executive Assistant

REPORTS TO EXTRAORDINARY MEETING OF COUNCIL – GENERAL MANAGER

1 DELIVERY PROGRAM 2017 - 2021

Summary:-

This report is for Council to consider any amendments to the Delivery Program.

1.1 Introduction

The purpose of this report is for Council to consider any amendments to the Delivery Program.

1.2 Background

In accordance with the Integrated Planning and Reporting Framework prescribed by the New South Wales Government, Council has adopted a long-term (25 year) Community Strategic Plan and a medium-term (4 year) Delivery Program in addition to its annual Operational Plan and Budget.

Whilst the Community Strategic Plan runs until 2027, the existing Delivery Program sets out the activities that will be carried out between 2017/18 and 2020/21 towards achieving the strategies and goals specified in Council's Community Strategic Plan.

1.3 Discussion

According to requirements of the Office of Local Government, Council must review its Delivery Program each year, before preparing the Operational Plan.

No amendments are recommended by Council's Management at this stage.

The 2017 - 2021 Delivery Program has previously been circulated to Councillors. Copies are available on the Bogan Shire Council website and from the General Manager's office. Reference copies will be available at the Council meeting.

1.4 Recommendation

That the 2017 – 2021 Delivery Program be noted with no amendments.

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2 OPERATING PLAN AND BUDGET 2019/2020

Summary:-

This report is to present the draft of the 2018/19 Operating Plan and Budget for Council's consideration and approval for public exhibition as required by the provisions of the Local Government Act.

2.1 Introduction

The purpose of this report is to present the draft of the 2019/2020 Operating Plan and Budget for Council's consideration and approval for public exhibition as required by the provisions of the Local Government Act.

2.2 Background

Under the Integrated Planning and Reporting Framework prescribed by the New South Wales Government, Council has adopted a Community Strategic Plan and Delivery Program.

In addition to these planning documents Council is required to prepare and adopt an Operational Plan and Budget.

The Operational Plan and Budget details the specific activities that will be carried out in 2019/20, the 2019/20 Estimates of Income and Expenditure and a Revenue Policy containing the schedule of rates, fees and charges.

The following is a summary of Operational Plan requirements contained in section 405 of the Local Government Act:-

- Council must have an annual Operational Plan, adopted before the beginning of each financial year, outlining the activities to be undertaken that year, as part of the Delivery Program.
- The Operational Plan will include the Statement of Revenue Policy.
- The draft Operational Plan must be publicly exhibited for at least 28 days and public submissions can be made to Council during the period.

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- The exhibition must be accompanied by a map showing where the various rates will apply within the Local Government area.
- Council must accept and consider any submissions made on the draft Operational Plan before adopting the Operational Plan.

2.3 Discussion

The attachments, which form the basis for Council's draft Operational Plan and Budget refer.

The Delivery Program is a statement of commitment to the community. Supporting the Delivery Program is the annual Operational Plan and Budget. It spells out the details of the Program – the individual projects and activities that will be undertaken that year to achieve the commitments made in the Delivery Program.

The Operational Plan and Budget (2019/20) provides detailed information for the year for each service including information on Capital Works, Rates, Fees and Charges.

1. Activities for 2019/20

Attachment 1 sets out the Council Activities to be carried out in 2019/20 under each of Council's Outcomes and Strategies. These are derived directly from Council's adopted four-year Delivery Program.

Council should consider these Activities and approve a draft for public exhibition before adoption at the June Council meeting.

2. 2019/20 Budget Estimates

Attachment 2 details the matters to be considered as part of the Budget Estimates.

Council should consider these Estimates and approve a draft for public exhibition before adoption at the June Council meeting.

3. Revenue Policy

Attachment 3 is Council's draft Revenue Policy for 2019/20 which sets out the draft rates, fees and charges to be levied in 2019/20.

Council should consider this Policy and approve a draft for public exhibition before adoption at the June Council meeting.

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2.4 Attachments

1. Activities for 2019/20
2. 2019/20 Budget Overview
 - 2.1 Cash Position of Funds 2019/2020
 - 2.2 General Fund Operating & Capital 2019/2020
 - 2.3 Plant Fund Acquisitions & Disposals 2019/2020
 - 2.4 Water Fund Operating & Capital 2019/2020
 - 2.5 Sewer Fund Operating & Capital 2019/2020
 - 2.6 Capital Budget 2019/2020
3. Revenue Policy

2.5 Recommendation

That the draft Operational Plan and Budget 2019/20 be considered and approved for public exhibition.



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Attachment 1 – Activities

Please see following pages

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Attachment 2 – 2019/20 Budget Estimates

2019/2020 Budget Overview

Bogan Shire Council, like most others, is faced with the challenge of constricted revenue, particularly in rates as a result of rate-pegging, and increasing operational costs along with the maintenance of a large asset base. Grant funding is very important to smaller Councils like ours to maintain the current levels of service to our community.

General Fund

The General Fund is expected to produce \$1,567,555 in cash - refer to Attachment 2.1. However, once the effects of depreciation (a non-cash expense) totalling \$3,273,800 are taken into account the Fund returns an accounting deficit of \$1,706,245. Attachment 2.2 shows income and expenditure by Activity.

The unrestricted cash balance on the Fund as at 30 June 2018 was \$3,999,000. The transfer from this reserve for 2018/19 to fund an operating deficit for the year was budgeted to be \$200,000. Council has also recently resolved to take the demolition of the Palais Theatre from accumulated surpluses which will reduce the available cash reserves.

Specific items included in the operating budget for consideration as per Councils request is the \$5,500 to 2WEB for a promotional package. Also included are additional operational and capital costs for the internal loan Council has with the Sewer Fund for \$340,000.

Rates are proposed to be increased by 2.7% in line with the rate cap. Minimum rates have also been increased by 2.7% for 2019/20 making the minimum Nyngan residential rate \$268.

The amount charged to individual rate assessments will be subject to variations within rating categories where minimum rates and Ad Valorems cause increases by more or less than this amount, but the average increase will be about 2.7%.

Council derives its revenue or income in the General Fund from a variety of sources including rates and grants. The Financial Assistance Grant (FAG) makes up about a third of Council's revenue and Property Rates almost a quarter. The FAG untied grant is very important for Council as it relieves pressure on the requirement for Property Rates to fund the operating cost of many of Council's services including:

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Parks, Gardens, Ovals, Sport & Rec	\$727,146
Showground & Cemetery	
Bogan Shire Medical Centre	\$551,911
Bogan Shire Early Learning Centre	\$157,396
Swimming Pool	\$219,125
Library	\$202,513
Companion Animals	\$109,634
Aerodrome	\$ 69,787
Not for Profit – Community Expenses	\$ 87,300

Salary cost increases have been contained to the 2.5% Local Government Award increase making allowance, where necessary, for adjustments required under the Award including salary progression in line with attainment of additional skills. The resulting overall increase to wages for the 2019/2020 year is therefore 2.94%.

The surplus cash generated by the General Fund of \$1,567,555 can be used to partially fund net capital spending of the Fund, including capital loan repayments, with the balance requiring to be funded from the following sources if Council goes ahead with the attached draft capital works program:

Capital grants	\$739,219
Sale of plant	\$414,000
Use of part 2019/20 Plant Fund surplus	\$231,095
Transfer from unrestricted cash	\$218,552

General Fund - Waste Fund

Although the Waste Fund is not separate to the General Fund it is reflected as an entity in its own right as per legislative requirements. Waste charges are proposed to be increased by 2.7% for 2019/20 across all services. This translates to an initial operating surplus of \$20,802 which becomes a deficit of \$19,789 after capital loan repayments.

General Fund - Plant Fund

Although the Plant Fund is not separate to the General Fund it is reflected as an entity in its own right as per accounting requirements. It is estimated that the Plant Fund will have at least a \$300,000 surplus at the end of June 2019 which can be added to 2019/20 plant fund revenue to fund all of the recommended purchases for the year shown on Attachment 2.3 which total \$1,722,700 or a net of \$1,308,700.

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On this attachment, the General Manager has shown lesser plant priorities in a separate section which will be referred to Council for approval to purchase at budget review if funds permit.

Council’s schedule of Plant Acquisitions and Disposals is attached as 2.3

The Plant Fund should be operated in such a way that it has sufficient cash available to meet operating costs during the year as well as the cost of replacement items of plant, vehicles and machinery when it becomes time to do so.

Financial Overview

	\$
Estimated Cash Opening Balance at 01 July 2019	300,763
 Add: Budgeted Operating Revenue for 2019/20	 2,574,175
 Less: Budgeted Operating Costs (exc. depreciation) for 2019/20	 1,506,570
 Add: Budgeted Revenue from Disposals for 2019/20	 414,000
 Less: Budgeted Cost of Acquisitions for 2019/20	 1,722,700
 Projected Cash Closing Balance at 30 June 2020	 <u>59,668</u>

Key Considerations for Plant

- Acquisitions and disposals are in line with Council Policy.
- Operating costs include the cost of running the Workshops, including salaries, as well as fuel and plant, vehicle and machinery maintenance.
- Disposal proceeds of light vehicles are based on the average value given by Redbook Australia.
- Disposal proceeds of other vehicles and plant are based on enquiry and historical sales.
- No leases or loans are incurred – all acquisitions funded by Plant Fund.

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Water Fund

The Water Fund is expected to produce \$690,916 in cash - refer to Attachment 2.1. Once the effects of depreciation (a non-cash expense) totalling \$440,000 are taken into account the Fund returns an accounting surplus of \$250,916. The cash surplus can be used to fund net capital spending budgeted at \$675,200. Attachment 2.4 shows income and expenditure by Activity.

A 2% increase to the water access charges is proposed with no increase to user charges although a wet season could mean we do not meet our budgeted amount for user charges of \$1,100,000. It is proposed that access charges increase from \$591 to \$609 for a standard 20mm access and water remains at \$1.97 per kilolitre for consumption.

Alternatively, Council could **not** increase water access charges as the 2% increase in dollar terms is approximately \$17,000 overall but would then need to increase consumption charges by 3 cents to \$2.00 per kilolitre or 1.5% which then, based on a usage of 560,000 kilolitres for the year would equate to an additional \$20,000 to the water fund. This usage would be slightly under the 580,000 kilolitres expected to be consumed this year. This would then reduce the costs for those that don't actually use the water and be a more equitable way of distributing the costs. The only downfall to this scenario is that Council is not guaranteed the income into the water fund if Nyngan was lucky enough to have a wet season or consumers, due to cost, decide not to use the water.

It is important that Council maintain this fund at a small surplus as there were no restricted funds at the 30th June 2018.

Sewer Fund

The Sewer Fund is expected to produce \$36,308 in cash - refer to Attachment 2.1. However, once the effects of depreciation (a non-cash expense) totalling \$165,000 are taken into account the Fund returns an accounting deficit of \$128,692. The cash surplus can be used to partly fund capital spending. Attachment 2.5 shows income and expenditure by Activity.

Due to the healthy state of the Sewer fund a nil increase is proposed for sewer charges. So access and usage charges will remain the same as 2018/2019.

Residential properties would pay a fixed charge of \$540 per connection while non-residential properties would pay a fee based on their water usage with a minimum charge of \$540.

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Net capital spending has been budgeted at \$264,000 which can be funded by Sewer Fund restricted cash. The restricted cash in the Sewer Fund at the end of June 2018 was \$2,646,000 with prior year Capital projects amounting to approximately \$400,000 yet to complete.

Capital Budget

Refer to attachment - Capital Budget 2.6

Council's total draft Capital Program is \$4,672,121. This is funded by \$1,301,719 in grants and \$414,000 sale of plant leaving a net spend of \$2,956,402 including water and sewer.

In addition to these Capital costs are additional operational costs that Council needs to be aware of for new infrastructure. This is particularly relevant as Council has received grants for so many new assets recently and there is generally always increases to maintenance costs including wages, plant, water, materials and electricity which all increase our operating budget costs for future years.

Attachment 2.6, Part One, reflects capital budget submissions recommended for consideration with those submissions in Part Two considered to be of lesser priority given funding constraints. These are recommended to be further considered at Budget Reviews as and when funds become available.

As things stand, Council will need to draw on cash reserves or loans of \$218,552 in the General Fund to fund the draft capital budget.

Capital Loans

Council has not budgeted for any additional loans in 2019/20.

Key budget matters for consideration at this meeting

- Increase to water access charges of 2%. No increase to consumption charges. Versus no increase to access charges and a 1.5% increase to consumption charges.
- Increase to waste charges of 2.7% for all services. Waste fund has an overall deficit of \$19,789 – funding the deficit from the general fund.
- Sewer – no increase to charges, deficit to come from cash reserves in Sewer Fund.

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Attachment 3 – Revenue Policy 2019/2020

There have been a few recommended changes to the Revenue Policy by way of increases to Councils fees and charges. Keeping in mind that fees and charges, as per Councils resolution, are not charged to a bona fide community organisations or events where it can be clearly shown that proceeds from the event go back into the Bogan Shire community. Fees and charges are also subject to GST.

Recommended changes have been summarised below and a full copy of the Revenue Policy is attached.

- Council halls and theatres - the Palais Theatre charge has been removed and the Coolabah Hall charge has been added with a \$10 increase to the hire fees for the Town Hall.
- Oval & Sporting fields – Line marking has increased by \$10 and hire of Ovals has increased by \$20. Larkin Oval and netball court lights have been added as \$10 per hour for ½ lights and \$15 per hour for full lights. The new lights can accurately record this and give a printout of the users.
- Bonds – Coolabah Hall has been added at \$100 and the Palais Theatre has been removed.
- Advertising Structures – charges added for Information Bay signs.
- Bogan Bush Mobile Fees have been changed to \$10 per hour for Child Care sessions and \$10 per session for play group sessions.
- External hire charges have been increased on some plant items that have been reviewed to recover more to offset the costs of hiring the items of plant.
- Water Connections – all connection costs have been increased to cover costs.
- Certificates – Section 603 certificates have been increased to \$85 under 603 of the Local Government Act.
- Waste Facility Fees – Unsorted and unseparated domestic waste charges have been increased to \$50 per utility or single axle trailer load, \$70 per double axle trailer or small truck up to 3.5 tonne, \$100 per large truck up to 8 tonne and \$140 per large truck over 8 tonnes. This is recommended to try and encourage separation of waste and reduce contamination at the waste facility. There has also been an addition of a one-off additional charge of \$10.00 for a 240ltr bin collection per pick up.

2.1 Recommendation

That the Revenue Policy contained in the 2019/2020 draft Operational Plan and budget be adopted.



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Attachment 3 – Revenue Policy

3 LONG TERM FINANCIAL PLAN 2019-2029

Summary:-

This report is for Council to change amendments to the Long Term Financial Plan as required by the provisions of the Local Government Act.

3.1 Introduction

The purpose of this report is for Council to note the content of the Long Term Financial Plan in the context of the development of the Operational Plan and Budget.

3.2 Background

As part of the new Integrated Planning and Reporting Framework prescribed by the New South Wales Government, Council adopted a Resourcing Strategy incorporating a Long Term Financial Plan in June 2018.

Guidelines from the Office of Local Government stipulate that "The Long Term Financial Plan must be updated at least annually as part of the development of the Operational Plan".

Accordingly, the amended Long Term Financial Plan is attached.

3.3 Discussion

The Long Term Financial Plan will be further updated and amended following the adoption of the draft Operational Plan and Budget for Council's approval in June 2019.

3.4 Attachment

Long Term Financial Plan.

3.5 Recommendation

That the Long Term Financial Plan 2019-2029, as attached, be noted.

Derek Francis

General Manager



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Attachment - Long Term Financial Plan.

NOTES

