Notice of Finance Committee Meeting

A Finance Committee Meeting will be held in the Ballina Shire Council Chambers, 40 Cherry Street, Ballina on **Wednesday 11 February 2015 commencing at 4.00 pm.**

Business

1. Apologies
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3. Deputations
4. Committee Reports

Paul Hickey
General Manager

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1. Apologies

An apology has been received from Cr David Wright, Mayor.

2. Declarations of Interest

3. Deputations

4. Committee Reports

4.1 Water and Wastewater Operations - Long Term Financial Plans

Delivery Program Governance and Finance

Objective To commence dicussions in respect to the pricing structures for 2015/16 onwards for the water and wastewater operations.

Background

Water and wastewater form a major part of Council's operations, representing approximately 36% of our total annual turnover.

The charges for those services also represent a significant component (52%) of the annual charges paid to Council by residents, as outlined in the following calculation for the typical rates and charges account for an average residential property for 2014/15:

Rate / Charge	2014/15 Average	% of Total
Ordinary Rates	859	32
Stormwater	25	1
Water Access Charge	194	7
Water Consumption (200 kls)	416	15
Wastewater Charge	807	30
Domestic Waste Charge	422	15
Total	**2,723**	**100**

With Council having resolved to apply for a 5.41% and 5.34% increase in ordinary rates for 2015/16 and 2016/17 respectively, we need to be mindful of the impact of the total rates and charges account on residents.

The purpose of this report is to review the combined impact of any forecast increases in Council's water and wastewater charges to allow Councillors to provide feedback to staff in formulating the draft water and wastewater budgets for 2015/16 onwards.

Key Issues

- Financial sustainability
- Relatively
- Affordability

Information

Council's adopted Long Term Financial Plan (LTFP) for 2014/15 included the following forecast increases for water and wastewater charges.

Charge	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24
Water (%)	9	6	6	6	6	6	5	5	5	5
Wastewater (%)	10	10	10	10	5	5	3	3	3	3

These forecasts represent significant increases for at least the next five to six years.

Council often compares our average ordinary rates to similar or neighboring councils and the following table is an extract from the last edition of the Community Connect publication that compares all our rates and charges for 2014/15.

TABLE ONE: AVERAGE RESIDENTIAL RATES AND CHARGES FOR 2014/15

RESIDENTIAL PROPERTY	BALLINA ($)	BYRON ($)	COFFS HARBOUR ($)	LISMORE ($)	RICHMOND VALLEY ($)	TWEED ($)
Ordinary Rates (Land Rates)	859	1,077	1,006	1,134	785	1,277
Stormwater Charge	25	25	25	25	25	25
Water Access Charge	194	155	143	203	127	148
Water Consumption Charge (based on 200 kilolites PA)	416	464	526	598	388	490
Waste Water Charge (Sewer)	807	1,126	803	772	896	732
Domestic Waste Charges	422	397	566	460	380	405
TOTAL	2,723	3,244	3,069	3,192	2,601	3,077

As per these figures, generally speaking our current water and wastewater charges are similar to the councils listed, excluding Lismore which is high for water and Byron which is high for wastewater.

The combined water and wastewater charges in this comparison are as follows.

Charge ($)	Ballina	Byron	Coffs	Lismore	Richmond	Tweed
Water	610	619	669	801	515	638
Wastewater	807	1,126	803	772	896	732
Total	**1,417**	**1,745**	**1,472**	**1,573**	**1,411**	**1,370**

The concern moving forward is that our existing charges are forecast to increase by high percentages into the future.

This may also be the case for the other councils listed, but nevertheless it is important that Council keeps its overall rates and charges affordable.

Typically the draft budget for water and wastewater has been presented to Council for consideration based on the forecast and / or desired works program. There has also been the objective of striving to achieve an operating surplus (inclusive of depreciation) for both operations.

As the draft budgets are still in the process of being prepared, the purpose of this report is to seek feedback from Councillors on how those budgets should be drafted, particularly with respect to price increases.

Feedback on possible price increases, along with possible changes to the timing of works, will help prepare options for consideration by Councillors.

Preferred increases can be modelled, along with other options that staff could potentially deem necessary for the long term financial sustainability of the operations.

Water Operations

The adopted Council budget for 2014/15, which was adopted at the June 2014 Ordinary meeting, included the following operating revenues and expenses forecast for water for the next ten years.

Adopted LTFP Forecast – Water Operations (June 2014)

Charge	**13/14**	**14/15**	**15/16**	**16/17**	**17/18**	**18/19**	**19/20**	**20/21**	**21/22**	**22/23**	**23/24**
Water (%)	8%	9%	6%	6%	6%	6%	6%	5%	5%	5%	5%
Op Revenues	10,030	10,259	11,048	11,772	12,513	13,291	14,121	14,913	15,751	16,704	17,718
Op Expenses	9,417	9,469	9,738	9,907	10,207	10,516	10,835	11,163	11,501	11,849	12,207
Depreciation	1,810	1,900	1,900	1,957	2,016	2,076	2,139	2,203	2,269	2,337	2,407
Op Result	**(1,197)**	**(1,110)**	**(590)**	**(91)**	**290**	**699**	**1,147**	**1,547**	**1,981**	**2,518**	**3,104**
Reserves	**9,623**	**6,601**	**7,886**	**7,869**	**7,433**	**6,897**	**7,910**	**9,042**	**13,264**	**18,067**	**23,429**

The 2013/14 figures were the estimates at that time and pleasingly for water, the final operating result improved significantly as Council almost achieved a break even result.

This improvement resulted from savings in operating expenses and a large increase in forecast water consumption, with the actual figure almost $600,000 above budget.

The variability of water consumption income can have a significant impact on the forward modelling for water.

Council's actual water consumption income for the last four financial years is as follows:

2013/14 - $6,549,400
2012/13 - $5,579,700
2011/12 - $4,908,500
2010/11 - $4,534,300

Actual income growth for the last two years has been 17% (2013/14) and 14% (2012/13), whereas our actual increase in consumption charges has been 8% (2013/14) and 6% (2012/13).

Council's original consumption income budget for 2014/15 was $6,282,000. Based on the first reading for the year the income was decreased by $193,000 as the figures were trending below budget on a straight line basis, resulting in a revised budget of $6,089,000.

The second reading has just been completed for the year and income raised is $3,057,800. This figure represents 50% of the revised budget and therefore looks reasonable.

However, for the last four financial years, the income raised by the second reading period has represented 46% (2013/14), 48% (2012/13), 49% (2011/12) and 47% (2010/11) of the total income collected for the year. This represents an overall average of 47% of income collected by the second reading.

This means if Council assumed that the current income raised of $3,057,800 represented 47% of the forecast total income, then the income anticipated for this year is expected to be $6,506,000 or $417,000 above the revised budget.

The December 2014 Quarterly Financial Review (to be reported to the February 2015 Ordinary meeting) has acknowledged this overall trending and subsequently includes an income increase of $190,000, which is more a middle ground approach. Weather conditions will have an impact on this figure over the next six months.

This level of variation in income does have significant compounding impacts on our revenue streams. For example, based on the December 2014 Quarterly Financial Review income figures, along with a revised depreciation expense, one preliminary forecast operating result for water operations, including revised percentage increases in charges, is as follows.

Revised LTFP Forecast – Water Operations (Model One)

Charge	**13/14**	**14/15**	**15/16**	**16/17**	**17/18**	**18/19**	**19/20**	**20/21**	**21/22**	**22/23**	**23/24**
Water (%)	8.00%	9.00%	3.00%	3.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Op Revenues	10,689	10,667	10,909	11,260	11,739	12,215	12,697	13,319	13,861	14,497	15,160
Op Expenses	9,218	9,582	9,472	9,750	10,209	10,607	11,064	11,543	12,042	12,616	12,944
Depreciation	1,860	1,700	1,700	1,751	1,804	1,858	1,914	1,971	2,030	2,091	2,154
Op Result	**(389)**	**(615)**	**(263)**	**(241)**	**(273)**	**(250)**	**(280)**	**(195)**	**(212)**	**(210)**	**62**
Reserves	**10,901**	**9,139**	**7,910**	**7,221**	**5,694**	**3,676**	**2,704**	**831**	**587**	**330**	**262**

This model applies a CPI increase for 2015/16 and 2016/17, along with 4% increases for the balance of the forecast, primarily as 4% is needed to finance proposed increases from Rous Water for the purchase of bulk water.

A key driver of the water business is the Rous Water bulk water charges. Rous has advised that their charges will be increasing by CPI in 2015/16 and 5% per annum for the following seven years. As the payment to Rous represents around 60% of the total water budget (excluding depreciation) these on-going increases place significant financial pressure on Council to adjust our charges by more than CPI.

This revised model (model one above) results in constant operating deficits, with reserves steadily decreasing, therefore we possibly need to look at higher price increases. However, if more optimistic income figures are included for water consumption the model can change significantly.

For example, if the consumption income for 2014/15 was increased to the figure of $6,506,000 (as mentioned earlier), which is based on the trend that for the last four years income collected by the second reading represents 47% of total income for the year, the figures are as follows.

Revised LTFP Forecast – Water Operations (Model Two)

Charge	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24
Water (%)	8.00%	9.00%	3.00%	3.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	3.00%
Op Revenues	10,689	10,894	11,152	11,520	12,020	12,517	13,022	13,671	14,239	14,894	15,577
Op Expenses	9,218	9,582	9,473	9,751	10,210	10,608	11,065	11,544	12,044	12,617	12,946
Depreciation	1,860	1,700	1,700	1,751	1,804	1,858	1,914	1,971	2,030	2,091	2,154
Op Result	**(389)**	**(388)**	**(21)**	**18**	**6**	**51**	**44**	**156**	**165**	**185**	**477**
Reserves	**10,901**	**9,366**	**8,379**	**7,949**	**6,701**	**4,984**	**4,336**	**2,814**	**2,946**	**3,085**	**3,433**

As per these figures the predicted result for 2015/16 and subsequent years then improves significantly, with adequate reserves on hand.

Both models one and two have been designed to minimise increases in 2015/16 and 2016/17 due to the proposed special rate variation application for our ordinary rate income. Water and wastewater should be treated as separate operations however we need to be mindful of the total rates and charges account for our residents.

A third model is to determine the preferred range of price increases if the estimated water consumption figures remain unchanged from the current December 2014 Quarterly Financial Review.

This is outlined in model three as follows.

Revised LTFP Forecast – Water Operations (Model Three)

Charge	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24
Water (%)	8%	9%	3%	5%	5%	5%	5%	5%	5%	5%	3%
Op Revenues	10,689	10,667	10,909	11,447	12,041	12,644	13,272	13,978	14,695	15,518	16,112
Op Expenses	9,218	9,582	9,472	9,750	10,209	10,607	11,064	11,543	12,042	12,616	12,944
Depreciation	1,860	1,700	1,700	1,751	1,804	1,858	1,914	1,971	2,030	2,091	2,154
Op Result	**(389)**	**(615)**	**(263)**	**(54)**	**29**	**180**	**295**	**464**	**623**	**811**	**1,013**
Reserves	**10,901**	**9,139**	**7,910**	**7,408**	**6,183**	**4,594**	**4,197**	**2,983**	**3,573**	**4,337**	**5,222**

Under this option the increases each year align with the same percentage increases proposed by Rous Water. This results in a relatively healthy financial position with significant reserves on hand at all times.

Each of these three models are viable options and the important point arising from this is that the model needs to be reviewed each year, particularly with respect to consumption.

The first attachment to this report provides a summary of the water LTFP based on model three, as it represents the latest December 2014 Quarterly Financial Review. The LTFP, operating result and capital works are shown in that attachment.

Wastewater

The adopted Council budget for 2014/15, which was adopted at the June 2014 Ordinary meeting, included the following operating revenues and expenses forecast for wastewater for the next ten years.

Adopted LTFP Forecast – Wastewater Operations (June 2014)

Charge	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24
Wastewater(%)	9%	10%	10%	10%	10%	5%	5%	3%	3%	3%	3%
Op Revenues	14,389	14,907	16,126	17,679	19,642	20,774	22,026	22,917	23,745	24,715	25,762
Op Expenses	14,267	14,054	14,162	13,889	14,031	14,183	14,314	14,456	14,591	14,719	14,826
Depreciation	3,104	3,249	3,201	3,049	3,044	3,070	3,093	3,114	3,208	3,304	3,403
Op Result	**(2,982)**	**(2,395)**	**(1,237)**	**741**	**2,567**	**3,522**	**4,619**	**5,346**	**5,947**	**6,692**	**7,533**
Reserves	**13,927**	**5,929**	**3,909**	**1,959**	**2,552**	**5,085**	**3,446**	**6,753**	**12,109**	**18,110**	**24,825**
Cash Surplus	122	854	1,964	3,790	5,611	6,591	7,711	8,460	9,154	9,996	10,936
Principal	**(2,385)**	**(2,495)**	**(2,613)**	**(2,741)**	**(2,879)**	**(3,024)**	**(3,186)**	**(2,374)**	**(2,562)**	**(2,768)**	**(3,004)**

As per this model wastewater was forecast to make an operating surplus, inclusive of depreciation, by 2016/17. This surplus is needed as a large part of the cash component of the operating surplus (i.e. once depreciation is eliminated) is then consumed in repaying the loan principal relating to Council's upgrades of the wastewater treatment plants.

This is the major difficulty facing Council with the wastewater operations, in that we need to general sufficient funds to repay the principal and undertake essential capital works.

Even though water and wastewater are separate entities it is important to understand how the combined price changes impact on residents in total.

The following table highlights the increases facing residents each year based on the forecast increases for water, as per the earlier model three, along with the currently adopted forecast increases for wastewater.

Combined Impact of Forecast Increases in Water and Wastewater

Charge	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24
Water (%)	9%	3%	5%	5%	5%	5%	5%	5%	5%	3%
Wastewater	10%	10%	10%	10%	5%	5%	3%	3%	3%	3%
Charges										
Water	610	628	660	693	727	764	802	842	884	911
Wastewater	807	888	976	1,074	1,128	1,184	1,220	1,256	1,294	1,333
Total Bill	**1,417**	**1,516**	**1,636**	**1,767**	**1,855**	**1,948**	**2,022**	**2,098**	**2,178**	**2,243**
% Change	**9.5%**	**7.0%**	**7.9%**	**8.0%**	**5.0%**	**5.0%**	**3.8%**	**3.8%**	**3.8%**	**3.0%**
$ Change	**123**	**99**	**120**	**131**	**88**	**93**	**74**	**77**	**80**	**65**

The combined average increases, of around 7% to 8% per annum for the next few years, are substantial.

Wastewater is placing the most pressure on this combined increase and the difficulty with minimising the combined increase is that water is forecast to increase by 5% from 2016/17 onwards due to the Rous Water increases.

From a modelling perspective this means that the minimum combined increase for water and wastewater will be at least 5% so long as wastewater is 5% or more. Ideally wastewater needs increases of more than 5% per annum.

Models one and two that follow, present revised price increases for wastewater in an attempt to reduce the originally forecast increases.

Revised LTFP Forecast – Wastewater Operations (Model One)

Charge	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24
Wastewater(%)	9%	10%	7%	7%	7%	3%	3%	3%	3%	3%	3%
Op Revenues	14,463	15,207	15,937	16,843	18,069	18,727	19,446	20,182	20,888	21,655	22,512
Op Expenses	14,381	14,546	14,119	13,788	13,905	13,945	14,012	14,073	14,196	14,362	14,458
Depreciation	2,643	2,600	2,450	2,800	2,850	2,936	3,024	3,114	3,208	3,304	3,403
Op Result	**(2,562)**	**(1,938)**	**(632)**	**256**	**1,314**	**1,846**	**2,410**	**2,995**	**3,484**	**3,988**	**4,650**
Reserves	**18,576**	**9,966**	**5,368**	**2,980**	**2,360**	**3,280**	**4,388**	**3,002**	**3,028**	**5,869**	**9,193**
Cash Surplus	**82**	**662**	**1,818**	**3,056**	**4,164**	**4,782**	**5,434**	**6,109**	**6,692**	**7,293**	**8,054**
Principal	**(2,385)**	**(2,495)**	**(2,613)**	**(2,741)**	**(2,879)**	**(3,024)**	**(3,186)**	**(2,374)**	**(2,562)**	**(2,768)**	**(3,004)**

Revised LTFP Forecast – Wastewater Operations (Model Two)

Charge	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24
Wastewater(%)	9%	10%	6%	6%	6%	3%	3%	3%	3%	3%	3%
Op Revenues	14,463	15,207	15,811	16,555	17,580	18,207	18,895	19,611	20,298	21,054	21,854
Op Expenses	14,381	14,546	14,119	13,788	13,905	13,945	14,012	14,073	14,196	14,362	14,458
Depreciation	2,643	2,600	2,450	2,800	2,850	2,936	3,024	3,114	3,208	3,304	3,403
Op Result	**(2,562)**	**(1,938)**	**(759)**	**(33)**	**825**	**1,327**	**1,859**	**2,424**	**2,895**	**3,388**	**3,992**
Reserves	**18,576**	**9,966**	**5,242**	**2,565**	**1,457**	**1,857**	**2,414**	**457**	**(107)**	**2,134**	**4,799**
Cash Surplus	**82**	**662**	**1,691**	**2,768**	**3,675**	**4,262**	**4,883**	**5,538**	**6,103**	**6,692**	**7,395**
Principal	**(2,385)**	**(2,495)**	**(2,613)**	**(2,741)**	**(2,879)**	**(3,024)**	**(3,186)**	**(2,374)**	**(2,562)**	**(2,768)**	**(3,004)**

The difference between models one and two is that model one has 7% increases for 2015/16 to 2017/18, whereas model two has 6% increases for the same period.

Model two results in the wastewater reserves being significantly reduced, whereas model one retains reserves at fairly reasonable levels.

It may well be that a balance between models one and two is the preferred outcome.

The wastewater operating expenses for models one and two include some significant reductions in the 2014/15 budget allocations, however the proposed figures are still above a number of the 2013/14 actuals.

Currently the Section Manager is reviewing all of these operating budgets to ensure capital and operating expense items are correctly allocated and that the proposed operating budgets are realistic. It may well be that the operating expense budgets are revised upwards in future iterations of this model for the March and April Finance Committee meetings.

The second attachment to this report provides a summary of the wastewater LTFP based on model two.

Legal / Resource / Financial Implications

As outlined in the information section of this report.

Consultation

Any charges proposed for 2015/16 will be subject to formal exhibition.

Options

The purpose of this report has been to highlight the issues facing Council in respect to formulating the water and wastewater budgets for 2015/16 onwards.

The key question being asked of Council is what is considered to be an affordable increase for at least the next two years. Feedback on that issue will then help staff in formulating an appropriate works plan for those years and beyond.

In respect to a recommendation for this report the onus should always be placed on staff to recommend minimal increases in annual charges.

Therefore a possible set of recommendations could be:

a) Prepare a preferred draft water budget based on at least a CPI increase in water charges for 2015/16 (similar to water model two or three) and possibly for 2016/17

b) Continue to liaise with Rous Water in attempt to reduce their forecast bulk water charges increases for future years

c) Prepare a preferred wastewater budget as close to wastewater model two as possible (i.e. 6% increase in wastewater charges).

If Council was able to endorse a LTFP on water model three (two would be preferred) and wastewater model two, the estimated increases in the combined charges would be as follows.

Charge	**14/15**	**15/16**	**16/17**	**17/18**	**18/19**	**19/20**	**20/21**	**21/22**	**22/23**	**23/24**
Water (%)	9%	3%	5%	5%	5%	5%	5%	5%	5%	3%
Wastewater	10%	6%	6%	6%	3%	3%	3%	3%	3%	3%
Charges										
Water	610	628	660	693	727	764	802	842	884	911
Wastewater	807	855	907	961	990	1020	1050	1082	1114	1148
Total Bill	**1,417**	**1484**	**1566**	**1654**	**1717**	**1783**	**1852**	**1924**	**1998**	**2058**
% Change	**9.5%**	**4.7%**	**5.6%**	**5.6%**	**3.8%**	**3.8%**	**3.9%**	**3.9%**	**3.9%**	**3.0%**
$ Change	**123**	**67**	**83**	**87**	**63**	**66**	**69**	**72**	**75**	**60**

This brings the combined percentage increases to around the 5% mark which is far more preferable than the 7% to 8% per annum envisaged at the start of this year.

RECOMMENDATIONS

1. That Council notes the contents of this report in respect to the formulation of the water and wastewater budgets for 2015/16 onwards.

2. That Council supports the preparation of a preferred draft water budget for 2015/16 onwards based on at least a CPI increase in water charges for 2015/16 (similar to water model two or three as per this report).

3. That Council continue to liaise with Rous Water in attempt to reduce their forecast bulk water charges for future years.

4. That Council supports the preparation of a preferred draft wastewater budget for 2015/16 onwards as close to wastewater model two as possible (i.e. 6% increase in wastewater charges).

5. That Council also accepts that alternative models may need to be presented in respect to points two and four to ensure the long term financial sustainability of the water and wastewater operations.

Attachment(s)

1. Water Operations - Long Term Financial Plan (Model Three)
2. Water Operations - Operating Result
3. Water Operations - Capital Expenditure
4. Wastewater - Long Term Financial Plan (Model Two)
5. Wastewater - Operating Result
6. Wastewater - Capital Expenditure

WATER OPERATIONS - LONG TERM FINANCIAL PLAN (2013/14 to 2024/25)

ACTUAL 2013/14	ITEMS	ESTIMATED 2014/15	%	2015/16	%	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	OPERATING RESULTS													
10,689,100	Operating Revenues	10,666,800	(0)	10,909,100	2	11,447,000	12,040,900	12,644,400	13,271,900	13,977,900	14,695,200	15,517,900	16,111,800	16,733,900
9,218,100	Less Operating Expenses	9,582,000	4	9,472,300	(1)	9,750,100	10,208,700	10,606,900	11,063,700	11,543,000	12,042,400	12,615,600	12,944,300	13,336,400
1,471,000	**Operating Result before Capital Amounts**	**1,084,800**	**(26)**	**1,436,800**	**32**	**1,696,900**	**1,832,200**	**2,037,500**	**2,208,200**	**2,434,900**	**2,652,800**	**2,902,300**	**3,167,500**	**3,397,500**
1,859,500	Depreciation Expense	1,700,000	(9)	1,700,000	0	1,751,000	1,803,600	1,857,800	1,913,600	1,971,100	2,030,300	2,091,300	2,154,100	2,218,800
(388,500)	**Operating Result after Depreciation**	**(615,200)**	**58**	**(263,200)**	**(57)**	**(54,100)**	**28,600**	**179,700**	**294,600**	**463,800**	**622,500**	**811,000**	**1,013,400**	**1,178,700**
	Add Capital Grants and Contributions													
368,600	Capital Grants and Contributions	152,000	(59)	0	(100)	0	0	0	0	0	0	0	0	0
430,400	Section 64 Contributions Collected	600,000	39	600,000	0	620,000	640,000	660,000	680,000	710,000	740,000	770,000	800,000	830,000
	Add Non-operating Funds Employed													
0	Loan Funds Used	0	0	0	0	0	0	0	0	0	0	0	0	0
137,600	Transfer from Section 64 Recoupments BBRC	136,200	(1)	123,000	(10)	0	0	0	0	0	0	0	0	0
	Subtract Funds Deployed for Non-operating Purposes													
(1,827,100)	Capital Expenditure	(3,565,500)	95	(3,232,000)	(9)	(2,784,000)	(3,664,000)	(4,252,000)	(3,251,000)	(4,325,000)	(2,769,000)	(2,874,000)	(3,049,000)	(3,084,000)
(137,600)	Contributions - Section 64 Recoupments BBRC	(136,200)	(1)	(123,000)	(10)	0	0	0	0	0	0	0	0	0
0	Repayment of Principal on Loans	0	0	0	0	0	0	0	0	0	0	0	0	0
(34,000)	Dividends Paid	(34,000)	0	(34,000)	0	(34,000)	(34,000)	(34,000)	(34,000)	(34,000)	(34,000)	(34,000)	(34,000)	(34,000)
	Net Movement in Other Working Capital Items													
(496,900)	Net Incr / (Decr) in Leave and Working Capital	0	(100)	(100)	100	0	0	0	0	0	0	0	0	0
	Add Back Non-Cash Expense													
1,859,500	Depreciation	1,700,000	(9)	1,700,000	0	1,751,000	1,803,600	1,857,800	1,913,600	1,971,100	2,030,300	2,091,300	2,154,100	2,218,800
(88,000)	**Reserves Movement - Increase / (Decrease)**	**(1,762,700)**	**1,903**	**(1,229,300)**	**(30)**	**(501,100)**	**(1,225,800)**	**(1,588,500)**	**(396,800)**	**(1,214,100)**	**589,800**	**764,300**	**884,500**	**1,109,500**
	Movement in Reserves - Increase / (Decrease)													
371,200	Water Reserves	(272,800)		809,600		56,500	(128,300)	(330,000)	466,700	(1,589,000)	572,300	746,200	865,800	1,090,100
(459,200)	Developer Contributions - Section 64	(1,489,900)		(2,038,800)		(557,600)	(1,097,500)	(1,258,500)	(863,500)	374,900	17,500	18,100	18,700	19,400
(88,000)	**Total Movement in Reserves (incl Section 64)**	**(1,762,700)**		**(1,229,200)**		**(501,100)**	**(1,225,800)**	**(1,588,500)**	**(396,800)**	**(1,214,100)**	**589,800**	**764,300**	**884,500**	**1,109,500**
	Reserves - Balances as at 30 June													
3,154,900	Water Reserves	2,882,100		3,691,700		3,748,200	3,619,900	3,289,900	3,756,600	2,167,600	2,739,900	3,486,100	4,351,900	5,442,000
7,746,500	Developer Contributions - Section 64	6,256,600		4,217,800		3,660,200	2,562,700	1,304,200	440,700	815,600	833,100	851,200	869,900	889,300
10,901,400	**Total Reserves**	**9,138,700**		**7,909,500**		**7,408,400**	**6,182,600**	**4,594,100**	**4,197,300**	**2,983,200**	**3,573,000**	**4,337,300**	**5,221,800**	**6,331,300**

WATER OPERATIONS

ACTUAL 2011/12	ACTUAL 2012/13	ACTUAL 2013/14	LEDGER ACCOUNT	BUDGET ITEMS	ESTIMATED 2014/15	%	2015/16	%	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
				OPERATING REVENUES													
2,432,700	2,603,000	2,860,500	10000	Annual Charges	3,154,000	10	3,224,500	2	3,406,500	3,598,200	3,799,500	4,013,400	4,238,000	4,475,300	4,726,300	4,906,100	5,093,600
5,121,700	5,949,200	7,036,900	10010	User Charges	6,691,000	(5)	6,936,500	4	7,324,000	7,733,300	8,166,200	8,623,000	9,106,400	9,616,500	10,156,300	10,533,100	10,925,000
147,600	155,000	151,800	10003	Operating Grants	150,800	(1)	137,500	(9)	138,300	139,000	139,700	140,500	141,200	141,900	142,600	143,400	144,100
143,000	302,400	226,400	10011	Regulatory Fees and Fines	312,000	38	302,100	(3)	311,200	320,400	330,300	340,000	350,600	360,800	372,100	382,800	394,900
768,500	623,900	413,500	10004	Interest	359,000	(13)	308,500	(14)	267,000	250,000	208,700	155,000	141,700	100,700	120,600	146,400	176,300
8,613,500	**9,633,500**	**10,689,100**		**Total Operating Revenues**	**10,666,800**	**(0)**	**10,909,100**	**2**	**11,447,000**	**12,040,900**	**12,644,400**	**13,271,900**	**13,977,900**	**14,695,200**	**15,517,900**	**16,111,800**	**16,733,900**
				OPERATING EXPENSES													
				Direct Expenses													
412,800	383,400	462,700	50005	Administration and Customer Service	563,000	22	525,300	(7)	541,800	558,700	576,500	594,300	613,400	632,500	652,800	672,500	693,800
218,900	286,800	263,700	50000	Engineering Management	339,300	29	358,900	6	369,900	421,200	392,800	404,800	417,200	429,900	493,100	456,700	470,700
106,000	431,100	197,600	50005	Contribution to Works and BBRC	176,200	(11)	164,200	(7)	42,500	43,800	45,200	46,600	48,000	49,500	51,000	52,600	54,200
8,800	8,000	11,000	50008	Miscellaneous	11,000	0	9,300	(15)	9,600	9,700	10,200	10,300	11,000	11,000	11,800	11,700	12,600
36,500	50,100	54,500	50102	Energy Costs	49,000	(10)	59,600	22	61,800	64,100	66,500	68,900	71,500	74,200	76,900	79,700	82,600
317,000	415,300	348,700	50110	Water Supply Mains Maintenance	410,000	18	370,000	(10)	381,100	392,600	404,500	416,700	429,300	442,300	455,700	469,400	483,600
209,900	218,900	192,500	50109	Water Supply Mains Operations	248,000	29	213,000	(14)	219,500	226,200	233,200	240,400	247,800	255,400	263,200	271,300	279,600
423,100	395,300	470,100	50113	Other Maintenance	441,000	(6)	340,000	(23)	350,200	360,800	371,700	382,900	394,500	406,400	418,700	431,400	444,500
153,300	204,200	214,900	50112	Other Operations	227,000	6	15,000	(93)	15,600	16,200	16,800	17,400	18,100	18,800	19,500	20,200	20,900
41,900	48,700	58,100	50101	Pumping Station Operations	55,000	(5)	64,000	16	66,200	68,500	70,800	73,200	75,700	78,300	80,900	83,600	86,400
5,034,700	5,143,400	5,419,200	50100	Purchase of Water	5,730,000	5.7	5,903,000	3	6,198,200	6,508,200	6,833,700	7,175,500	7,534,400	7,911,200	8,306,800	8,556,100	8,812,900
46,700	68,500	62,800	50105	Reservoirs	64,000	2	68,000	6	70,100	72,300	74,500	76,800	79,200	81,600	84,100	86,700	89,400
69,400	80,100	154,000	50107	Water Treatment Plants	108,500	(30)	106,000	(2)	109,300	112,700	116,200	119,800	123,700	127,700	131,800	136,000	140,300
				Indirect Expenses - Overheads													
1,072,000	1,145,000	1,197,300	50005	Overheads Distributed	1,160,000	(3)	1,276,000	10	1,314,300	1,353,700	1,394,300	1,436,100	1,479,200	1,523,600	1,569,300	1,616,400	1,664,900
				Debt Servicing													
0	0	0	50010	Interest On Loans	0	0	0	0	0	0	0	0	0	0	0	0	0
				Non-cash Expenses													
2,267,000	1,883,000	1,859,500	50112	Depreciation	1,700,000	(9)	1,700,000	0	1,751,000	1,803,600	1,857,800	1,913,600	1,971,100	2,030,300	2,091,300	2,154,100	2,218,800
75,000	162,000	111,000	50112	Loss on Disposal of Infrastructure	0	(100)	0	0	0	0	0	0	0	0	0	0	0
10,493,000	**10,923,800**	**11,077,600**		**Total Operating Expenses**	**11,282,000**	**2**	**11,172,300**	**(1)**	**11,501,100**	**12,012,300**	**12,464,700**	**12,977,300**	**13,514,100**	**14,072,700**	**14,706,900**	**15,098,400**	**15,555,200**
(1,879,500)	**(1,290,300)**	**(388,500)**		***Operating Result - Surplus / (Deficit)***	**(615,200)**	**58**	**(263,200)**	**(57)**	**(54,100)**	**28,600**	**179,700**	**294,600**	**463,800**	**622,500**	**811,000**	**1,013,400**	**1,178,700**
2,267,000	1,883,000	1,859,500		*Add Back Depreciation*	1,700,000	(9)	1,700,000	0	1,751,000	1,803,600	1,857,800	1,913,600	1,971,100	2,030,300	2,091,300	2,154,100	2,218,800
75,000	162,000	111,000		*Add Back Loss on Infrastructure Disposal*	0	(100)	0	0	0	0	0	0	0	0	0	0	0
462,500	**754,700**	**1,582,000**		***Cash Result - Surplus / (Deficit)***	**1,084,800**	**(31)**	**1,436,800**	**32**	**1,696,900**	**1,832,200**	**2,037,500**	**2,208,200**	**2,434,900**	**2,652,800**	**2,902,300**	**3,167,500**	**3,397,500**
				Capital Movements													
3,600	3,800	0		Less Loan Principal Repayments	0		0		0	0	0	0	0	0	0	0	0
403,600	364,000	519,900		Less Transfer to Reserves	0		897,800		198,900	(4,800)	0	510,700	0	599,800	774,300	894,500	1,119,500
415,500	536,600	0		Add Transfer from Reserves	164,000		0		0	0	243,500	0	1,574,100	0	0	0	0
274,400	47,800	799,000		Add Capital Income	2,350,700		2,727,000		1,320,000	1,861,000	2,005,000	1,587,500	350,000	750,000	780,000	810,000	840,000
710,900	937,200	1,827,100		Less Capital Expenditure	3,565,500		3,232,000		2,784,000	3,664,000	4,252,000	3,251,000	4,325,000	2,769,000	2,874,000	3,049,000	3,084,000
34,300	**34,100**	**34,000**		***Cash Result after Capital Movements***	**34,000**	**0**	**34,000**	**0**	**34,000**	**34,000**	**34,000**	**34,000**	**34,000**	**34,000**	**34,000**	**34,000**	**34,000**

WATER - CAPITAL EXPENDITURE

Expenditure Description	Expenditure Summary											Funding Sources 2014/15				Funding Sources 2015/16				Funding Sources 2016/17				Funding Sources 2017/18			
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Grants	Sect 64	Loans	Reserves	Grants	Sect 64	Loans	Reserves	Grants	Sect 64	Loans	Reserves	Grants	Sect 64	Loans	Reserves
Water Storage																											
Recycled Water Distn and Storage	455,000											152,000	303,000		0		0		0		0		0		0		0
Reservoirs - Pacific Pines						900,000									0				0				0				0
Reservoirs - Ross Lane (New)		500,000					2,500,000						0		0		500,000		0		0		0		0		0
Water Pump and Bore Stations																											
Pump Stns - Ballina Hts Booster	228,400												228,400		0		0		0		0		0		0		0
Pump Stns - North Ck Rd Booster					400,000								0		0		0		0		0		0		0		0
Pump Stns - Basalt Court Booster	62,300	120,000											62,300		0		120,000		0		0		0		0		0
Pump Stns - East Ballina Booster	62,000	320,000											62,000		0		320,000		0		0		0		0		0
Pump Stns - Russellton Booster			385,000										0		0		0		0		385,000		0		0		0
Pump Stns - Wollongbar Booster						225,000							0		0		0		0		0		0		0		0
Bore - Lindendale						150,000							0		0		0		0		0		0		0		0
Bore - Ellis Road						150,000							0		0		0		0		0		0		0		0
Booster Program - Long Terms								750,000	780,000	810,000	840,000		0		0		0		0		0		0		0		0
Pressure Mgmt Zones (PMZs)																											
Lumley's Lane PMZ	720,000												720,000		0		0		0		0		0		0		0
Southern Cross Dr PMZ	50,000												50,000		0		0		0		0		0		0		0
Construct Temple Street PMZ	50,000												50,000		0				0								
Fox Street PMZ	25,000	100,000											25,000				100,000		0		0		0		0		0
Temple Street PMZ	0	125,000											0		0		125,000		0		0		0		0		0
Owen Street PMZ	25,000	150,000											25,000		0		150,000		0		0		0		0		0
Basalt Court Reservoir DMA	70,000												70,000		0		0		0		0		0		0		0
Silver Gull Drive DMA	60,000												60,000		0		0		0		0		0		0		0
Seaview Street DMA	60,000												60,000		0		0		0		0		0		0		0
Pressure Mgmt - Preliminary	60,000												60,000		0				0								
Pressure and Demand Mgmt	130,000	30,000											130,000		0		30,000		0		0		0		0		0
Boundary Valves	80,000												80,000		0				0								
Trunk Mains - Extension																											
Ballina Hts Trunk Main		100,000											0		0		100,000		0		0		0		0		0
Ballina Hts Distribution Main				611,000									0		0		0		0		0		0		611,000		0
Trunk Mains - Augmentation																											
Ballina Island Distribution Aug		100,000	500,000	500,000	500,000	500,000	500,000						0		0		100,000		0		250,000		250,000		250,000		250,000
North Ballina Distribution Aug		100,000	500,000	2,000,000	1,000,000								0		0		100,000		0		250,000		250,000		1,000,000		1,000,000
West Ballina Loop Main					1,710,000								0		0		0		0		0		0		0		0
Lennox Head Distribution Aug	133,000	262,000											133,000		0		262,000		0		0		0		0		0
Lennox Heights Distribution Aug			730,000										0		0		0		0		365,000		365,000		0		0
Skennars Head Distribution Aug						600,000							0		0		0		0		0		0		0		0
Wardell Distribution Augmentation						125,000	100,000						0		0		0		0		0		0		0		0
East Ballina	80,000	820,000											80,000		0		820,000		0		0		0		0		0
Russeliton			140,000										0		0		0		0		70,000		70,000		0		0
Augmentation - Longer Term								750,000	780,000	810,000	840,000		0		0		0		0		0		0		0		0
Water Treatment Plant																											
Treatment Plant Marom Creek	20,000														20,000				0								
Main Renewals																											
Mains Renewal Program	197,800	200,000	210,000	220,000	230,000	240,000	250,000	260,000	270,000	280,000	290,000				197,800				200,000				210,000				220,000
Pipeline Rehabilitation Study	18,300				65,000					70,000					18,300				0				0				0
Mains Replacement Cherry St	25,000														25,000				0				0				0
Mains Replacement Brighton St	9,000														9,000				0				0				0
Mains Renewal Longer Term							600,000	620,000	640,000	660,000	680,000				0				0				0				0
Smith Drive Main Renewal-design	111,000														111,000				0				0				0
Smith Drive Main Renewal	539,000														539,000				0				0				0
Moon Street Main Renewal	9,000														9,000				0				0				0
Ascot Place Main Renewal	15,700														15,700				0				0				0
Miscellaneous																											
Vehicle and Plant Replacement	30,000	55,000	57,000	59,000	61,000	63,000	65,000	67,000	70,000	73,000	76,000				30,000				55,000				57,000				59,000
Water Meter - Replacement		50,000	52,000	54,000	56,000	58,000	60,000	62,000	64,000	66,000	68,000				0				50,000				52,000				54,000
Water Meter - New		200,000	210,000	220,000	230,000	240,000	250,000	260,000	270,000	280,000	290,000				0				200,000				210,000				220,000
Telemetry															0				0				0				0
Water Fluoride Dosing Plant-Marom c	135,000														135,000				0				0				0
Fluoride Dosing Plant- Plant	105,000														105,000				0				0				0
Total Capital Expenditure	**3,565,500**	**3,232,000**	**2,784,000**	**3,664,000**	**4,252,000**	**3,251,000**	**4,325,000**	**2,769,000**	**2,874,000**	**3,049,000**	**3,084,000**	**152,000**	**2,198,700**	**0**	**1,214,800**	**0**	**2,727,000**	**0**	**505,000**	**0**	**1,320,000**	**0**	**1,464,000**	**0**	**1,861,000**	**0**	**1,803,000**

WASTEWATER OPERATIONS - LONG TERM FINANCIAL PLAN (2013/14 to 2024/25)

ACTUAL 2013/14	ITEMS	ESTIMATED 2014/15	%	2015/16	%	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	OPERATING RESULTS													
14,462,800	Operating Revenues	15,207,400	5	15,810,700	4	16,555,000	17,580,200	18,207,400	18,894,600	19,610,700	20,298,400	21,054,000	21,853,800	22,714,900
13,987,300	Less Operating Expenses	14,196,800	1	13,818,300	(3)	13,538,500	13,711,000	13,811,400	13,942,600	14,072,600	14,195,800	14,361,900	14,458,400	14,550,300
475,500	**Operating Result before Capital Amounts**	**1,010,600**	**113**	**1,992,400**	**97**	**3,016,500**	**3,869,200**	**4,396,000**	**4,952,000**	**5,538,100**	**6,102,600**	**6,692,100**	**7,395,400**	**8,164,600**
2,643,100	Depreciation Expense	2,600,000	(2)	2,450,000	(6)	2,800,000	2,850,000	2,935,500	3,023,600	3,114,400	3,207,900	3,304,200	3,403,400	3,505,600
394,000	Less Unwinding Interest Free Loans	349,000	(11)	301,000	(14)	249,000	194,000	134,000	69,000	0	0	0	0	0
(2,561,600)	**Operating Result after Depreciation**	**(1,938,400)**	**(24)**	**(758,600)**	**(61)**	**(32,500)**	**825,200**	**1,326,500**	**1,859,400**	**2,423,700**	**2,894,700**	**3,387,900**	**3,992,000**	**4,659,000**
	Add Capital Grants and Contributions													
0	Capital Grants and Contributions	0	0	0	0	0	0	0	0	0	0	0	0	0
1,351,900	Section 64 Contributions Collected	697,000	(48)	750,000	8	770,000	800,000	830,000	860,000	890,000	920,000	950,000	980,000	1,010,000
	Add Non-operating Funds Employed													
690,000	Loan Funds Used	0	(100)	0	0	0	0	0	0	0	0	0	0	0
559,600	Transfer from Section 64 Recoupments BBRC	409,000	(27)	0	(100)	0	0	0	0	0	0	0	0	0
	Subtract Funds Deployed for Non-operating Purposes													
(8,112,100)	Capital Expenditure	(7,803,400)	(4)	(4,833,000)	(38)	(3,702,000)	(2,879,000)	(1,782,000)	(2,049,000)	(5,991,000)	(5,004,000)	(2,614,000)	(2,686,000)	(2,768,000)
(559,600)	Contributions - Section 64 Recoupments BBRC	(409,000)	(27)	0	(100)	0	0	0	0	0	0	0	0	0
(2,384,800)	Repayment of Principal on Loans	(2,494,700)	5	(2,613,200)	5	(2,741,000)	(2,878,800)	(3,023,700)	(3,186,200)	(2,373,900)	(2,562,400)	(2,767,700)	(3,003,500)	(3,253,000)
(20,000)	Dividends Paid	(20,000)	0	(20,000)	0	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)
	Net Movement in Other Working Capital Items													
468,500	Net Incr / (Decr) in Leave and Working Capital	0	(100)	(100)	100	0	0	0	0	0	0	0	0	0
	Add Back Non-Cash Expense													
2,643,100	Depreciation	2,600,000	(2)	2,450,000	(6)	2,800,000	2,850,000	2,935,500	3,023,600	3,114,400	3,207,900	3,304,200	3,403,400	3,505,600
394,000	Unwinding Interest Free Loans	349,000	(11)	301,000	(14)	249,000	194,000	134,000	69,000	0	0	0	0	0
(7,531,000)	**Wastewater Reserves - Increase / (Decrease)**	**(8,610,500)**	**14**	**(4,723,900)**	**(45)**	**(2,676,500)**	**(1,108,600)**	**400,300**	**556,800**	**(1,956,800)**	**(563,800)**	**2,240,400**	**2,665,900**	**3,133,600**
	Movement in Reserves - Increase / (Decrease)													
(8,213,900)	Wastewater Reserves	(7,881,700)		(4,616,900)		(1,201,700)	(1,433,600)	614,000	233,400	(437,600)	(1,484,400)	1,269,100	1,642,800	2,057,400
682,900	Developer Contributions - Section 64	(728,800)		(107,000)		(1,474,800)	325,000	(213,700)	323,400	(1,519,200)	920,600	971,300	1,023,100	1,076,200
(7,531,000)	**Total Movement in Reserves (incl Section 64)**	**(8,610,500)**		**(4,723,900)**		**(2,676,500)**	**(1,108,600)**	**400,300**	**556,800**	**(1,956,800)**	**(563,800)**	**2,240,400**	**2,665,900**	**3,133,600**
	Reserves - Balances as at 30 June													
15,155,500	Wastewater Reserves	7,273,800		2,656,900		1,455,200	21,600	635,600	869,000	431,400	(1,053,000)	216,100	1,858,900	3,916,300
3,420,600	Developer Contributions - Section 64	2,691,800		2,584,800		1,110,000	1,435,000	1,221,300	1,544,700	25,500	946,100	1,917,400	2,940,500	4,016,700
18,576,100	**Total**	**9,965,600**		**5,241,700**		**2,565,200**	**1,456,600**	**1,856,900**	**2,413,700**	**456,900**	**(106,900)**	**2,133,500**	**4,799,400**	**7,933,000**

WASTEWATER OPERATIONS

ACTUAL 2011/12	ACTUAL 2012/13	ACTUAL 2013/14	LEDGER ACCOUNT	BUDGET ITEMS	ESTIMATED 2014/15	%	2015/16	%	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
				OPERATING REVENUES													
9,762,700	10,570,400	11,668,700	12000	Annual Charges	12,989,000	11	13,708,000	6	14,594,200	15,594,400	16,191,400	16,812,900	17,457,900	18,129,600	18,812,100	19,521,400	20,256,700
1,110,300	1,176,400	1,475,500	12010	User Charges	1,330,000	(10)	1,396,000	5	1,471,300	1,550,900	1,597,600	1,645,700	1,695,400	1,746,500	1,799,300	1,853,600	1,909,600
162,000	149,600	150,800	12002	Operating Grants	150,400	(0)	136,400	(9)	137,300	138,200	139,100	140,000	140,900	141,800	142,700	143,600	144,500
64,700	75,600	98,400	12012	Regulatory Fees and Fines	110,500	12	82,500	(25)	85,000	87,600	90,300	93,100	96,000	98,900	101,900	105,000	108,200
1,275,100	1,703,200	968,800	12004	Interest	556,000	(43)	415,800	(25)	193,000	132,700	110,100	121,500	136,500	94,900	108,500	137,900	200,600
75,900	111,400	100,600	12014	Other Revenues	71,500	(29)	72,000	1	74,200	76,400	78,900	81,400	84,000	86,700	89,500	92,300	95,300
12,450,700	**13,786,600**	**14,462,800**		**Total Operating Revenues**	**15,207,400**	**5**	**15,810,700**	**4**	**16,555,000**	**17,580,200**	**18,207,400**	**18,894,600**	**19,610,700**	**20,298,400**	**21,054,000**	**21,853,800**	**22,714,900**
				OPERATING EXPENSES													
				Direct Expenses													
809,600	684,600	790,800	55002	Administration and Customer Service Costs	770,000	(3)	793,000	3	816,000	840,000	866,600	893,200	920,700	948,900	978,300	1,008,200	1,039,000
215,600	54,100	311,500	55002	Engineering and Technical Costs	264,000	(15)	216,000	(18)	217,000	223,000	229,700	236,800	244,100	251,600	259,300	267,200	275,400
431,800	378,000	377,500	55000	Engineering Management	458,000	21	515,000	12	529,000	544,000	560,600	578,200	595,900	614,600	633,500	653,400	673,400
110,000	1,571,200	665,600	55002	Contributions to Works and BBRC	454,000	(32)	455,000	0	47,000	48,000	49,500	51,000	52,600	54,200	55,900	57,600	59,400
198,200	202,300	155,800	55004	Other Management Costs	103,000	(34)	62,000	(40)	64,000	106,000	68,200	70,500	72,900	75,400	127,900	131,900	136,100
888,400	1,193,100	1,276,000	55012	Energy Costs	1,387,000	9	1,368,000	(1)	1,409,000	1,451,300	1,495,100	1,540,300	1,586,900	1,634,800	1,684,300	1,735,400	1,787,800
1,221,300	1,200,800	1,192,500	55011	Pumping Stations	1,372,000	15	1,259,000	(8)	1,296,000	1,334,000	1,374,500	1,416,300	1,459,300	1,503,500	1,549,100	1,595,900	1,644,200
1,718,600	1,737,000	1,955,100	55015	Treatment Facilities	2,017,000	3	1,932,000	(4)	1,990,000	2,050,000	2,111,800	2,175,400	2,241,000	2,308,600	2,378,200	2,449,900	2,523,800
522,700	501,000	463,900	55010	Mains	562,000	21	500,000	(11)	515,000	530,000	545,900	562,300	579,200	596,600	614,500	633,000	652,000
41,800	58,800	46,700	55022	Telemetery Operations	64,000	37	50,000	(22)	52,000	54,000	55,700	57,400	59,200	61,000	62,900	64,800	66,800
247,400	276,600	235,800	55022	Other Operations Costs	312,000	32	263,000	(16)	270,000	277,000	285,600	294,400	303,600	313,100	322,800	332,800	343,100
				Indirect Expenses - Overheads													
1,302,000	1,503,000	1,729,000	55002	Overheads Distributed	1,777,000	3	1,867,000	5	1,923,000	1,981,000	2,040,400	2,101,600	2,164,600	2,229,500	2,296,400	2,365,300	2,436,300
				Debt Servicing													
1,173,600	3,266,700	4,766,800	55006	Interest on Loans	4,656,800	(2)	4,538,300	(3)	4,410,500	4,272,700	4,127,800	3,965,200	3,792,600	3,604,000	3,398,800	3,163,000	2,913,000
				Non-cash Expenses													
3,697,900	2,841,000	2,643,100	55022	Depreciation	2,600,000	(2)	2,450,000	(6)	2,800,000	2,850,000	2,935,500	3,023,600	3,114,400	3,207,900	3,304,200	3,403,400	3,505,600
276,000	1,596,000	20,300		Loss on Disposal of Infrastructure	0	(100)	0	0	0	0	0	0	0	0	0	0	0
474,000	435,600	394,000	55022	Unwinding Interest Free Loan	349,000	(11)	301,000	(14)	249,000	194,000	134,000	69,000	0	0	0	0	0
13,328,900	**17,499,800**	**17,024,400**		**Total Operating Expenses**	**17,145,800**	**1**	**16,569,300**	**(3)**	**16,587,500**	**16,755,000**	**16,880,900**	**17,035,200**	**17,187,000**	**17,403,700**	**17,666,100**	**17,861,800**	**18,055,900**
(878,200)	**(3,713,200)**	**(2,561,600)**		***Operating Result - Surplus / (Deficit)***	**(1,938,400)**	**(24)**	**(758,600)**	**(61)**	**(32,500)**	**825,200**	**1,326,500**	**1,859,400**	**2,423,700**	**2,894,700**	**3,387,900**	**3,992,000**	**4,659,000**
3,697,900	2,841,000	2,643,100		*Add Back Depreciation*	2,600,000	(2)	2,450,000	(6)	2,800,000	2,850,000	2,935,500	3,023,600	3,114,400	3,207,900	3,304,200	3,403,400	3,505,600
276,000	1,596,000	20,300		*Add Back Loss on Infrastructure Disposal*	0	(100)	0	0	0	0	0	0	0	0	0	0	0
474,000	435,600	394,000	55022	*Unwinding Interest Free Loan*	349,000	(11)	301,000	(14)	249,000	194,000	134,000	69,000	0	0	0	0	0
3,569,700	**1,159,400**	**495,800**		***Cash Result - Surplus / (Deficit)***	**1,010,600**	**104**	**1,992,400**	**97**	**3,016,500**	**3,869,200**	**4,396,000**	**4,952,000**	**5,538,100**	**6,102,600**	**6,692,100**	**7,395,400**	**8,164,600**
				Capital Movements													
985,000	985,000	2,384,800		Less Loan Principal Repayments	2,494,700		2,613,200		2,741,000	2,878,800	3,023,700	3,186,200	2,373,900	2,562,400	2,767,700	3,003,500	3,253,000
19,277,900	239,300	0		Less Transfer to Reserves	0		0		0	0	646,300	260,900	0	0	1,290,400	1,685,900	2,123,600
0	6,638,900	8,669,200		Add Transfer from Reserves	8,184,700		4,935,000		1,143,500	1,408,600	0	0	402,800	1,483,800	0	0	0
45,569,200	18,800,000	1,351,900		Add Capital Income	1,122,800		538,800		2,303,000	500,000	1,076,000	564,100	2,444,000	0	0	0	0
28,856,000	25,354,000	8,112,100		Less Capital Expenditure	7,803,400		4,833,000		3,702,000	2,879,000	1,782,000	2,049,000	5,991,000	5,004,000	2,614,000	2,686,000	2,768,000
20,000	**20,000**	**20,000**		***Cash Result after Capital Movements***	**20,000**	**0**	**20,000**	**0**	**20,000**	**20,000**	**20,000**	**20,000**	**20,000**	**20,000**	**20,000**	**20,000**	**20,000**

WASTEWATER - CAPITAL EXPENDITURE

Asset Description	Expenditure Summary												Funding Sources 2014/15				Funding Sources 2015/16				Funding Sources 2016/17				Funding Sources 2017/18			
	Budget Load	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Grants	Sect 64	Loans	Reserves	Grants	Sect 64	Loans	Reserves	Grants	Sect 64	Loans	Reserves	Grants	Sect 64	Loans	Reserves
Wastewater Strategy - Technical																												
Recycled Water - Design		40,000														40,000				0				0				0
Recycled Water - Consultants		1,000														1,000				0				0				0
Ballina Wastewater Treatment Plant																												
Ballina Upgrade - Project Mgmt		40,000														40,000				0				0				0
Ballina - Other																0				0				0				0
Ballina - Civil Const		100,000														100,000				0				0				0
Ballina - Mech Const		100,000														100,000				0				0				0
Ballina - Elect Const		6,000														6,000				0				0				0
Ballina - Commissioning		490,000														490,000				0				0				0
Ballina - Emergency works																												
Ballina - Post Comp Works	W109.999.0401	230,000														230,000				0				0				0
Lennox Head Wastewater Treatment Plant																												
Lennox Head Detailed design		1,500														1,500												
Capacity Upgrade - Other		5,500														5,500				0				0				0
Capacity Upgrade - Elect Const		20,000														20,000				0				0				0
Capacity upgrade- telemetry		3,500														3,500												
Capacity Upgrade - Commission		111,000														111,000				0				0				0
Post Completion Works	W110.999.0401	97,000														97,000				0				0				0
Alstonville WWTP																												
Alstonville Biosolids Mgmt					335,000											0				0				0				335,000
Alstonville Maturation Pond	W96.9999.0401	100,000														100,000				0				0				0
Urban Dual Reticulation (UDR) Program																												
UDR - Project Management																0				0				0				0
Distribution Systems Ballina / Lennox								4,888,000								0				0				0				0
Const Dual Retic Res - Ross Lane									2,462,000							0				0				0				0
Ballina Hghts Booster Pump RWRBP2	W97.9999.0401	222,800												222,800		0				0				0				0
Ballina Heights Boundary adjust		140,000														140,000												
Recycled Water Implementation - Open Space																												
Connection Audits		20,000														20,000				0				0				0
Reuse Ballina Heights Fields			58,000													0				58,000				0				0
OSR Reuse Skennars Head																												
Reuse Saunders Oval		50,000														50,000				0				0				0
Reuse Williams Reserve																0				0				0				0
Alstonville Recycled Water	7508.4890.401	40,000	100,000	50,000												40,000				100,000				50,000				0
Recycled Water Comms	7508.4891.401	50,000	50,000													50,000				50,000				0				0
Kings Court		310,000														310,000												

Wastewater - Capital Expenditure Carried Forward

WASTEWATER - CAPITAL EXPENDITURE (continued)

Asset Description		Expenditure Summary											Funding Sources 2014/15				Funding Sources 2015/16				Funding Sources 2016/17				Funding Sources 2017/18			
		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Grants	Sect 64	Loans	Reserves	Grants	Sect 64	Loans	Reserves	Grants	Sect 64	Loans	Reserves	Grants	Sect 64	Loans	Reserves
Pumping Stations																												
SP3102 - Upgrade Pumps																0				0				0				0
SP2101 - Pump Upgrade																0				0				0				0
Pump Capacity Upgrade Program	W9.9999.0401	580,800	205,000										0	0	0	580,800	0	0	0	205,000				0				0
Emergency Storage Program	W10.9999.0401	0	0										0	0	0	0				0				0				0
SP3001 - Pumps - Byron Street, Lennox	7502.4835.0401	1,000,000	600,000											500,000		500,000		300,000		300,000				0				0
SP3101 - Skennars Emerg Stor / Pump	W111.999.0401	113,000	575,000										0	60,000	0	53,000	0	158,800	0	416,200				0				0
Emergency Storage Pump Stations		842,000												340,000		502,000				0								
SP4106 - Upgrade Pumps - Kays Lane																0				0				0				0
SP2001 - Polyuria Lining - Swift St	W99.9999.0401	40,000	100,000													40,000		50,000		50,000				0				0
SP2009 - Pump Capacity Upgrade																0				0				0				0
SP2202 - Upgrade Pumps - R'course Rd																0				0				0				0
SP2205 - Upgrade Pumps - Piper Drive																0				0				0				0
SP2206 - Upgrade Pumps - Dehav Cr																0				0				0				0
SP2207 - Upgrade Pumps - Sthn Crs Dr																0				0				0				0
SP2210 - Upgrade Pumps - Whiting Way																0				0				0				0
SP4002 - Upgrade Pump St - Coral St																0				0				0				0
SP4001 - Emergency Storage - Granada Pl																0				0				0				0
SP4001 - Storage & Pump Upgrade																0				0				0				0
North Ballina - New Pumping Station							300,000									0				0				0				0
SP2309 - Upgrade Pumps - Anderson St			60,000													0		30,000		30,000				0				0
SP2313 - Storage Capacity Upgrade	W114.9999.0401	0	200,000													0				200,000				0				0
SP3102 - Storage Capacity Upgrade				105,000												0				0				105,000				0
SP3110 - Upgrade Pumps					290,000											0				0				0				290,000
SP3110 - Storage Capacity Upgrade					460,000											0				0				0				460,000
SP2001 - Upgrade Motors - Swift St			80,000													0				80,000				0				0
SP2305 - Storage Capacity Upgrade	W25.9999.0401	20,000														20,000				0				0				0
SP2317 - Pump Capacity Upgrade			33,000													0				33,000				0				0
SP2401 - Pump Capacity Upgrade				62,000												0				0				62,000				0
SP2401 - Storage Capacity Upgrade								363,000								0				0				0				0
SP2402 - Pump Capacity Upgrade								210,000								0				0				0				0
SP2402 - Storage Capacity Upgrade						200,000										0				0				0				0
PMP-BHE-PS3 - SPS to Ballina STP						760,000										0				0				0				0
PMP-BHE-PS3 - Storage New Pump Stn						316,000										0				0				0				0
		Wastewater - Capital Expenditure Carried Forward																										

WASTEWATER - CAPITAL EXPENDITURE (continued)

Asset Description		Expenditure Summary											Funding Sources 2014/15				Funding Sources 2015/16				Funding Sources 2016/17				Funding Sources 2017/18			
		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Grants	Sect 64	Loans	Reserves	Grants	Sect 64	Loans	Reserves	Grants	Sect 64	Loans	Reserves	Grants	Sect 64	Loans	Reserves
Treatment Facility																0				0				0				0
Wastewater Treatment Plant Ballina		60,000														60,000				0				0				0
Wastewater Treatment Plant Lennox		100,000														100,000				0				0				0
Wastewater Treatment Plant Alstonville		10,000														10,000				0				0				0
Wastewater Treatment Plant Wardell		10,000														10,000				0				0				0
Wastewater Treatment Plant Ballina Solar		752,100														752,100				0				0				0
Trunk Mains																												
SP2001 - Rising Main - Swift St	7506.4894.0401	0														0				0				0				0
New Rising Main Nth Ballina to Ballina		491,000														491,000				0				0				0
SPN B2 Rising Main North Ballina							240,000									0				0				0				0
Diversion of Ballina Heights to Ballina		260,000														260,000				0				0				0
SP3110 - Parallel Gravity Main - Hutley Dr					400,000											0				0				0				400,000
Rising Main - Skennars Ridge Sthn	W101.9999.0401	16,000														16,000				0				0				0
Contingency - Wollongbar																0				0				0				0
SP4004 - Gravity Trunk Main A'ville																0				0				0				0
SP4006 - Gravity Trunk Main A'ville	W102.9999.0401	50,000														50,000				0				0				0
WUEA Transfer Mains	W103.9999.0401	50,000	300,000	1,343,000												50,000				300,000		1,343,000		0				0
SP2301 Duplicate Gravity Main East Ballina	W104.9999.0401	0		400,000	400,000											0				0				400,000				400,000
SP2102 New Gravity Main West Ballina							410,000									0				0		0		0				0
SP2101 Duplicate Gravity Main West Ballina				140,000												0				0				140,000				0
Alstonville STW Gravity Main			200,000	960,000												0				200,000		960,000		0				0
SP2402 New Sewer RM 300mm				160,000												0				0				160,000				0
Rising Main - 300mm to BHE - PS3																0				0				0				0
Aville Wbar Recycle Connect		40,000														40,000												
SP 2001 Rising Main Rehab Swift Street		240,000														240,000												
Rising Main - 300mm to BHE - PS3							365,000									0				0				0				0
Rising Main Nth Creek SPS Skennars Hd							200,000									0				0				0				0
SP3004 - New Rising Main Lennox Hd							10,000									0				0				0				0
SPS1 - New Rising Main Lennox Hd							6,000									0				0				0				0
SP3001 - New Rising Main Lennox Hd					500,000											0				0				0		500,000		0
SP3111 - New Rising Main Lennox Hd	W105.9999.0401	28,200														28,200				0				0				0
Wastewater Mains - Renewals																												
Gravity Pipe Rehabilitation		31,000														31,000				0				0				0
Inflow and Infiltration - Renewals		10,000														10,000				0				0				0
inflow and infiltration - Renewals	W106.9999.0401	412,000	422,000	430,000	440,000	450,000	460,000	470,000	480,000	490,000	500,000	520,000				412,000				422,000				430,000				440,000
Main Renewal Longer Term									2,000,000	2,060,000	2,120,000	2,180,000				0				0				0				0
Plant and Equipment																												
Telemetry Installation		42,000														42,000				0				0				0
Reverse Osmosis Plant	W107.9999.0401	200,000	1,800,000													200,000				1,800,000				0				0
Plant Replacement Sewer	7512.4985.8800	227,000	50,000	52,000	54,000	56,000	58,000	60,000	62,000	64,000	66,000	68,000				227,000				50,000				52,000				54,000
Other Miscellaneous Works																												
Backlog																0				0				0				0
Technical Consultancies- Recycled Water		0														0												
Total Capital Expenditure		**7,803,400**	**4,833,000**	**3,702,000**	**2,879,000**	**1,782,000**	**2,049,000**	**5,991,000**	**5,004,000**	**2,614,000**	**2,686,000**	**2,768,000**	**0**	**1,122,800**	**0**	**6,680,600**	**0**	**538,800**	**0**	**4,294,200**	**0**	**2,303,000**	**0**	**1,399,000**	**0**	**500,000**	**0**	**2,379,000**

4.2 Property Reserves - Cash Flow Update

Delivery Program	Governance and Finance
Objective	To provide an update on Council's Property Reserves.

Background

Council's property reserves are an important component of our financial position as income from these reserves has helped to funded major community infrastructure and property development projects over the past forty years. This report provides an update on the status of those reserves.

Key Issues

- Funds available
- Forward financial planning

Information

Council has two major property related reserves being the Community Infrastructure Reserve and the Property Development Reserve.

The funds held in the Community Infrastructure Reserve are typically applied to community infrastructure projects (surf clubs, sports fields, community buildings etc).

The funds held in the Property Development Reserve are applied to activities that generate non-standard revenues (land sales, commercial property rentals etc).

A component of the revenues from the Property Development is often transferred to the Community Infrastructure Reserve to assist in the provision of community infrastructure.

The two attachments to this report represent the latest updates for those reserves and an outline of the information in those attachments is as follows.

Community Infrastructure Reserve (attachment one)

For 2014/15 the various items identified in the cash inflows and outflows represent long standing movements for this reserve, including:

a) rentals from commercial properties such as 89 Tamar Street
b) expenditure on a range of community infrastructure projects and
c) the repayment of loans relating to the Ballina Town Centre Beautification projects.

For 2015/16 onwards there are a number of changes included in this preliminary forecast that vary from Council's last review of this reserve. The major variations for 2015/16 and 2016/17 are outlined in the following table.

Community Infrastructure Reserve - Variations

Item	2015/16 Current	2015/16 Revised	2016/17 Current	2016/17 Revised
Cash Inflows				
Community Infrastructure Dividend	2,300,000	0	300,000	2,000,000
Sale – ARC Residual	365,000	455,000	0	0
Cash Outflows				
Ballina Sports and Events Centre	0	250,000	0	
Marine Rescue Centre	0	825,500	0	0
Shaws Bay Mgmt Plan	0	0	0	75,000
Community Infrast (from Prop Dev)	1,450,000	0	300,000	2,000,000

The two "Current" columns represent the forecast figures presented to Council at the 28 August 2014 Ordinary meeting (which was the last major review of these reserves), whereas the "Revised" figures represent the information that has been included in Council's updated LTFP as per the following report in this agenda.

Explanations for the variances are as follows:

- Community Infrastructure Dividend – This represents a transfer from the Property Development Reserve. Unfortunately major land sales predicted for this year, such as two large parcels of land at the Russellton Industrial Estate, do not look like eventuating and this being the case the land sale proceeds have been pushed back one year in the Property Development Reserve summary, as outlined later in this report. This means there is insufficient funds for the $2.3m Community Infrastructure Dividend originally forecast for 2015/16, with a $2m transfer now forecast for 2016/17.

- Sale – ARC Residual – Negotiations are well advanced in respect to the sale of the total of the residual land at the Southern Cross Industrial Estate adjacent to the ARC building. The revised income figure represents 50% of the estimated sale price with the balance of the funds being allocated to the Property Development Reserve. Part of these sale proceeds may be realised in this current financial year, however to be conservative the total sales have been included in 2015/16.

- Ballina Sports and Events Centre – An amount of $250,000 has been transferred from the 2014/15 budget to 2015/16 in Council's latest Quarterly Capital Expenditure Update at the January 2015 Ordinary meeting. This reflects the likely timing of the expenditure of these funds.

- Marine Rescue Centre - An amount of $825,500 has been transferred from the 2014/15 budget to 2015/16 in Council's latest Quarterly Capital Expenditure Update at the January 2015 Ordinary meeting. This again reflects the likely timing of the expenditure on this project.

- Shaws Bay Mgmt Plan – Council has prepared an updated Shaws Bay Management Plan and as part of the report to Council on that Plan a ten year funding strategy was identified. Revenues from the Community Infrastructure Reserve formed part of that funding strategy and the funds identified now are included in this revised cash flow.

- Community Infrastructure (from Prop Dev) – This represents funds available for other community infrastructure projects, assuming that the dividends are received from the Property Development Reserve.

  The forecast was for $1.45m to be available in 2015/16 and $300,000 in 2016/17, however based on the latest cash flows for the Property Development Reserve there is $2.0m allocated in 2016/17 only.

  The Council's Delivery Program for the current year had allocated the $1.45m and $300,000 as follows:

Item	**2015/16**	**2016/17**
Skennars Head Sports Fields	1,200,000	0
Missingham Car Park	250,000	0
Ballina Town Entry Master Plan	0	300,000

  With no funds now likely to be available in 2015/16 the allocation of this future dividend could be as follows.

Item	**2015/16**	**2016/17**
Skennars Head Sports Fields	0	1,250,000
Missingham Car Park	0	250,000
Ballina Town Entry Master Plan	0	300,000
To be determined	0	200,000

  The next Finance Committee meeting should have a report on all the various priorities for non-recurrent community infrastructure projects and Council will have a chance to review the various priorities as part of that report.

In summary the major community infrastructure projects funded in 2015/16 from this reserve are the Marine Rescue Centre ($825,500) and the Coastal Shared Path ($850,000).

The Coastal Shared Path figure of $850,000 represents 50% of the segment from Skennars Head Road, then along the eastern side of The Coast Road to Pat Morton Lookout. This is the last major segment of the shared path project (both east and west), where funding has not yet been confirmed.

The plan with this segment is to seek 50% of the total estimated cost ($1.7m) from the NSW State Government in their 2015/16 RMS funding program and complete the works that year.

From our on-going discussions with the RMS it appears unlikely that we will receive the full amount in 2015/16 and they have been indicating that they may allocate the funds required over 2015/16 and 2016/17. This would allow the works to commence around May 2016 and then be completed in the following financial year (July / August 2016).

At this stage the $850,000 remains in the cash flow as Council will need this funding in 2015/16 or possibly over 2015/16 and 2016/17.

Once the funds are allocated to these projects the remaining forecast balance for the reserve for 2015/16 is minimal, leaving little in the way of funds in 2015/16 for other community based projects.

Property Development Reserve (attachment two)

The movements in this reserve for 2014/15 are generally as originally adopted by Council with revenues and expenses on track. This is pleasing considering that Council has $2m worth of land sales as cash inflows for 2014/15.

At this stage the focus is on predicted cash flows for 2015/16 as it is essential that Council does not have funds being expended from this reserve, on the assumption sales may happen.

Therefore we need to be conservative in our cash flows and only incur expenditures after incomes are realised. The major variations for 2015/16 and 2016/17 are outlined in the following table.

Property Development Reserve - Variations

Item	2015/16 Current	2015/16 Revised	2016/17 Current	2016/17 Revised
Cash Inflows				
Sale – Alstonville Tennis Courts	1,500,000	0	0	1,500,0000
Sale – ARC Residual	365,000	455,000	0	0
Sale – Russellton Major Sales	1,500,000	0	0	1,500,000
Cash Outflows				
Community Infrastructure Dividend	2,300,000	0	300,000	2,000,000

Explanations for the variances are as follows:

- Sale – Alstonville Tennis Courts – Income deferred to 2016/17 as there is currently little interest in the sale of this land

- Sale – ARC Residual – As per the comments for the Community Infrastructure Reserve.

- Sale – Russellton Major Sales – This was an allowance for the sale of two major parcels of land that again has not eventuated. Part of these proceeds relate to rectifying zoning issues and encroachments in this Estate. As per the Tennis Courts, the sale has been deferred to 2016/17.

- Community Infrastructure Dividend – This represents the revised dividend to the Community Infrastructure assuming the predicted sales do eventuate.

Significant funds are still allocated to expenditure on development projects such as the next stage of the Russellton Industrial Estate and the Wollongbar Residential Estate and any expenditure on those projects will be subject to further reporting to Council.

Legal / Resource / Financial Implications

As per the information section of this report

Consultation

Staff have been consulted in respect to the preparation of the cash flows.

Options

This report is for noting to highlight the current status of Council's property reserves. The information in this report has been included in Council's latest update of our Long Term Financial Plan, which is outlined in the following report in this agenda, titled "Special Rate Variation Application – Update".

RECOMMENDATION

That Council notes the contents of this report in respect to the latest forecast movements for the Property Reserves.

Attachment(s)

1. Community Infrastructure Reserve Cash Flow
2. Property Development Reserve Cash Flow

Cash Flow - Community Infrastructure Reserve - Forward Financial Plan
Updated as at January 2015 (Presented to Febuary 2015 Finance Committee Meeting)

Item	2011/12 Actual	2012/13 Actual	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Opening Balance	**4,453,800**	**3,259,500**	**2,718,400**	**2,946,600**	**1,229,600**	**182,000**	**527,900**	**857,400**	**906,100**	**787,300**	**698,900**	**633,900**	**679,600**	**841,400**
Add: Cash Inflows														
Interest Accrued	355,000	121,000	17,900	70,000	31,000	5,000	13,000	21,000	23,000	20,000	17,000	16,000	17,000	21,000
Community Infrastructure Dividend	0	0	0	0	0	2,000,000	1,700,000	3,300,000	300,000	300,000	200,000	200,000	200,000	200,000
Int Loan Repaid - Flat Rock	41,000	41,300	0	0	0	0	0	0	0	0	0	0	0	0
Int Loan Repaid - Plant	33,500	33,800	0	0	0	0	0	0	0	0	0	0	0	0
Int Loan Repaid - Street Lighting	33,000	36,500	53,500	0	0	0	0	0	0	0	0	0	0	0
Legals	0	0	0	600,000	0	0	0	0	0	0	0	0	0	0
Rate Revenue - Roundabouts (30%)	308,000	0	0	0	0	0	0	0	0	0	0	0	0	0
Rental - 89 Tamar St (100%)	641,000	656,000	760,200	644,000	634,300	653,300	653,300	672,900	672,900	693,100	713,900	735,300	735,300	735,300
Rental - ARC (50%)	156,000	158,500	163,500	166,500	171,500	176,000	181,300	186,700	192,300	198,100	204,000	210,100	216,400	222,900
Rental - Fawcett Pk (100%)	65,000	0	0	46,000	46,800	48,200	49,600	51,100	52,600	54,200	55,800	57,500	59,200	61,000
Fawcett Park Café - Insurance Claim	0	0	75,000	0	0	0	0	0	0	0	0	0	0	0
Sale - ARC Residual (50%)	0	250,000	262,500	0	455,000	0	0	0	0	0	0	0	0	0
Sale - Harvey Norman Sale (Part)	1,780,000	0	0	0	0	0	0	0	0	0	0	0	0	0
Sale - Land Adjoining BP (50%)	0	0	250,000	0	0	0	0	0	0	0	0	0	0	0
Sale - Southern Cross Sale	400,000	0	0	0	0	0	0	0	0	0	0	0	0	0
Section 94 - Recouped	447,200	631,300	845,200	103,000	106,000	110,000	113,000	116,000	119,000	123,000	127,000	131,000	135,000	139,000
Sub Total	**4,259,700**	**1,928,400**	**2,427,800**	**1,629,500**	**1,444,600**	**2,992,500**	**2,710,200**	**4,347,700**	**1,359,800**	**1,388,400**	**1,317,700**	**1,349,900**	**1,362,900**	**1,379,200**
Less: Cash Outlays														
Operating Expenditure														
Development Application Refund	27,000	0	0	0	0	0	0	0	0	0	0	0	0	0
Donations	0	5,000	0	0	0	0	0	0	0	0	0	0	0	0
Fawcett Park Café - Operating Expenses	0	33,000	17,700	0	0	0	0	0	0	0	0	0	0	0
Henderson Farm - Consents	0	2,000	0	0	0	0	0	0	0	0	0	0	0	0
Master Plan - Captain Cook Park	60,000	0	15,000	0	0	0	0	0	0	0	0	0	0	0
Master Plan - Kingsford Smith Park	0	0	18,000	0	0	0	0	0	0	0	0	0	0	0
Property Investigations	20,000	0	0	0	0	0	0	0	0	0	0	0	0	0
Sharpes Beach Masterplan	40,000	0	0	0	0	0	0	0	0	0	0	0	0	0
Sub Total	**147,000**	**40,000**	**50,700**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Infrastructure														
Animal Shelter	280,000	0	0	0	0	0	0	0	0	0	0	0	0	0
Ballina Cenotaph	0	0	0	25,000	0	0	0	0	0	0	0	0	0	0
Ballery Gallery	0	0	55,000	0	0	0	0	0	0	0	0	0	0	0
Ballina Sports and Events Centre	34,000	26,000	18,000	33,000	250,000	0	0	0	0	0	0	0	0	0
Ballina Surf Club	746,000	1,682,000	995,000	467,000	0	0	0	0	0	0	0	0	0	0
Coastal Shared Path	324,900	0	0	0	850,000	0	0	0	0	0	0	0	0	0
Fawcett Park Café - Mtce and Refurbishment	0	34,000	154,000	0	0	0	0	0	0	0	0	0	0	0
Lennox Head Rural Fire Shed	0	72,000	0	0	0	0	0	0	0	0	0	0	0	0
Lennox Head Community Centre	382,000	73,000	0	20,000	0	0	0	0	0	0	0	0	0	0
Loan Repayments Community Infrastructure	428,100	501,500	557,600	562,000	566,700	571,600	576,700	499,000	178,600	176,800	182,700	104,200	1,100	1,100
Main Street - Ballina	1,500,000	0	0	0	0	0	0	0	0	0	0	0	0	0
Marine Rescue Centre	0	21,000	100,000	53,500	825,500	0	0	0	0	0	0	0	0	0
Newrybar Hall	5,000	0	0	0	0	0	0	0	0	0	0	0	0	0
River Street - 139 Refurbishment	0	0	54,200	0	0	0	0	0	0	0	0	0	0	0
Shaws Bay Management Plan	0	0	0	0	0	75,000	104,000	0	0	0	0	0	0	0
Shellys on the Beach - Land Purchase	0	0	56,600	260,000	0	0	0	0	0	0	0	0	0	0
Sports Fields - Skennars Head	21,000	20,000	0	0	0	0	0	0	0	0	0	0	0	0
Sports Fields - Wollongbar	1,573,000	0	0	1,684,000	0	0	0	0	0	0	0	0	0	0
Street Lighting	13,000	0	0	0	0	0	0	0	0	0	0	0	0	0
Swimming Pools	0	0	0	200,000	0	0	0	0	0	0	0	0	0	0
Tamar Street - 89 Refurbishment	0	0	138,500	42,000	0	0	0	0	0	0	0	0	0	0
Wardell Hall	0	0	20,000	0	0	0	0	0	0	0	0	0	0	0
Community Infrastructure (from Prop Develop)	0	0	0	0	0	2,000,000	1,700,000	3,300,000	300,000	300,000	200,000	200,000	200,000	200,000
Community Infrastructure	0	0	0	0	0	0	0	500,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Sub Total	**5,307,000**	**2,429,500**	**2,148,900**	**3,346,500**	**2,492,200**	**2,646,600**	**2,380,700**	**4,299,000**	**1,478,600**	**1,476,800**	**1,382,700**	**1,304,200**	**1,201,100**	**1,201,100**
Total Outlays	**5,454,000**	**2,469,500**	**2,199,600**	**3,346,500**	**2,492,200**	**2,646,600**	**2,380,700**	**4,299,000**	**1,478,600**	**1,476,800**	**1,382,700**	**1,304,200**	**1,201,100**	**1,201,100**
Closing Balance	**3,259,500**	**2,718,400**	**2,946,600**	**1,229,600**	**182,000**	**527,900**	**857,400**	**906,100**	**787,300**	**698,900**	**633,900**	**679,600**	**841,400**	**1,019,500**

Cash Flow - Property Development Reserve - Forward Financial Plan
Updated as at January 2015 (Presented to Febuary 2015 Finance Committee Meeting)

Item	2011/12 Actual	2012/13 Actual	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Opening Balance	**303,500**	**4,438,100**	**4,613,900**	**3,777,600**	**1,950,100**	**1,088,500**	**2,251,100**	**2,115,500**	**1,575,700**	**1,472,500**	**1,359,800**	**1,344,600**	**1,330,500**	**1,295,400**
Add: Cash Inflows														
Interest Accrued	261,000	178,000	181,200	103,000	49,000	27,000	56,000	53,000	39,000	37,000	34,000	34,000	33,000	32,000
Internal Loans Repaid - Waste	288,500	0	0	0	0	0	0	0	0	0	0	0	0	0
Rental - Norfolk Homes	133,600	136,500	140,000	145,000	150,000	154,500	159,100	163,900	168,800	173,900	179,100	184,500	190,000	195,700
Rental - ARC (50%)	156,000	158,500	163,500	166,500	171,500	176,000	181,300	186,700	192,300	198,100	204,000	210,100	216,400	222,900
Sale - Alstonville Tennis Courts	0	0	0	0	0	1,500,000	0	0	0	0	0	0	0	0
Sale - Alstonville Plaza	0	0	0	180,000	0	0	0	0	0	0	0	0	0	0
Sale - ARC Residual (50%)	0	269,000	302,500	0	455,000	0	0	0	0	0	0	0	0	0
Sale - Balance Skennars Hd	0	0	400,700	0	0	0	0	0	0	0	0	0	0	0
Sale - Harvey Norman	4,246,000	0	0	0	0	0	0	0	0	0	0	0	0	0
Sale - North Creek Road Residual	0	0	0	150,000	0	0	0	0	0	0	0	0	0	0
Sale - Land Adjoining BP (50%)	0	0	250,000	0	0	0	0	0	0	0	0	0	0	0
Sale - Russellton (Major Sales (Two))	0	0	0	0	0	1,500,000	0	0	0	0	0	0	0	0
Sales - Russellton (Standard Lots)	0	413,000	0	0	0	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Sales - Southern Cross (Standard Lots)	0	0	0	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Sales - WUEA (Standard Lots)	0	0	0	2,000,000	3,000,000	3,000,000	3,000,000	2,600,000	0	0	0	0	0	0
Sub Total	**5,085,100**	**1,155,000**	**1,437,900**	**2,994,500**	**4,075,500**	**6,757,500**	**3,796,400**	**3,403,600**	**800,100**	**809,000**	**817,100**	**828,600**	**839,400**	**850,600**
Less: Cash Outlays														
Operating Expenditure														
Internal Overheads - Southern Cross	132,400	67,000	69,000	34,000	43,000	44,300	45,600	47,000	48,400	49,900	51,400	52,900	54,500	56,100
Internal Overheads - Russellton	60,000	80,000	66,000	32,000	40,000	41,200	42,400	43,700	45,000	46,400	47,800	49,200	50,700	52,200
Internal Overheads - WUEA	0	0	75,000	37,000	46,000	47,400	48,800	50,300	51,800	53,400	55,000	56,700	58,400	60,200
Russellton - Operating Exps	35,400	30,000	8,500	14,500	25,000	25,800	26,600	27,400	28,200	29,000	29,900	30,800	31,700	32,700
Southern Cross - Operating Exps	65,600	66,000	59,200	216,000	160,000	60,000	62,000	64,000	66,000	68,000	70,000	72,000	74,000	76,000
WUEA - Operating Expenses	7,200	15,000	10,300	43,000	48,000	49,400	50,900	52,400	0	0	0	0	0	0
Sub Total	**300,600**	**258,000**	**288,000**	**376,500**	**362,000**	**268,100**	**276,300**	**284,800**	**239,400**	**246,700**	**254,100**	**261,600**	**269,300**	**277,200**
Community Infrastructure														
Animal Shelter	0	0	370,000	0	0	0	0	0	0	0	0	0	0	0
Ballina Surf Club	0	0	228,000	0	0	0	0	0	0	0	0	0	0	0
Wollongbar Sports Fields	0	0	0	400,000	0	0	0	0	0	0	0	0	0	0
Community Infrastructure Dividend	0	0	0	0	0	2,000,000	1,700,000	3,300,000	300,000	300,000	200,000	200,000	200,000	200,000
Sub Total	**0**	**0**	**598,000**	**400,000**	**0**	**2,000,000**	**1,700,000**	**3,300,000**	**300,000**	**300,000**	**200,000**	**200,000**	**200,000**	**200,000**
Property Projects														
Airport Lease Investigations	0	0	0	110,000	0	0	0	0	0	0	0	0	0	0
ARC Residual - Selling Costs	0	0		0	0	0	0	0	0	0	0	0	0	0
Bridge Club Sale Legals	42,000	0	0	0	0	0	0	0	0	0	0	0	0	0
Lennox Head Comm Centre Legals	0	0	165,800	0	0	0	0	0	0	0	0	0	0	0
North Creek Dredging	5,000	0	0	0	0	0	0	0	0	0	0	0	0	0
North Creek Road (54)	0	0	0	20,000	0	0	0	0	0	0	0	0	0	0
Russellton - Development	60,400	0	86,000	85,000	1,800,000	0	0	0	0	0	0	0	0	0
Southern Cross - Development	198,000	115,000	0	80,000	0	0	1,600,000	0	0	0	0	0	0	0
Southern Cross - Masterplan	63,000	110,000	51,500	0	0	0		0	0	0	0	0	0	0
Wigmore Arcade	0	0	219,200	1,840,000	0	0	0	0	0	0	0	0	0	0
WUEA - Development	0	48,000	256,700	1,343,000	2,300,000	3,000,000		0	0	0	0	0	0	0
WUEA - Stage Two Pre-planning	0	0	0	100,000	0	0		0	0	0	0	0	0	0
Sub Total	**368,400**	**273,000**	**779,200**	**3,578,000**	**4,100,000**	**3,000,000**	**1,600,000**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Dividends														
General Fund	281,500	448,200	609,000	467,500	475,100	326,800	355,700	358,600	363,900	375,000	378,200	381,100	405,200	422,400
Total Outlays	**950,500**	**979,200**	**2,274,200**	**4,822,000**	**4,937,100**	**5,594,900**	**3,932,000**	**3,943,400**	**903,300**	**921,700**	**832,300**	**842,700**	**874,500**	**899,600**
Closing Balance	**4,438,100**	**4,613,900**	**3,777,600**	**1,950,100**	**1,088,500**	**2,251,100**	**2,115,500**	**1,575,700**	**1,472,500**	**1,359,800**	**1,344,600**	**1,330,500**	**1,295,400**	**1,246,400**

4.3 Special Rate Variation Application - Update

Delivery Program	Governance and Finance
Objective	To provide an update on Council's application for a special rate varation to finance the upgrades of the Alstonville and Ballina swimming pools.

Background

Council resolved at the November 2014 Ordinary meeting to apply to the State Government, through IPART, for a special variation in our rate income of 5.41% in 2015/16 and 5.34% in 2016/17 to fund a program of approximately $8m worth of refurbishment and upgrade works at the Ballina and Alstonville swimming pools.

Council's application to IPART is due on Monday 16 February 2015 and the purpose of this report is to provide an update on that application.

Key Issues

- Status of application
- Actual rate pegging limit for 2014/15

Information

The first attachment to this report is Part B of the Special Variation Application form, as required by IPART.

Part B is an extensive document providing information on items such as the decision making process and the outcomes from the consultation process. This document provides an overview of why Council is applying for the special variation. The appendices for that document have not been attached to save paper.

In preparing the special variation application the current General Fund Long Term Financial Plan (LTFP) has been reviewed with respect to 2015/16 onwards. This has been necessary to model the impact of the special variation on Council's LTFP, along with helping to understand the overall financial position of the General Fund, especially considering the continued impact of the Federal Government's decision to freeze the Financial Assistance Grant for three years (i.e. 2014/15 to 2016/17).

The second attachment to this report is an abridged version of the latest update of the General Fund LTFP. This document is important as it highlights the difficulties that are being encountered in preparing the forward financial plan due to the on-going financial pressures being placed on Council. This is also relevant when considering the next report in this agenda, which refers to the NSW State Government's Fit for the Future Program.

The forecast operating result for the General Fund as per that document, along with the net movement in Unrestricted Working Capital, as per that second attachment is as follows.

Forecast General Fund Operating Result and Working Capital

Year	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Operating Revs										
Rates and Charges	24,065	25,364	26,687	27,631	28,618	29,632	30,678	31,768	32,891	34,047
User Charges/Fees	9,632	9,759	10,009	10,292	10,524	10,788	11,033	11,312	11,571	11,838
Investment Revs	1,213	1,037	1,058	1,181	1,328	1,268	1,319	1,386	1,427	1,527
Operating Grants	6,730	6,430	6,430	7,026	7,585	7,653	7,774	7,900	8,037	8,204
Other Revenues	5,643	5,603	5,872	5,998	6,178	6,343	6,534	6,707	6,908	7,091
Sub Total	**47,283**	**48,193**	**50,056**	**52,129**	**54,234**	**55,683**	**57,337**	**59,073**	**60,832**	**62,706**
Operating Exps										
Employee Costs	15,230	15,703	16,191	16,694	17,212	17,747	18,298	18,866	19,452	20,056
Materials/Contracts	19,993	16,033	14,769	15,529	15,652	16,092	16,570	17,069	17,588	17,999
Borrowing Costs	1,808	1,912	1,953	1,730	2,094	2,262	2,058	1,841	1,648	1,502
Depreciation	14,668	13,516	13,940	14,338	14,764	15,203	15,655	16,120	16,600	17,094
Other Expenses	5,519	5,575	5,982	5,865	6,045	6,231	6,683	6,619	6,822	7,031
Sub Total	**57,218**	**52,739**	**52,835**	**54,155**	**55,768**	**57,534**	**59,263**	**60,516**	**62,110**	**63,682**
Result (Deficit)	**(9,936)**	**(4,547)**	**(2,779)**	**(2,026)**	**(1,534)**	**(1,851)**	**(1,926)**	**(1,443)**	**(1,277)**	**(975)**
Working Capital	**(163)**	**(198)**	**(347)**	**(258)**	**(223)**	**(83)**	**(27)**	**4**	**105**	**200**

The operating result for General Fund remains at a deficit of around $1m to $2m for the majority of the ten year forecast. This represents a major improvement from the current year (2014/15) for the following reasons:

- The forecast deficit for the current year result can be somewhat overstated as incomplete projects that relate to operating expenses have been carried forward from 2013/14. These projects are funded by transfers from reserves and this funding does not show in the operating result. Council's original adopted budget for 2014/15 estimated an operating deficit of $9.1m, so this helps to highlight the impact that carry forward projects can have on the forecast operating deficit. This tends to occur every year and most likely the forecast 2014/15 result will be better than predicted due to operating expense projects being incomplete at the end of the current financial year.

- Depreciation assumptions have been extensively reviewed with the forecast for 2015/16 now $1.1m less than the current year and around $2m less than 2013/14. The updated current year figures are included in the December 2014 Quarterly Financial Review, which will be reported to the February 2015 Ordinary meeting.

- Council's road resealing and heavy patching budgets have been transferred from operating expenses to capital expenditure from 2015/16 onwards to reflect a more consistent approach with other councils in respect to this expenditure. This represents budgets totalling approximately $1.1m that are now no longer included in operating expenses (now in capital). This adjustment for 2014/15 has not yet occurred which means there is a significant improvement between 2014/15 and 2015/16.

- The forecast includes the special variation application revenues which are just under $1m per annum. Only the interest payable on the new loans is included in the operating result (principal repayment is a capital movement) which means there is a reasonable improvement to the forecast deficit from this special variation.

These types of adjustments total around $4m to $5m and as per the estimated results for 2017/18 onwards, Council's operating deficit is forecast to reduce to around $1m to $2m per annum.

The options in respect to addressing this deficit are outlined in the Fit for the Future report that follows in this agenda.

In respect to the estimated working capital result, which is effectively our net movement in cash, it is also forecast to remain in deficit for the next few years as per the following table.

Year	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Working Capital	(163)	(198)	(347)	(258)	(223)	(83)	(27)	4	105	200

In order to achieve a reasonable deficit of $198,000 for 2015/16 the attached LTFP includes the following adjustments.

a) Vacant Salary Positions

In adopting the 2014/15 budget Council resolved to place a number of vacant positions on hold and the current draft budget for 2015/16 follows a similar approach.

The positions deferred, for 2014/15 and 2015/16 are as follows, with the figures inclusive of oncosts.

Description	**2014/15**	**2015/16**
Strategic Planner – Three days per week position	46,700	50,000
Building Surveyor – 2.5 days not allocated in 14/15	51,400	0
Environmental Health Officer – 2.5 days not allocated	0	54,000
Finance Officer – Two days per week position	25,500	29,000
Depot Officer – 2.5 days not allocated	30,800	35,700
GIS Officer – Five days not allocated in 2014/15	62,000	0
Total	**216,400**	**168,700**

For 2015/16, as per this table, it is recommended that Council replace the vacant GIS officer position and fund the balance of the Building Surveyor position.

The GIS position is needed to continue to generate efficiencies across the organisation through improved and better use of technology. The benefits of technology efficiency are outlined in Section 7 of the Part B attachment to this report.

Essentially many Council functions relate to a point or points on the ground, and GIS allows the storage and analysis of information based on spatial characteristics (location). GIS is rapidly becoming the central portal for many councils to publish information to their communities as most customer enquiries relate to a specific place, parcel of land, or object.

Storage of accurate spatial data, in particular that related to underground assets, provides significant efficiencies for staff in terms of more informed decision making through improved data analysis capability and more accurate on the ground asset location.

The increased use of mobile devices by staff also provides an opportunity for increased efficiencies in terms of field-based access to the GIS systems, however without backroom staff to develop and maintain the data in the first instance, the full benefits cannot be realised

As approximately 40% of the GIS position is financed from self funded areas such as water and wastewater the net impact on the General Fund budget is only $37,000. Therefore Council approval is now sought to replace the position.

In respect to the Building Surveyor position this was 50% financed during 2014/15 and casual labour and overtime has been applied to the expenditure of these monies. The workload for the building services section has increased significantly during the past 18 months with income increasing from $598,000 in 2012/13 to $893,100 in 2013/14 and $990,000 now forecast for 2014/15, with income tracking above budget ($659,000 actual as at 27 January).

The current LTFP includes a forecast of $970,000 for 2015/16 in building income and on balance it is considered that Council now needs to permanently replace the currently vacant position position. The recruitment will focus on a graduate / junior position to allow that person to be trained over time. Importantly some of our senior building surveyors are approaching retirement age and we need to be planning for their departure from Council.

Based on the remaining funds available in the 2014/15 budget and the 2015/16 LTFP the Development and Environmental Health Group currently has vacancies for the remaining 2.5 days for the Environmental Health Officer ($54,000), three days for the On-site Septic System Officer ($46,000) and three days for a Development Assessment Planner ($46,000).

The Group Manager is currently reviewing the various options available (i.e. combining positions, use of trainees etc) to determine the preferred recruitment options for the funding available.

b) Less than CPI increases for major revenue funded areas

The high expenditure revenue funded areas of Council such as roads and open spaces are currently only showing, on average a 1% increase in budgets for 2015/16 as per the following table.

Item	2014/15	2015/16	2015/16 (2.5%)
Roads			
Urban Roads - Maintenance and Repairs			
Urban Road Reserves Operations	59,000	59,500	60,500
Urban Road Reserves Maintenance	30,500	31,000	31,300
Roadside Maintenance Coast Road	20,000	20,200	20,500
Urban Roads Operations	296,000	300,000	303,400
Urban Unsealed Roads Operations	36,000	36,500	36,900
Urban Roads Maintenance	266,000	268,000	272,700
Ballina Bypass Works	0	0	0
Sealed Rural Roads - Maintenance			0
Rural Road Reserves Operations	320,000	322,000	328,000

Item	2014/15	2015/16	2015/16 (2.5%)
Rural Road Reserves Maintenance	155,000	157,000	158,900
Rural Road Sealed Operations	116,000	117,000	118,900
Rural Road Sealed Maintenance	530,000	535,000	543,300
Unsealed Rural Roads - Maintenance			0
Gravel Roads Operations	28,000	28,300	28,700
Gravel Roads Maintenance	615,000	620,000	630,400
Bridges			
Bridges Rural Sealed	20,000	20,000	20,500
Street Cleaning			
Street and Gutter - Street Sweeper	247,000	250,000	253,200
Main Street - Cleaning - Alstonville	32,000	32,500	32,800
Main Street - Cleaning - Ballina	32,000	32,500	32,800
Sub Total	2,802,500	2,829,500	2,872,800
Open Spaces Operations	**1,258,000**	**1,276,000**	**1,289,500**
Total	**4,060,500**	**4,105,500**	**4,162,300**

As per these figures Council would need to increase the current deficit by approximately $60,000 to allow these high priority areas to be increased by at least CPI. Wages represent around one third of these budgets and with the Local Government Award increasing by 2.7% the average 1% increase represents a reduction in funding.

When allocating funds to other programs Councillors need to be mindful that these key service areas, which represent high levels of importance to the community (roads number one in most recent survey) should always be one of the first areas allocated funding due to the essential nature of the services provided.

c) No CPI increase for a large number of budgets.

Numerous budgets have not had any increase, which means in real terms those budgets are also decreasing in value.

Generally consumable related items such as electricity, Council rates and charges (higher than CPI), telecommunications etc have been increased in line with or above CPI, however items where Council may have a higher level of control over the expenditure, such as advertising, consultancies, certain items of maintenance, have not been increased.

Cumulatively all of these changes will continue to place increased pressure on Council's service levels.

This leads to the final point in this report in that the LTFP assumes the special variation application will be approved by the State Government. If it is not approved Council will need to remove the higher than rate pegging income increases for 2015/16 and 2016/17, along with the matching works program (i.e. pools redevelopment).

The actual rate pegging increase approved by the State Government for 2015/16 is 2.4%, whereas Council's community consultation for the special rate application assumed a 3% increase with an additional 2.41% to finance the loan repayments for the swimming pools (5.41% in total for 2015/16) and an additional 2.34% (3% plus 2.34% for 5.34%) in 2016/17.

This variation between the 2.4% actual limit and the 3.0% for 2015/16 included in the community consultation was discussed with IPART, who advised that as this issue regularly arises due to the timing of the community consultation processes and the release of the rate pegging limit, the consistent advice from IPART to councils is that they should apply for the figure included in the consultation, as this essentially was the information provided to the community.

If the actual rate pegging limit in the LTFP is reduced to 4.81% for 2015/16 (being the 5.41% proposed less the 0.6% variation between 3% and 2.4%) the forecast working capital (cash) results deteriorates as follows.

Year	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Work Cap (5.41%)	**(163)**	**(198)**	**(347)**	**(258)**	**(223)**	**(83)**	**(27)**	**4**	**105**	**200**
Work Cap (4.81%)	**(163)**	**(308)**	**(463)**	**(378)**	**(347)**	**(211)**	**(159)**	**(133)**	**(38)**	**52**

As per these figures the revised deficit for 2015/16 will increase to $308,000 and for 2016/17 it will be approaching close to $0.5m.

A similar type of situation occurred previously for Council when we received a four year approval for increases above the limit between 2010/11 and 2013/14.

The following table outlines how Council's application was based on predicted increases and how the actual increases varied both up and down.

Year	**2010/11**	**2011/12**	**2012/13**	**2013/14**
Assumed Rate Peg Limit	3.0	3.0	3.0	3.0
Additional Rate Peg Sought	3.2	3.1	2.7	3.0
Total Rate Peg Approved	**6.2**	**6.1**	**5.7**	**6.0**
Actual Rate Peg Limit	2.6	2.8	3.6	3.4
Variance in Base Rate Peg	0.4	0.2	(0.6)	(0.4)

In 2010/11 and 2011/12 we were slightly better off than forecast as our assumed rate pegging limit was higher than the actual limit, whereas for 2012/13 and 2013/14 we were worse off.

Legal / Resource / Financial Implications

As per the information section of this report.

Consultation

Council undertook a comprehensive consultation process in respect to the special variation application.

Options

The purpose of this report is primarily for information on the status of Council's application for a special variation.

The draft LTFP attached also provides a preliminary overview of how the 2015/16 budget is progressing with further budget updates to be provided to the forthcoming Finance Committee meetings.

At this stage the only actionable resolutions being sought are to approve the recruitment of the GIS Officer and the balance of the Building Surveyor positions that were placed on hold during this financial year.

The GIS position will assist in driving further efficiencies in Council's operation and with funding decreasing in real terms, Council needs to continue to generate efficiencies in its operations. The Building Surveyor position is needed to meet the on-going demand for services from that section.

It is also acknowledged that the draft General Fund LTFP, as attached, still retains a rather large deficit for 2016/17 ($347,200) as that year is the final year of the three year freeze on the Federal Government's Financial Assistance Grant. Further lower than CPI increases will still be needed for that year to bring that forecast deficit back to a more reasonable level.

The draft LTFP will continue to be revised with further updates provided to the March and April 2015 Finance Committee meetings.

RECOMMENDATIONS

1. That Council notes the contents of this report in respect to the application for a special rate variation for 2015/16 and 2016/17.

2. That Council notes the preliminary forecast for the General Fund Long Term Financial Plan, as per the second attachment to this report.

3. That Council approves the recruitment of the vacant GIS position, as detailed within this report.

4. That Council approves the recruitment of the vacant Building Surveyor position, as detailed within this report.

Attachment(s)

1. Part B of the Special Variation Application (Under separate cover)
2. Update - General Fund Long Term Financial Plan (LTFP) (Under separate cover)

4.4 Fit for the Future - Overview

Delivery Program	Governance and Finance
Objective	To provide an overview of the State Government's Fit for the Future Program.

Background

The NSW State Government released the Fit for the Future (FFTF) Program as its response to the Independent Review Panel's report into the future of NSW Local Government. The FFTF Program has a dedicated website (www.fitforthefuture.nsw.gov.au) which provides a comprehensive overview of the program. The purpose of this report is to provide an update on the FFTF Program.

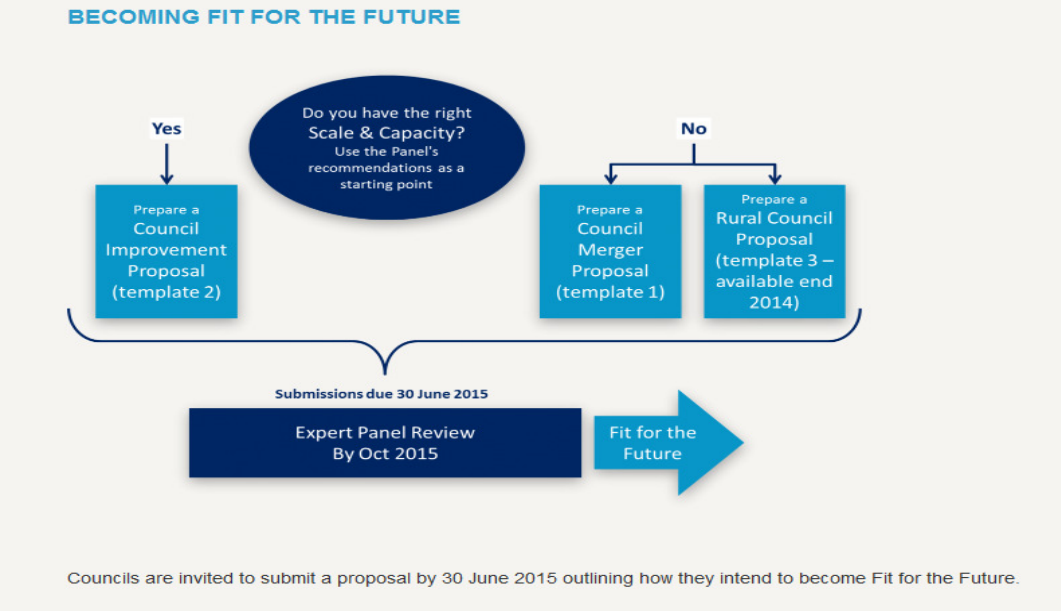
Key Issues

- Financial sustainability

Information

The Independent Review Panel report listed a large number of recommendations into the future of Local Government, with a strong focus on ensuring councils become financially sustainable. The complete report from the Independent Panel is also available on the FFTF Program website.

In response to the Panel report, the State Government has now asked all councils to provide a FFTF response. The type of response required, as per the FFTF website, is to provide a merger proposal, or an improvement proposal. There is also a rural council proposal for councils in western NSW. This process is outlined in the following diagram.



From Ballina Shire Council's perspective, the Independent Panel report identified that we are of a sufficient size and scale to standalone, therefore there is no requirement for Council to amalgamate.

The following is an extract from the one of the various publications on the Panel's recommendations highlighting the Panel recommendation for Ballina Shire Council (i.e. no change).

What did the Independent Local Government Review Panel recommend for your council?

This table is indicative only.

To find more detail about the Independent Local Government Review Panel recommendations for your council please refer to the Panel's Final Report *Revitalising Local Government* available on the Office of Local Government website www.olg.nsw.gov.au.

Council	Region	What structural change did the Panel recommend for your council?
Albury	Upper Murray	Potentially merge with Greater Hume
Armidale Dumaresq	New England	Merge with Guyra
Ashfield	Sydney – Central	Merge with Burwood, Canada Bay, Leichardt, Marrickville & Strathfield
Auburn	Sydney - West	Merge with Holroyd, Parramatta, the western third of Ryde, and the North Parramatta area of the Hills
Ballina	Northern Rivers	No change
Balranald	Far West	Far West Organisation
Bankstown	Sydney – South West	Possibly merge with Canterbury
Bathurst	Central West	Potentially merge with Oberon

Even though there is no requirement to amalgamate Council can still resolve to make a submission to amalgamate, along with seeking the financial incentives that go with amalgamation.

The first attachment to this report is a summary of the financial incentives being offered by the State Government for amalgamation. As per that attachment, regional councils are being offered $5m for two councils merging (i.e. $2.5m per council), $11m for three councils ($3.7m per council) and $13.5m for four councils ($3.375m per council).

This means one of the decisions Council will need to make is whether it wishes to submit a merger proposal, or an improvement proposal.

In respect to the responses to be provided, the FFTF website has a number of templates available and these are located at the following link to that site:

http://www.fitforthefuture.nsw.gov.au/content/just-released-—-council-self-assessment-tool-templates-and-guidance

The templates at this link are:

- Council Self-Assessment Tool
- Template 1 - Merger Proposal
- Guidance to Merger Proposal
- Template 2 - Improvement Proposal
- Guidance to Improvement Proposal

4.4 Fit for the Future - Overview

The Self-Assessment Tool outlines the seven key financial indicators that a council must meet to be financially sustainable. Those seven indicators are as follows.

- Infrastructure Backlog Ratio – Less than 2%
- Asset Maintenance Ratio – Greater than 100% average over three years
- Debt Service Ratio – Greater than 0 and less than or equal to 20% average over three years
- Own Source Revenue Ratio – Greater than 60% average over three years
- Building and Infrastructure Asset Renewal Ratio – Greater than 100% average over three years
- Decrease in Real Operating Expenditure per capita over time.
- Operating Performance Ratio – Greater or equal to a break even average over three years

The next section of this report examines these indicators and how they relate to Ballina Shire Council. **These indicators relate to the General Fund only.**

1. Infrastructure Backlog Ratio – Less than 2%.

The Self-Assessment Tool defines this ratio as:

Description and Rationale for Criteria:
The infrastructure backlog ratio indicates the proportion of backlog against the total value of the Council's infrastructure assets. It is a measure of the extent to which asset renewal is required to maintain or improve service delivery in a sustainable way. This measures how councils are managing their infrastructure which is so critical to effective community sustainability.

It is acknowledged, that the reliability of infrastructure data within NSW local government is mixed. However, as asset management practices within councils improve, it is anticipated that infrastructure reporting data reliability and quality will increase.

This is a consistent measure that can be applied across councils of different sizes and locations. A low ratio is an indicator of strong performance.

Description and Rationale for Benchmark:
High infrastructure backlog ratios and an inability to reduce this ratio in the near future indicate an underperforming Council in terms of infrastructure management and delivery. Councils with increasing infrastructure backlogs will experience added pressure in maintaining service delivery and financing current and future infrastructure demands.

TCorp adopted a benchmark of less than 2 per cent to be consistently applied across councils. The application of this benchmark reflects the State Government's focus on reducing infrastructure backlogs.

This ratio is calculated by dividing the total estimated cost to bring the assets to a satisfactory condition, divided by the total value (written down value) of infrastructure, buildings, other structures and depreciable land improvement assets.

For the 2013/14 financial statements Council's ratio for the General Fund was 0.27% with Council meeting the benchmark of 2%.

This ratio is sourced from Special Schedule 7 "Report on Infrastructure Assets" of the Annual Financial Statements and a copy of that Schedule for 2013/14 is included as the second attachment to this report. As per that attachment, once water and sewerage infrastructure is eliminated from the schedule the calculation to achieve this ratio is as follows:

Table One – Infrastructure Backlog Ratio Calculation

Item	Amount ($'000)
Estimated Cost to Bring Assets to a Satisfactory Standard as per Schedule 7	**2,071**
Less Water	356
Less Sewerage	241
General Fund Estimated Cost to Bring Assets to a Satisfactory Standard(1)	**1,474**
Carrying Value as per Schedule 7 (Total written down value of assets)	**851,027**
Less Water	106,003
Less Sewerage	195,355
General Fund Carrying Value (2)	**549,669**
Ratio = (1) divided by (2) as a percentage	**0.27%**

The carrying value figure in this calculation is based on the various asset registers Council maintains, which apply a range of assumptions for infrastructure assets in respect to asset conditions, asset life, remaining useful life and replacement cost.

The estimated cost to bring assets to a satisfactory standard figure is a figure that has varied widely amongst councils. Some councils have included in this calculation the estimated cost to bring all assets to a condition where, for example, all roads were sealed and in excellent condition.

By applying this type of assumption many councils have had the estimated cost figure in the tens of millions of dollars, if not more. This type of thinking has also contributed significantly to some of the large backlog figures that have been quoted for local government.

For example, there are roads in this Shire that are unsealed and could be potentially sealed. Council could adopt a satisfactory standard of all roads being sealed and then include that estimate in this ratio calculation.

If that was the path chosen the ratio would significantly increase and Council would then need to identify how it is going to meet the benchmark. Such a target would only be achieved through a huge increase in Council's rate base.

What is now happening is that there is a greater appreciation that "Satisfactory Standard" means that the asset is actually operating and not out of service. Using national asset standards Ballina Shire Council and many other councils are assessing asset conditions on a standard scale from one to five; i.e.

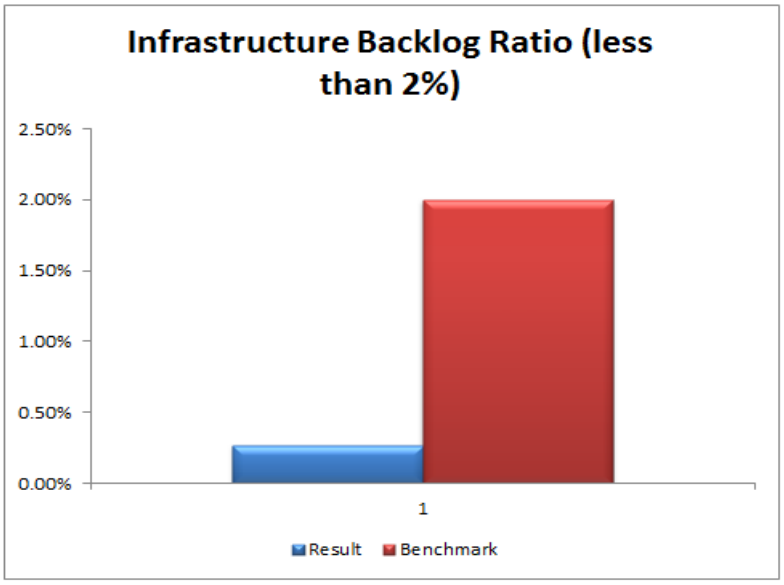
- Class One – Asset condition as new
- Class Two - Minor defects with no impact on its operation or service
- Class Three - Defects more pronounced with maintenance costs increasing
- Class Four – Concerns over the asset condition with some reduction in service. For example, a road with a roughness count above 180 per km, based on a national rating scale, would meet this standard. New roads have a roughness count of around 50 per km.
- Class Five – The asset has failed or is not functioning (eg. road closed)

The backlog figure (estimated cost to bring assets to a satisfactory standard) now applied in Schedule 7 by Ballina Shire Council is the estimated figure required to bring any assets classed as four or five to a minimum standard of three.

This more methodical approach seeks to have a clear separation between what are termed "aspirational but unaffordable service levels with essential service levels" (JRA Pty. Ltd). Some of the huge backlog figures are driven by aspirational desires and ultimately there needs to be a balance taken by determining what is the essential service, what is the risk of the asset failing and what is affordable.

The figures in Schedule 7 have never been subject to external audit in preparing the Annual Financial Statements. The 2014/15 financial year will be the first time these figures are audited. This means we will start to get more consistent data across councils.

Pleasingly Council meets the benchmark for this indicator based on the 2013/14 statements, as per the following chart, which is sourced from the FFTF Self Improvement Template.



MEETS THE FFTF BENCHMARK

YES

2. Asset Maintenance Ratio – Greater than 100% average over three years

The Self-Assessment Tool defines this ratio as:

Description and Rationale for Criteria:
The asset maintenance ratio reflects the actual asset maintenance expenditure relative to the required asset maintenance as measured by an individual council.

The ratio provides a measure of the rate of asset degradation (or renewal) and therefore has a role in informing asset renewal and capital works planning.

Description and Rationale for Benchmark:
The benchmark adopted is greater than one hundred percent, which implies that asset maintenance expenditure exceeds the council identified requirements. This benchmark is consistently adopted by the NSW Treasury Corporation (TCORP). A ratio of less than one hundred percent indicates that there may be a worsening infrastructure backlog.

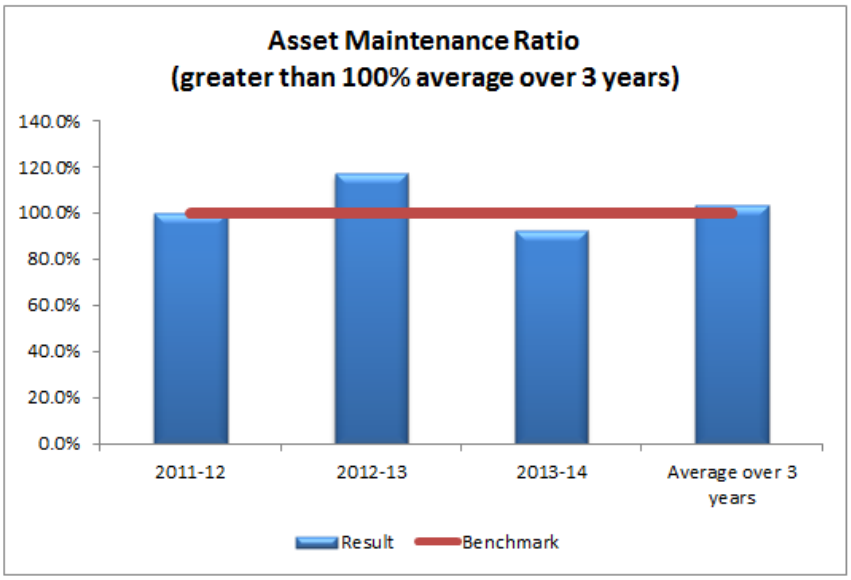
Given that a ratio of greater than one hundred percent is adopted, to recognise that maintenance expenditure is sometimes lumpy and can be lagged, performance is averaged over three years.

The information is also sourced from Schedule 7, with the calculation based on the actual asset maintenance expenditure incurred for the year, divided by the required asset maintenance expenditure.

The required asset maintenance figures are based on Council's Asset Management Plans (AMPs) for all the categories of assets held by Council (excluding water and sewerage for this calculation). The required asset maintenance figure is the theoretical value that should be spent on assets each year to retain the desired level of service.

Council's AMPs are based on retaining existing service levels and this is again the type of item that a council could select to provide higher or lower levels of service. Road resurfacing is a good example of this – bitumen reseal or asphaltic concrete.

Council is currently meeting the benchmark for this ratio, as per the following chart, sourced from the FFTF self-assessment template.



MEETS THE FFTF BENCHMARK

YES

3. Debt Service Ratio – Greater than 0 and less than or equal to 20% average over three years

The Self-Assessment Tool defines this ratio as:

Description and Rationale for Criteria:
Prudent and active debt management is a key part of Councils' approach to both funding and managing infrastructure and services over the long term.

Prudent debt usage can also assist in smoothing funding costs and promoting intergenerational equity. Given the long life of many council assets it is appropriate that the cost of these assets should be equitably spread across the current and future generations of users and ratepayers. Effective debt usage allows councils to do this.

Inadequate use of debt may mean that councils are forced to raise rates that a higher than necessary to fund long life assets or inadequately fund asset maintenance and renewals. It is also a strong proxy indicator of a council's strategic capacity.

Council's effectiveness in this area is measured by the Debt Service Ratio.

Description and Rationale for Benchmark:
As outlined above, it is appropriate for Councils to hold some level of debt given their role in the provision and maintenance of key infrastructure and services for their community. It is considered reasonable for Councils to maintain a Debt Service Ratio of greater than 0 and less than or equal to 20 per cent.

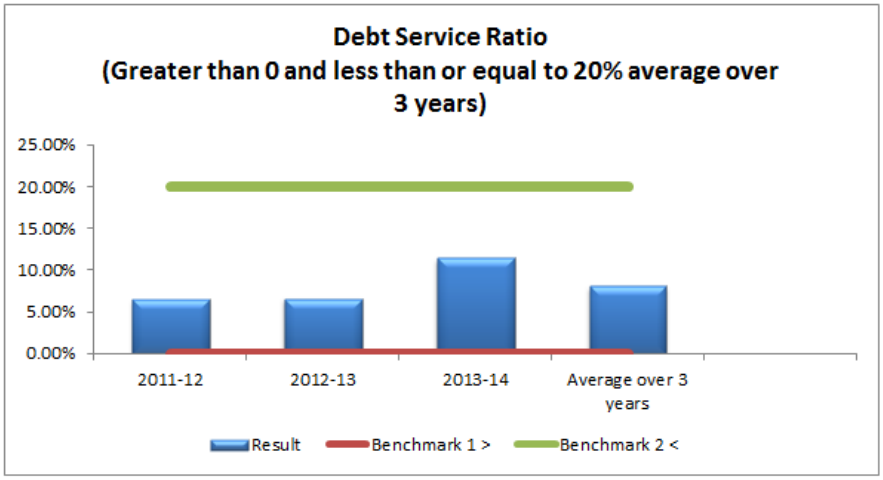
Councils with low or zero debt may incorrectly place the funding burden on current ratepayers when in fact it should be spread across generations, who also benefit from the assets. Likewise high levels of debt generally indicate a weakness in financial sustainability and/or poor balance sheet management.

This ratio is calculated as follows:

Cost of debt service (interest expense and principal repayments) divided by total continuing operating revenue (excluding capital grants and contributions)

It is measuring what percentage of our operating revenue is being consumed by debt repayments.

Council is meeting the benchmark for this ratio, as per the following chart, sourced from the FFTF self-assessment template.



MEETS THE FFTF BENCHMARK

YES

What is interesting about this indicator is that the maximum benchmark has been set at 20% which is a relatively high figure. As per the above chart Ballina Shire Council is now around the 12% figure (actual result for 2013/14 was 11.43%) and this figure in itself is placing pressure on the General Fund.

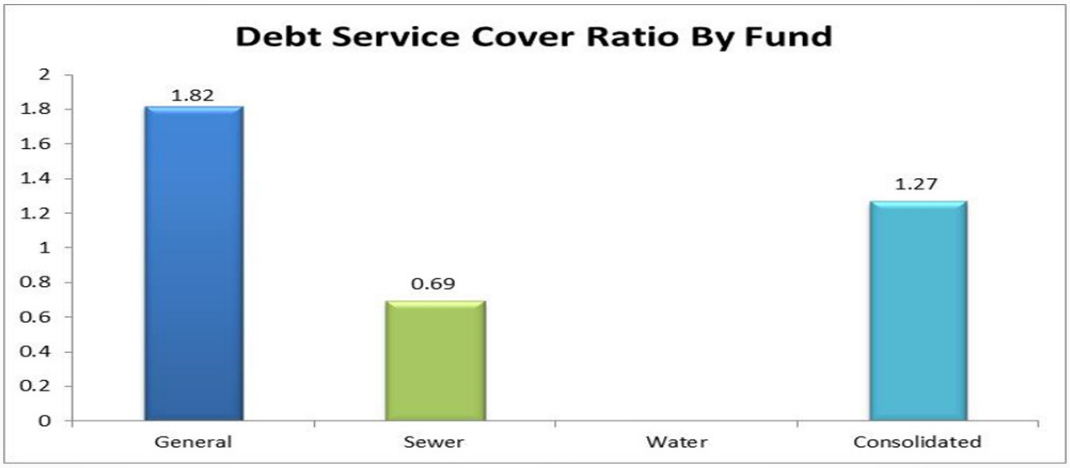
The external auditor's report for 2013/14 also stated, as follows, for the Debt Service Cover Ratio (as per page xiv):

A new ratio has been introduced to measure the availability of operating cash to service debt including interest, principal and lease payments. This ratio replaces the Debt Service Ratio which measured the Council's debt and interest repayment as a percentage of revenue. The benchmark for this new ratio is Greater Than Two.

The Debt Service Cover Ratio is slightly different to the Debt Service Ratio and is calculated as follows:

Operating results before capital, excluding interest depreciation and amortisation divided by loan principal repayments and borrowing interest costs

Council actually failed this benchmark for the General Fund for 2013/14 (i.e. our result was less than 2), as per the following chart, sourced from the External Auditor's Report (page xv)



The Debt Service Cover Ratio is measuring the availability of cash for repayment of debt and as per the result for this ratio Council has limited funding for additional debt repayments. This means any new debt should only be taken on if the overall operating result is significantly improved and / or additional revenues are generated to fund the debt repayments.

The final point here is that the Council's Annual Financial Statements, which are based on the Office of Local Government template, are now using the Debt Cover Ratio as the performance indicator (as per Schedule 13 of the Annual Financial Statements) whereas the FFTF Program is using the Debt Service Ratio. Clearly there is some inconsistency in the indicators and benchmarks being requested by the State Government.

4. Own Source Revenue Ratio – Greater than 60% average over three years

The Self-Assessment Tool defines this ratio as:

Description and Rationale for Criteria:

Own source revenue measures the degree of reliance on external funding sources (e.g. grants and contributions). This ratio measures fiscal flexibility and robustness. Financial flexibility increases as the level of own source revenue increases. It also gives councils greater ability to manage external shocks or challenges.

Councils with higher own source revenue have greater ability to control or manage their own operating performance and financial sustainability.

Description and Rationale for Benchmark:

TCorp has used a benchmark for own source revenue of greater than 60 per cent of total operating revenue. All Councils should aim to meet or exceed this benchmark over a three year period.

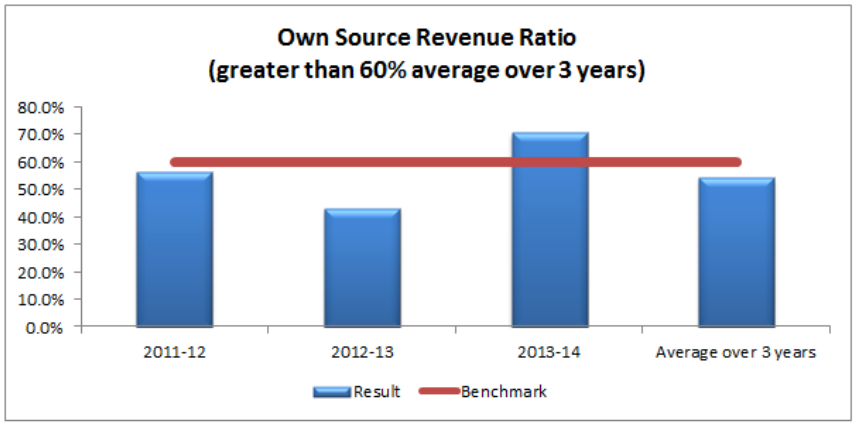
It is acknowledged that many councils have limited options in terms of increasing its own source revenue, especially in rural areas. However, 60 per cent is considered the lowest level at which councils have the flexibility necessary to manage external shocks and challenges.

This ratio is calculated as follows:

Total continuing operating revenue less all grants and contributions divided by total continuing operating revenue inclusive of capital grants and contributions

What the ratio is measuring is how much of the total continuing operating revenue Council is generating from its own sources and how much is being generated from variable sources such as grants and contributions.

Council is currently failing the benchmark for this ratio, as per the following chart, sourced from the FFTF self-assessment template.



MEETS THE FFTF BENCHMARK

NO

Our actual result for the three year average is 53.9%, based on 56.5% in 2011/12, 41.4% in 2012/13 and 70.7% in 2013/14.

The difficulty with this ratio is how it can be distorted, or vary, through the capital contributions received each year.

The following table provides a summary of how the percentages have been calculated for the three years.

Table Two – Own Source Operating Revenue Calculation

General Fund Items	**2011/12 ($'000)**	**2012/13 ($'000)**	**2013//14 ($'000)**
Income from Continuing Operations			
Rates and Annual Charges	21,047	22,451	23,725
User Charges and Fees	8,511	8,101	9,435
Interest	2,322	2,331	2,068
Other Revenues	3,944	3,310	3,694
Grants and contributions – Operating	7,284	13,493	4,847
Grants and contributions – Capital	19,599	37,059	11,138
Less any Fair Value Adjustments and Gain on Sale	(849)	(414)	(333)
Total Continuing Income Inclusive of Capital Grants and Contributions (1)	**61,858**	**86,331**	**54,574**
Deduct Grants and Contributions	26,883	50,552	15,985
Total Continuing Income Exclusive of Capital Grants and Contributions (2)	34,975	35,779	**38,589**
Own Source Revenue Ratio = (2) / (1) as a %	**56.5%**	**41.4%**	**70.7%**

The grants and contributions, particularly capital, Council receives each year can vary significantly, as per these figures.

For example, for 2011/12 Council received $14.2m in subdivider dedications relating to various real estate developments in the Shire. This figure for 2012/13 was $24.3m and for 2013/14 the figure was $2.6m

Similarly in recent years Council has been successful in obtaining major capital grants for projects such as:

- Wollongbar Sports Fields - $4.5m
- Ballina Airport - $2.3m
- Ballina Heights Drive - $5m
- Ballina Surf Club - $2.3m.

All of these capital income items result in the total continuing income growing and leaving a lesser percentage of the total income coming from our own sources.

Capital grants and contributions are impossible to precisely forecast as no one can predict what capital grants we will receive in the future and what subdivisions will be dedicated to Council. From a forward financial planning perspective 2013/14 is seen as a more representative year, with Council being well above the benchmark.

The FFTF Program is all about predicting how we are trending towards the future and Council's LTFP assumes we will continually meet the benchmark. This could vary dependent on the capital grants and contributions received.

Even though there are concerns regarding the reliability, or merit, of this benchmark it is important to acknowledge that if Council is continually receiving major capital grants and contributions, then there is a responsibility to maintain those new or refurbished assets. Ideally Council's own source revenues, such as rates, annual charges, user charges and fees should be increasing to provide more certainty in meeting the benchmark.

This is why it is important for Council to ensure our user charges and fees are maximized, whilst also generating revenues where possible from non-standard activities such as commercial properties and quarries. Increases in rates and annual charges should then be the last option in looking at increasing our overall own source income.

5. Building and Infrastructure Asset Renewal Ratio – Greater than 100% average over three years

The Self-Assessment Tool defines this ratio as:

Description and Rationale for Criteria:
The building and infrastructure renewals ratio represents the replacement or refurbishment of existing assets to an equivalent capacity or performance, as opposed to the acquisition of new assets or the refurbishment of old assets that increase capacity or performance. The ratio compares the proportion spent on infrastructure asset renewals and the asset's deterioration.

This is a consistent measure that can be applied across councils of different sizes and locations. A higher ratio is an indicator of strong performance.

Description and Rationale for Benchmark:
Performance of less than one hundred percent indicates that a Council's existing assets are deteriorating faster than they are being renewed and that potentially council's infrastructure backlog is worsening. Councils with consistent asset renewals deficits will face degradation of building and infrastructure assets over time.

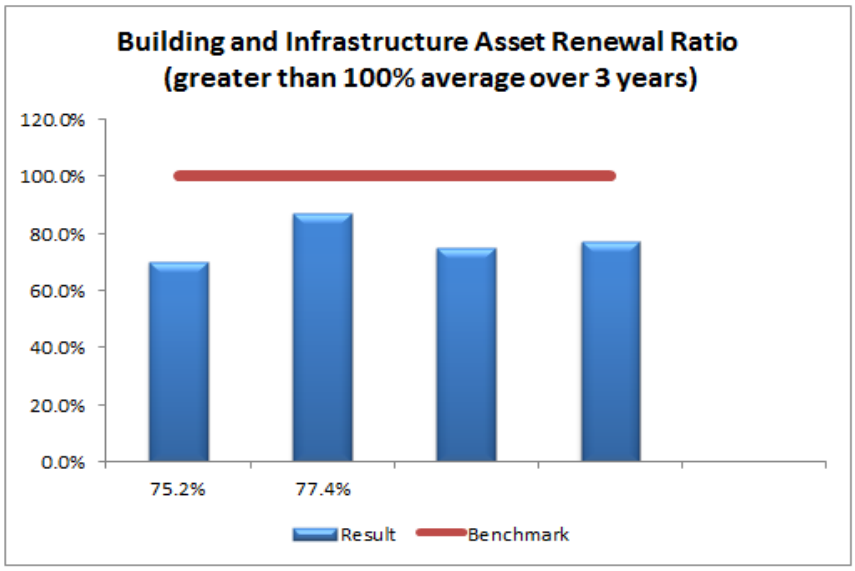
Given that a ratio of greater than one hundred percent is adopted, to recognise that capital expenditures are sometimes lumpy and can be lagged, performance is averaged over three years.

This ratio is calculated as follows:

Expenditure on Asset renewals (building and infrastructure) divided by the total of depreciation, amortisation and impairment (building and infrastructure) expenses

This ratio is asking councils to ensure that they are expending at least as much each year on renewing existing assets, as compared to the actual depreciation expense for those assets. Theoretically this means there is no net decline in the overall condition of the assets.

Council is currently failing the benchmark for this ratio, as per the following chart, sourced from the FFTF self-assessment template.



Our actual result for the three year average is 77.4% based on 70.2% in 2011/12, 87.1% in 2012/13 and 75.2% in 2013/14, as per the following figures.

Table Three – Asset Renewal Ratio Calculation

General Fund Item	2011/12	2012/13	2013//14
Asset Renewals (Building and Infrastructure) ($'000)	8,494	10,898	11,968
Depreciation etc (($'000))	12,096	12,510	15,915
Result %	70.2	87.1	75.2

In respect to the FFTF Program Council's depreciation expense each year is continuing to be fine-tuned and this is resulting in a reduction in this expense, in the magnitude of $1m to $2m per annum, if not more.

Similarly, as per the previous report in this agenda, items such as road resealing and heavy patching are now being capitalised, resulting in an increase in the asset renewal expenditure of in excess of $1.1m per year.

These types of accounting adjustments will mean that Council is close to the benchmark moving forward.

The key message with this indicator is that asset renewal should always take priority over the construction of new assets. The refurbishment of the Alstonville and Ballina swimming pools, if it proceeds, will make a significant contribution to the improvement of this ratio in 2015/16 and 2016/17.

6. Decrease in Real Operating Expenditure Per Capita over time.

The Self-Assessment Tool defines this ratio as:

Description and Rationale for Criteria:
At the outset it is acknowledged the difficulty in measuring public sector efficiency. This is because there is a range of difficulty in reliably and accurately measuring output.

The capacity to secure economies of scale over time is a key indicator of operating efficiency. The capacity to secure efficiency improvements can be measured with respect to a range of factors, for example population, assets, and financial turnover.

It is challenging to measure productivity changes over time. To overcome this, changes in real per capita expenditure was considered to assess how effectively Councils.

- can realise natural efficiencies as population increases (through lower average cost of service delivery and representation); and

- can make necessary adjustments to maintain current efficiency if population is declining (e.g. appropriate reductions in staffing or other costs).

Assuming that service levels remain constant, decline in real expenditure per capita indicates efficiency improvements (i.e. the same level of output per capita is achieved with reduced expenditure).

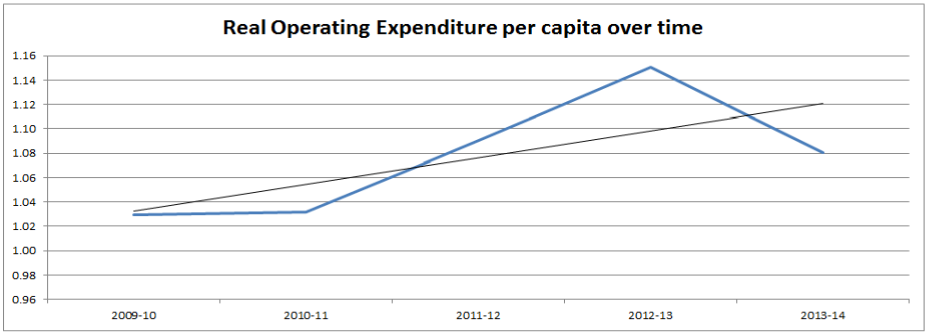
Description and Rationale for Benchmark:

The measure 'trends in real expenditure per capita' reflects how the value of inflation adjusted inputs per person has grown over time. In the calculation, the expenditure is deflated by the Consumer Price Index (for 2009-11) and the Local Government Cost Index (for 2011-14) as published by the Independent Pricing and Regulatory Tribunal (IPART). It is acknowledged that efficiency and service levels are impacted by a broad range of factors, and that it is unreasonable to establish an absolute benchmark across Councils. It is also acknowledged that council service levels are likely to change for a variety of reasons however, it is important that councils prioritise or set service levels in conjunction with their community, in the context of their development of their Integrated Planning and Reporting.

Councils will be assessed on a joint consideration of the direction and magnitude of their improvement or deterioration in real expenditure per capita. Given that efficiency improvements require some time for the results to be fully achieved and as a result, this analysis will be based on a 5-year trend.

Council is currently failing the benchmark for this ratio, as per the following chart, sourced from the FFTF self-assessment template.

4.4 Fit for the Future - Overview



MEETS THE FFTF BENCHMARK

No

The blue line represents Council's result against the benchmark.

As per the description and rationale there are many factors that can impact this benchmark and there were a number of items in 2011/12 and 2012/13 that contributed to higher than normal increases in operating expenditure.

Examples include:

- Large increases in the State Government waste levy ($600k to $800k)
- Construction of McLeay Culvert, which was expensed rather than capitalised ($1.6m)
- Significant disaster relief ($400K)
- One-off RMS road maintenance expenditure related to bypass works ($500K)

The actual calculation of these results is as follows.

Table Four – Real Operating Expenditure Calculation

Item	2009/10 ($'000)	2010/11 ($'000)	2011/12 ($'000)	2012/13 ($'000)	2013/14 ($'000)
Population Estimate	40,433	40,659	40,881	41,175	41,335
Total Expenses from Continuing Operations	42,937	46,018	48,477	59,257	54,854
Less:					
Net Loss from Disposal of Assets	347	1749	0	3,168	2,617
Revaluation Decrements	0	0	0	2,745	0
Revised Total Expenses	**42,590**	**44,269**	**48,477**	**53,344**	**52,237**
Expenditure Deflated by CPI	2.30%	3.00%	3.00%	3.40%	3.70%
Compounded CPI (1-CPI)	2.30%	5.23%	8.07%	11.20%	14.49%
Deflated Expenditure	**41,610**	**41,953**	**44,563**	**47,370**	**44,670**
Deflated Expenditure Divided by Population / 100	**1.03%**	**1.03%**	**1.09%**	**1.15%**	**1.08%**

The figure deflates total expenses against the cumulative CPI figures and then matches that against actual population growth.

With Council reviewing its depreciation expense figures and with more and more operating expenditure being capitalised into the future the next couple of years should see Council meeting the benchmark, although an adjustment to the actual population estimate based on the latest census figures, could see our ratio worsen.

Nevertheless the key issue for Council will be to ensure that operating expenses are not increasing by above CPI (cumulative) and the clear message from the State Government is that we need to continue to generate reductions in operating expenses in real terms (i.e. after CPI adjustments).

7. Operating Performance Ratio – Greater or equal to a break even average over three years

The Self-Assessment Tool defines this ratio as:

Description and Rationale for Criteria:
TCorp in their review of financial sustainability of local government found that operating performance was a core measure of financial sustainability.

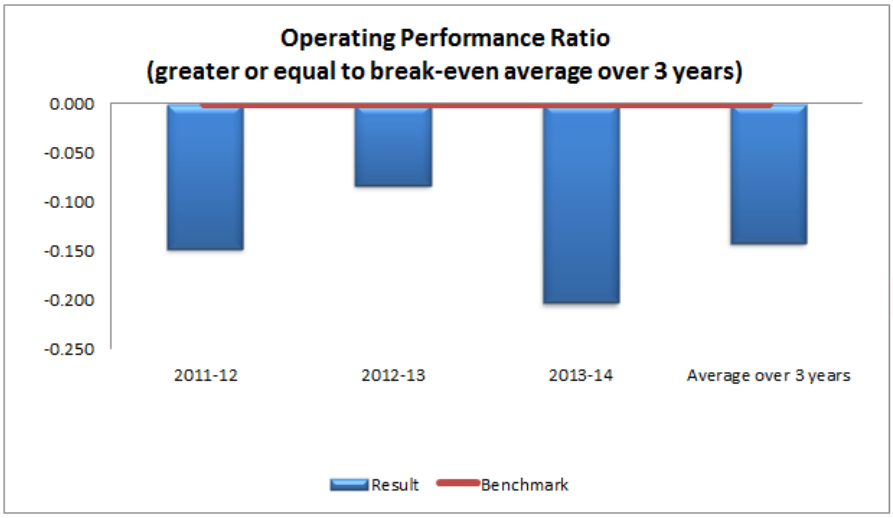
Ongoing operating deficits are unsustainable and they are one of the key financial sustainability challenges facing the sector as a whole. While operating deficits are acceptable over a short period, consistent deficits will not allow Councils to maintain or increase their assets and services or execute their infrastructure plans.

Operating performance ratio is an important measure as it provides an indication of how a Council generates revenue and allocates expenditure (e.g. asset maintenance, staffing costs). It is an indication of continued capacity to meet on-going expenditure requirements.

Description and Rationale for Benchmark
TCorp recommended that all Councils should be at least break even operating position or better, as a key component of financial sustainability. Consistent with this recommendation the benchmark for this criteria is greater than or equal to break even over a 3 year period.

As per this information the FFTF Program is requiring councils to achieve a break even operating result on a consistent basis.

Council is currently failing the benchmark for this ratio, as per the following chart, sourced from the FFTF self-assessment template.



MEETS THE FFTF BENCHMARK

NO

Our actual result for the three year average is negative 14.1%, based on negative 14.7% in 2011/12, negative 8.3% in 2012/13 and negative 20.3% in 2013/14.

For these three years Council has achieved an operating deficit for the General Fund of $6.218m (2011/12), $4.072m (2012/13) and $8.798m (2013/14).

Out of all the benchmarks this is considered to be the one that will be the most difficult for Council to achieve. As mentioned earlier, reductions in the depreciation expense and improved capitalisation processes will improve the operating result by anywhere between $3m and $5m per annum. The forecast LTFP operating results, as per the attachments to the previous report in this agenda (Special Rate Variation Application – Update), provided the following forecasts.

Table Five - Forecast General Fund Operating Result

Year	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Operating Revs	47,283	48,193	50,056	52,129	54,234	55,683	57,337	59,073	60,832	62,706
Operating Exps	57,218	52,739	52,835	54,155	55,768	57,534	59,263	60,516	62,110	63,682
Result (Deficit)	(9,936)	(4,547)	(2,779)	(2,027)	(1,534)	(1,851)	(1,926)	(1,443)	(1,278)	(976)

What these figures indicate is that Council will still need to improve its operating result by around $1m to $2m to meet the benchmark. This will need to be managed through reduced operating expenditure, increased revenues or a combination of both.

In summary Council's current results for the seven indicators are as follows:

Ballina Shire Council

BENCHMARK	RESULT	MEETS FFTF BENCHMARK	
Operating Performance Ratio (greater or equal to break-even average over 3 years)	-0.123	NO	✗
Own Source Revenue Ratio (greater than 60% average over 3 years)	54.43%	NO	✗
Building and Infrastructure Asset Renewal Ratio (greater than 100% average over 3 years)	77.39%	NO	✗
Infrastructure Backlog Ratio (less than 2%)	0.27%	YES	✓
Asset Maintenance Ratio (greater than 100% average over 3 years)	103.33%	YES	✓
Debt Service Ratio (greater than 0 and less than or equal to 20% average over 3 years)	8.05%	YES	✓
A decrease in Real Operating Expenditure per capita over time	Increasing	NO	✗

OVERALL RESULT ✗

The Council does not meet all seven of the Fit for the Future Criteria

Many councils are currently meeting less than three of these indicators and this is actually a reasonable result as three of the failures are marginal and the one major issue for Council is the Operating Performance Ratio.

Legal / Resource / Financial Implications

As outlined within this report.

Consultation

Council may resolve to undertake community consultation on our response to the FFTF Program as further information becomes available.

Options

The FFTF is not about meeting all seven benchmarks within one or two years. It is about the Council having a strategy to eventually achieve all seven benchmarks.

In the LTFP, as produced in the previous report, Council is forecast to essentially meet six of the seven criteria with the only continuing failure being the operating result. This is highlighted in the following table, with indicators where Council is meeting the benchmark shown in green and the failures in red.

Table Six - FFP Indicator Summary – As Per LTFP

Indicator	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24
Infrastructure Backlog	0.27%	0.27%	0.26%	0.26%	0.26%	0.26%	0.25%	0.25%	0.25%	0.25%
Asset Maintenance	92.48%	103.06%	93.43%	97.38%	100.37%	103.54%	106.81%	110.17%	113.63%	117.20%
Debt Service	11.43%	10.99%	12.35%	12.03%	9.59%	9.84%	10.05%	8.99%	8.57%	7.30%
Own Source Operating Rev	70.03%	74.62%	75.30%	80.27%	75.73%	74.20%	76.73%	78.03%	82.13%	82.29%
Asset Renewal	75.20%	111.37%	127.73%	109.79%	123.67%	93.88%	85.38%	103.36%	115.90%	77.11%
Operating Expenditure	1.08	1.14	1.02	0.98	0.96	0.96	0.95	0.94	0.92	0.91
Operating Performance	-0.203	-0.210	-0.094	-0.056	-0.039	-0.028	-0.033	-0.034	-0.024	-0.021

These are forecasts only and the onus will be on Council to achieve the predicted results.

For the next report on the FFTF Program, options to achieve a break even operating result will be considered, as that is the one indicator where Council is not sustainable on a regular basis.

From an expenditure perspective this will not be an easy process as Council has very limited discretionary expenditure programs.

As per the earlier report on the Special Rate Variation Application, the following information is identified in our Part B document, representing extracts from the latest Office of Local Government comparative data report (2012/13):

Item	Ballina	Group Four
Equivalent Full Time Staff	265 staff	312 staff
Population Per Staff Number	155 residents	125 residents
Average residential rate	$757	$878
Average business rate	$2,437	$3,168
Average farmland rate	$1,217	$1,835
Governance / Admin Expend Per Capita	$114	$266
Community Services Expend Per Capita	$105	$178
Recreation and Culture Expend Per Capita	$179	$253
Roads and Bridges Expend Per Capita	$495	$350
Building and Infrastructure Renewal Ratio	119%	76%
Infrastructure Backlog Ratio	1.5%	10.65%
Asset Maintenance Ratio	1.1	0.8

All of these indicators support the argument that Council is currently operating reasonably efficiently.

The actual roads and bridges expenditure ratio will become closer to the Group Four average once the resealing and heavy patching expenditure is transferred to capital.

Council will also need to review its revenue options and items such as increased commercial property rentals may well need to be considered. The benefits that buildings such as 89 Tamar Street and 2-6 Cessna Crescent bring to the operating result, are as follows, as per the 2013/14 Financial Statements.

Table Seven – Commercial Property

Item	89 Tamar St	Cessna Crescent	Total
Operating Revenues	784,200	330,000	1,114,200
Less			0
Operating Expenses (ex depreciation)	53,000	3,000	56,000
Depreciation (estimate)	80,000	30,000	110,000
Sub Total	**133,000**	**33,000**	**166,000**
Operating Surplus	**651,200**	**297,000**	**948,200**

Once other properties such as Wigmore Arcade, Fawcett Street Café, Shelly Beach Café and the Gallery Café are included in these figures the contribution to the operating surplus is significant.

The possible lease of the Ballina – Byron Gateway Airport could also potentially improve our operating result, although the LTFP is actually forecasting an operating surplus, inclusive of depreciation for the Airport of around $1m by 2017/18.

We would need to receive a lease payment of at least that amount per annum, to offset the loss of the airport business from our operating statement, if it was leased, otherwise our actual operating result would be going backwards.

We will also need to review all of our user charges and fees to ensure that revenues are maximised.

Another option is through increased dividends. Council currently takes a compulsory dividend from the water and wastewater operations of $54,000. If both of these operations meet certain financial criteria Council could also potentially take a dividend of up to around $430,000 per operation. As this income is sourced from water and wastewater it improves the operating result for the General Fund.

Also the LTFP, as attached to the previous report, currently includes a dividend from Council's landfill operations (LRM). That hypothetical dividend is shown in the following table.

Table Eight - Possible LRM Dividends ($'000)

Year	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Road Capital	0	0	0	0	1,500	1,560	1,622	1,687	1,754	1,824
Open Spaces Capital	0	0	0	0	200	208	216	225	234	243
Building Capital	0	0	0	0	400	416	433	450	468	487
Operations Dividend	0	0	0	0	100	100	100	100	100	100
Total	0	0	0	0	2,200	2,284	2,371	2,462	2,556	2,654
Reserve Balance	**3,141**	**4,297**	**4,646**	**7,171**	**7,630**	**8,097**	**8,572**	**9,058**	**9,556**	**10,051**

The operations of the LRM business are critical as Council can potentially take dividends from the operation of the landfill, so long as we do not need to incur significant expenditures creating new landfills or other specific projects such as biochar.

As LRM is a General Fund operation, this dividend does not improve our operating result, however by allocating the funds to capital as per Table Eight, it helps to improve our asset renewal ratios (i.e. more funds for road works etc).

Once we know the long term future of our waste / landfill operations this will then help us to determine whether dividends are a viable option.

The current LTFP, as attached to the previous report, includes LRM dividends to highlight the benefits that can be gained to Council's overall finances.

Once this process of evaluating revenue options was completed the final revenue option would be to consider rate increases above the rate pegging limit.

The Independent Panel Review included in its report the following commentary: (pages 44 and 45)

IPART suggested increased flexibility for councils to set rates within a margin of 3% above the rate-pegging limit. That would add around 60 cents per week to the average residential rate (over and above the typical rate-pegging increase of around 3.5% or 70 cents per week). However, based on TCorp's assessments, the Panel considers that a margin of up to 5% would be more realistic where councils need to make significant short-medium term inroads into infrastructure backlogs and correct operating deficits. This would result in a total increase for the average residential ratepayer of around $1.70 per week, which is well within the range of affordable and acceptable increases indicated by survey data.

Other elements of Streamlined Rate Pegging would include amendments to the Act and guidelines to:

- *strip away what the Panel considers to be excessively detailed controls and 'Red Tape'*
- *remove some Special Rates from the system*
- *remove the possibility of any limits on domestic waste management charges, which should be set on a full cost-recovery basis.*

IPART would continue to review and determine applications for SRVs of more than 5% pa above the peg. It would also advise the Minister on which councils might be exempted from rate-pegging.

Earned Exemption. *The Panel's third option is for individual councils to be able to earn complete exemption from rate-pegging by demonstrating consistent high performance in asset and financial management. This would be an adjunct to Streamlined Rate Pegging. As the practice of IPR progressively improves, the Panel expects that a large proportion of councils would become exempt from rate-pegging in this way. Details are in Box 13.*

Box 13: Earned Exemption from Rate Pegging

- Amend the Local Government Act to enable the Minister to exempt from rate-pegging individual councils that have demonstrated a consistently high level of fiscal responsibility and sound financial management in accordance with IPR Guidelines
- Councils apply to IPART for the exemption and IPART advises the Minister on whether or not it should be granted
- Where a random audit by IPART shows that a council has failed to meet the new criteria for Delivery Programs and/or Special Variations, or concerns about a council's financial management are raised in an annual financial audit completed under the aegis of the Auditor General, the Minister may re-apply the current rate-pegging arrangements.

The Panel emphasised that councils who are managing their assets effectively and operating efficiently should be in a position to increase their rates at a certain percentage above the rate pegging limit, without having to go through the extensive consultation process that currently occurs.

The benefit that increases in rate income, so long as the extra revenues are allocated to capital expenditure and not operating expenses, is shown in the following table.

Table Nine – Revised Operating Result with Extra Rate Increases

Year	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Rate Peg Limit ($)	2.40	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Above Limit (%)	3.01	2.34	**2.00**	**2.00**	**2.00**	**2.00**	**2.00**	0.00	0.00	0.00
Total Increase (%)	**5.41**	**5.34**	**5.00**	**5.00**	**5.00**	**5.00**	**5.00**	**3.00**	**3.00**	**3.00**
Operating Revs	47,283	48,193	50,056	52,539	55,091	57,027	59,209	61,011	62,838	64,782
Operating Exps	57,218	52,739	52,835	54,155	55,768	57,534	59,263	60,516	62,110	63,682
Result (Deficit)	**(9,936)**	**(4,547)**	**(2,779)**	**(1,616)**	**(677)**	**(508)**	**(54)**	**495**	**728**	**1,100**

As per these figures Council can achieve a break even operating result by 2020/21 through this type of approach (i.e. 2% above rate pegging limits for 2017/18 to 2020/21).

Under this proposal our average ordinary rates would still be well below similar councils such as Lismore, Tweed and Byron.

All of these options will need to be considered by Council in formulating its response to the State Government.

In respect to the recommendations for this report at this stage the report is for noting however Councillors may wish to provide direction on matters such as amalgamation or financial sustainability revenue and expense options.

Further reports will be presented to Council on this topic over the next few months to allow to Council to formulate its response to the FFTF Program and any preliminary feedback would assist in preparing the future reports.

RECOMMENDATION

That Council notes the contents of this report in respect to the NSW State Government's Fit for the Future Program.

Attachment(s)

1. Fit for the Future - What's On Offer for your Council
2. Special Schedule 7 "Report on Infrastructure Assets" of the Annual Financial Statements

What's on offer for your council?

Sydney & major centres

$10.5m For each newly merged council with a population of 250,000

For each additional 50,000 in population above 250,000. **$3m**

Up to $22.5m

Plus and additional $13m state wide to support local transition committees and ensure elected representatives in both city and country councils are involved in the merger process

Sydney councils

Ashfield, Auburn, Bankstown, Blacktown, Blue Mountains, Botany Bay, Burwood, Camden, Campbelltown, Canada Bay, Canterbury, Fairfield, Hawkesbury, Holroyd, Hornsby, Hunters Hill, Hurstville, Kogarah, Ku-ring-gai, Lane Cove, Leichhardt, Liverpool, Manly, Marrickville, Mosman, North Sydney, Parramatta, Penrith, Pittwater, Randwick, Rockdale, Ryde, Strathfield, Sydney, Sutherland, The Hills, Warringah, Waverley, Willoughby, Wollondilly, Woollahra

Central Coast

Gosford, Wyong

Lower Hunter

Lake Macquarie, Newcastle

Fit for the Future

Regional councils

Albury, Armidale Dumaresq, Ballina, Bathurst Regional, Bega Valley, Bellingen, Berrigan, Bland, Blayney, Bogan, Bombala, Boorowa, Byron, Cabonne, Carrathool, Cessnock, Clarence Valley, Coffs Harbour, Conargo, Coolamon, Cooma-Monaro, Coonamble, Cootamundra, Corowa, Cowra, Deniliquin, Dubbo, Dungog, Eurobodalla, Forbes, Gilgandra, Glen Innes, Gloucester, Goulburn Mulwaree, Great Lakes Greater Hume, Greater Taree, Griffith, Gundagai, Gunnedah, Guyra, Gwydir, Harden, Hay, Inverell, Jerilderie, Junee, Kempsey, Kiama, Kyogle, Lachlan, Leeton, Lismore, Lithgow, Liverpool Plains, Lockhart, Maitland, Mid-Western Regional, Moree Plains, Murray, Murrumbidgee, Muswellbrook, Nambucca, Narrabri, Narrandera, Narromine, Oberon, Orange, Palerang, Parkes, Port Macquarie-Hastings, Port Stephens, Queanbeyan, Richmond Valley, Shellharbour, Shoalhaven, Singleton, Snowy River, Tamworth, Temora, Tenterfield, Tumbarumba, Tumut , Tweed, Upper Hunter, Upper Lachlan, Uralla, Urana, Wagga Wagga, Wakool, Walcha, Warren, Warrumbungle, Weddin, Wellington, Wingecarribee, Wollongong, Yass, Young

NSW Regional councils

$5m For two councils merging (regardless of size)

For three councils merging (regardless of size) **$11m**

$13.5m For four councils merging (regardless of size)

BALLINA SHIRE COUNCIL

SPECIAL SCHEDULE NO. 7
REPORT ON INFRASTRUCTURE ASSETS
as at 30th June 2014

Asset Class	Asset Category	Estimated Cost to bring to a Satisfactory Standard '000	Required Annual Maintenance '000	2013/14 Actual Maintenance '000	Carrying Value '000	Assets in condition as % of WDV				
						1	2	3	4	5
Public Buildings	Council Offices	-	150	85	6,704	19%	81%	0%	0%	0%
	Works Depot	197	112	112	3,966	82%	10%	3%	4%	1%
	Halls	-	66	66	4,140	4%	69%	27%	0%	0%
	Dwellings	-	48	48	964	0%	46%	54%	0%	0%
	Airport	-	139	139	5,181	90%	9%	1%	0%	0%
	Shops/Offices	41	99	99	5,190	46%	23%	28%	1%	2%
	Library	-	11	11	3,221	96%	4%	0%	0%	0%
	Community Centres	-	125	95	12,226	100%	0%	0%	0%	0%
	Childcare Centres	-	-	-	2,110	0%	72%	28%	0%	0%
	Waste Centre	-	57	57	2,184	75%	23%	2%	0%	0%
	Amenities/Toilets	163	131	131	10,722	41%	38%	20%	1%	0%
	Subtotal	401	938	843	56,608	58%	30%	11%	1%	0%
Other Structures	Structures not included in buildings	55	-	-	10,606	62%	32%	6%	0%	0%
	Subtotal	55	-	-	10,606	62%	32%	6%	0%	0%
Public Roads	Sealed Roads	664	2,997	2,747	299,941	74%	23%	3%	0%	0%
	Unsealed Roads	155	591	591	12,232	42%	54%	3%	0%	1%
	Bridges	53	15	15	29,457	68%	9%	23%	0%	0%
	Footpaths/Cycleways	-	191	191	20,215	87%	11%	2%	0%	0%
	Kerb & Gutter	15	7	7	20,561	60%	39%	1%	0%	0%
	Road Furniture	-	151	151	27,279	76%	24%	0%	0%	0%
	Subtotal	887	3,952	3,702	409,685	73%	23%	4%	0%	0%
Water	Treatment Plants	6	77	77	3,137	56%	44%	0%	0%	0%
	Water Connections	-	401	401	785	23%	39%	29%	9%	0%
	Reservoirs	-	63	63	9,448	23%	73%	1%	3%	0%
	Pipelines	350	349	349	92,202	40%	33%	25%	1%	1%
	Pump Stations	-	23	23	431	15%	76%	9%	0%	0%
	Subtotal	356	913	913	106,003	39%	37%	22%	1%	1%

BALLINA SHIRE COUNCIL

SPECIAL SCHEDULE NO. 7 - REPORT ON INFRASTRUCTURE ASSETS (cont)
as at 30th June 2014

Asset Class	Asset Category	Estimated Cost to bring to a Satisfactory Standard	Estimated Annual Maintenance Expense	2013/14 Actual Maintenance	Carrying Value	Assets in condition as % of WDV				
		'000	'000	'000	'000	1	2	3	4	5
Sewerage	Mains	241	464	464	134,973	43%	55%	2%	0%	0%
	Pumping Stations	-	1,075	1,075	27,723	45%	39%	12%	0%	4%
	Treatment	-	259	259	1,328	38%	17%	7%	0%	38%
	Reuse Irrigation	-	67	67	31,331	100%	0%	0%	0%	0%
	Subtotal	241	1,865	1,865	195,355	52%	44%	3%	0%	1%
Stormwater Drainage	Pollution Control	-	50	44	1,487	96%	4%	0%	0%	0%
	Outfall Structures	16	-	-	148	48%	33%	13%	6%	0%
	Reticulation - Pipe	4	250	202	53,788	50%	49%	1%	0%	0%
	Reticulation - Pit	2	-	-	11,009	55%	44%	1%	0%	0%
	Culverts	109	-	-	4,787	19%	40%	40%	1%	0%
	Subtotal	131	300	246	71,219	50%	47%	4%	0%	0%
Open Space / Recreational	Swimming Pools	-	46	46	1,551	48%	22%	30%	0%	0%
	Other Open Space / Recreational	-	65	65	-	0%	0%	0%	0%	0%
	Subtotal	-	111	111	1,551	48%	22%	30%	0%	0%
Total Classes - All Assets		2,071	8,079	7,680	851,027	61%	32%	7%	0%	0%

Infrastructure Asset Condition Assessment

Level	Condition	Description
1	Excellent	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Average	Maintenance work required
4	Poor	Renewal required
5	Very poor	Urgent renewal / upgrading required

4.5 Ballina Pryolysis Project - Update

Delivery Program	Waste Management
Objective	To seek Council's direction regarding the future for this project.

Background

For some period of time Council has been investing resources into the development of the Ballina Pyrolysis Project. This project is extremely unique, technically complex, risky and innovative. For these reasons the project development has been required to adapt to a number of strategic challenges and follow careful consideration.

To date the continued investment of Council resources has been based on the potential commercial and environmental benefits of the project, being the conversion of organic waste to produce a high quality biochar product and electricity, are significant.

This report provides Council with a project update, including presentation of information from a capital cost review that has recently been completed.

Key Issues

- Project Budget
- Financial Viability

Information

Since the last formal reporting to Council, a number of tasks have been progressed including a new market search for technology service providers and the preparation of an Environmental Impact Statement. These tasks are discussed below.

1. Environmental Impact Assessment

To obtain planning approval for this project it was necessary to prepare an Environmental Impact Statement (EIS). A consultancy was established to prepare the necessary documentation, which was subsequently lodged for assessment. The application will be determined by the Joint Regional Planning Panel.

Only one submission was received in response to the public exhibition of the proposal and this response was in support. However the agency referrals resulted in ongoing work. These referrals have been challenging to finalise due to the uniqueness of the project and certain policy gaps within Government. At times this has meant there is a lack of direction to Council as an applicant and to the agencies responsible for assessing the application.

While the EIS was able to be progressed to a point of almost completion, it was decided that it would be beneficial, and cost effective, to defer the finalisation until further information was available in regards to the core technology to be used in the plant.

Council was recently able to establish a commercial arrangement with a technology provider and the information from this company is now being used to finalise the required documentation.

Even though there remains uncertainty in regards to the future of the project, it was decided to finalise the application and seek to have it determined. This decision was made having consideration to the investment made to date and the relatively minor cost to complete, and that it may be useful to have project approval in the event that the project economics change.

2. Technology Provider

Council previously developed, through a memorandum of understanding, a project partnership arrangement with Pacific Pyrolysis. Under this arrangement, Pacific Pyrolysis provided project development assistance to Council, however the project was fully owned and developed by Council at its discretion.

The market for the provision of the core plant technology for this project was determined to be very small. In response to the need to establish value for money contracts in this type of market, Council adopted a procurement strategy that enabled the provision of core technology design by Pacific Pyrolysis through a negotiated services agreement.

A major key deliverable proposed under the agreement was the preparation of a concept design report. The purpose of this report was to provide sufficient certainty in the construction budget to enable an update of the business plan and inform the preparation of design and construct documentation for the purposes of tendering for the fabrication of the core technology and for the construction of the balance of plant.

After a period of time, it became apparent that Pacific Pyrolysis was not in a position to prepare the concept design report to the standard required by Council. In response to this it was decided to reassess the options for the provision of technology and design services.

To do this a market research, including a review of the international options, was conducted. This research concluded that the market remained small, however there were sufficient opportunities to warrant the investment in the preparation of a specification.

Subsequently an Expression of Interest process was established, with a specific marketing plan. The specification was sufficiently broad to enable submissions ranging from full design/construction, to technology owners providing a license for the use by Council in the development of the project.

From the responses received, one company Lycopodium was selected to further advance the proposal. In brief, Lycopodium offered several advantages including:

- Size – Lycopodium is a significant company, well-resourced and experienced in the design and construction of projects of this type and scale.

- Flexibility – Lycopodium was able to offer the full range of options in the specification.

- Direct Experience – Lycopodium are in the later stages of the project management for the delivery of a large pyrolysis plant in Melbourne, having also completed the design for this plant, which combusts contaminated soils for reuse or environmental protection.

- Technology – Lycopodium were able to offer, as part of their submission, the opportunity for Council to collaborate with Rennex, the owners of the Australasian license for Techtrade. Techtrade, a German based company with an extensive experience in the construction of kilns, provided the kiln and associated infrastructure for the Melbourne project.

Negotiations with Lycopodium identified a project management structure with a mixture of fixed and variable fees, which would appropriately allocate responsibility and risk between Council and Lycopodium, ensure value for money assessments are undertaken for the various project elements and still provide incentive for design innovation and cost control.

If the project proceeds, the full details of this proposal will need to be reported to Council for determination. However, having regard to the amount of resources required by both parties to establish this agreement and to complete other tasks that Council had been undertaking, prior to any further investment in finalising the contract, it was agreed that Lycopodium would prepare a review of the capital cost estimates for the project.

A copy of this report is attached. The key point to note is the cost is estimated to be $23 million. At the time of submitting the successful funding application to Regional Development Australia Fund, the project budget was approximately $9 million. The grant received was $4.2 million. This budget was adopted on the advice of Pacific Pyrolysis. A later budget estimate, prepared by an independent consultant, suggested a budget of $13 million would be required.

The Lycopodium estimate is considered to be a conservative or worst case scenario. This approach was adopted as to project manage and develop the full design and documentation would cost Council significant funds and therefore it was important to understand project feasibility, at the worst case level.

Lycopodium report that one of the main reasons that the estimate is higher than previous figures is based on the pricing they have received from the technology provider Techtrade. The scale of the kiln they have recommended is significantly larger than those previously costed.

Furthermore, Lycopodium report that certain aspects of the process proposed by Pacific Pyrolysis are not technically suitable.

Lycopodium have been able to use contract and other rates from the Melbourne project, as well further geotechnical and other information provided by Council that was not previously available. For these reasons, this new estimate, while significantly different to previous is considered the most reliable until further design work is completed.

No attempt has been made to review the business case for this project based on this revised capital cost. The reason for this is that even though the revenue predictions in the current business case are considered to be conservative, they are uncertain, and the amount of capital required is considered beyond the risk profile and capacity of the Council.

The key question now is where too from here and this is discussed in the options sections below.

Legal / Resource / Financial Implications

The purpose of this report is to review the feasibility of this project.

Expenditure to date on the biochar project has been as follows.

Year	**2011/12**	**2012/13**	**2013/14**	**2014/15**
Biochar Expenditure	0	336,500	211,400	42,100
Funding Source				
Council Reserves	0	336,500	211,400	42,100
Grant Monies	0	0	0	0
Balances (30 June)				
Waste Reserve (LRM)	1,548,600	1,367,500	1,534,100	2,082,000
Grant Monies Held	212,500	212,500	212,500	212,500

The estimated LRM reserve balance for LRM for 30 June 2015 assumes no further monies will be expended on the biochar project.

As per this summary none of the grant funds received to date have been applied to the project and based on the total expenditure to date ideally Council should look to offset at least the $212,500 grant monies held against our own expenditure.

In looking at options for the future of waste, from a financial management perspective the opportunities for Council to seek General Fund dividends from the waste program should also be considered as highlighted in the previous report in this agenda (Fit for the Future Program). Expensive capital investments will limit those opportunities.

Consultation

Information regarding this project has been presented to the community on a number of occasions, including the formal exhibition of the planning application.

Options

1. Continue the Project.

The Council can elect to continue to advance the design of the project. Lycopodium, for the reasons outlined, represents the most advantageous service provider and they are capable and resourced to meet the project's current needs.

Under this option, the approach would be to allocate sufficient funds to undertake detail design with the objective of either confirming or reducing with sufficient certainty the capital costs. The current figure is considered to be approximately 30% accurate, therefore, while optimistic, it is possible that a $16 million design could be achieved.

The risk to Council is that the full design and documentation costs are in the order of $1million with no certainty that the estimated cost will be reduced at the completion of the design.

Should the Council proceed under this option it would be possible to stage the design process, strategically targeting uncertain project elements and options, and only move to subsequent design stages (and further fees) once the Council was satisfied with the result.

It is not known whether the RDAF grant would continue to be available to Council as the Council would not be able to commit to the project milestones under the current grant arrangements.

Based on the extensive research and other activities completed by Council to date, there appears to be no benefit in seeking further opinions on the current design information and estimate, as the level of expertise, availability of proven technology and related project experience from Lycopodium is not available elsewhere.

2. Close the project and seek an alternative solution for the processing of green waste.

Under this option Council will confirm it will no longer allocate financial resources and staff time in the pursuit of this project. One of the original drivers for this project was to enable the diversion of green waste from our landfill. This has been achieved for several years through a partnership with Lismore City Council who produce compost. If this option is preferred it is recommended that Council receive a further report examining whether the current practice is sustainable, or preferred, for the long term.

Council conducted an expression of interest process for green waste processing some time ago, with the outcome that the biochar project was Council's preferred direction. The market response at that time was not strong, however having regard to the amount of time since this direction was reviewed, a further assessment would be appropriate.

Under this option, it is likely Council will have to negotiate with the Federal Government in respect of the funds expended to date on the pyrolysis project.

3. Seek private sector investment.

The indications are that there remains a lot of interest nationally in Council's project with Government agencies and industry monitoring our progress. The project objectives were highly supported and the project was seen as a pilot that could provide benefits in many regions.

Over time some discussions have been held with private sector interests regarding investment in the project. The increased capital cost may well reduce or remove any further interest, however it is an option that interest may be generated if the Council facilitated, rather than developed, the project.

If this option was selected, given the risks that an outcome is probably unlikely, to minimise costs, it is suggested that staff could compile sufficient documentation, without using an unreasonable amount of resource time to invite proposals.

If option four below is preferred and is successful, option three could follow at that point.

4. Seek further Government assistance to complete the design.

Government interest in this project appears to have remained at a high level. On the basis that the project is no longer financially feasible at the local level, the Council could make submissions to Government to fund the capital required on the basis that it would provide a proving pilot of the value of biochar as direct action to mitigate climate change.

One way forward under this option is to request that the RDAF grant be reassigned for the purposes of detail design and documentation. This would provide certainty for the pricing, enable a review of feasibility, and with the planning approval, may provide sufficient documentation to invite private sector interest in the development of the plant. It is suggested that the Council would not allocate further funds to this process.

Preferred Approach

Option One will improve the reliability of the budget estimate, however it may not reduce it. This option is not recommended on the basis of the likelihood that the project budget is no longer feasible and the expenditure of Council funds to undertake the design is now not justified. If the Council is to select this option, it is suggested that Council allocate a preferred amount for stage one. $120,000 would be a suggested figure for this purpose.

The recommendation to this report is for Option Four. While the feasibility of the project is in doubt for Council, pursuing Option Four, without any further cost to Council, enables a further and final assessment be made. If the submission to Government is unsuccessful, then Option Two is recommended as it will be necessary to review the strategic direction for Council in regards to the future processing of organic waste. Option Three is also included in the recommendations on the basis that it can proceed at no cost to Council, although it is acknowledged that a satisfactory result is unlikely.

RECOMMENDATIONS

1. That based on the contents of this report, including the project's capital cost estimate review, Council accepts that the Ballina Pyrolysis project is no longer feasible under the current funding and ownership profiles and on this basis Council will no longer make financial investments towards the development of the project.

2. That a submission be made to the Federal Government making the case for the Government to allow the Regional Development Australia Fund grant to be allocated to the completion of the design and documentation of the Ballina Pyrolysis Project.

3. If point two above is unsuccessful, Council advise the Department of Regional Services of Council's decision in point one and request the termination of the Regional Development Australia Funding agreement.

4. If point two above is unsuccessful, Council receive a further report reviewing the strategic options for the processing of organic waste.

5. The General Manager be authorised to invite expressions of interest for the development of the Ballina Pyrolysis Project.

Attachment(s)

1. Report - Review of Capital Cost Estimates

BALLINA SHIRE COUNCIL

BIOCHAR & WASTE TO ENERGY FACILITY

CAPITAL COST ESTIMATE

Lycopodium

4390-REP-001

November 2014

REV NO.	DATE	DESCRIPTION OF REVISION	BY	DESIGN APPROVED	PROJECT APPROVED
0	24/11/2014	ISSUED TO CLIENT	IO/RK	JCM	GR
A	17/11/2014	DRAFT ISSUED FOR REVIEW (EXC. COSTING)	IO/SOE	JCM	

Lycopodium Process Industries Pty Ltd, ABN: 52 004 565 137, Upper Level 253-269 Wellington Road, Mulgrave, Victoria 3170

Biochar & Waste To Energy Facility
Capital Cost Estimate
4390-REP-001

Table of Contents

1.0 EXECUTIVE SUMMARY

Lycopodium Process Industries was engaged by Ballina Shire Council (BSC) to provide a Class 4/5 (-30/+50%) capital cost estimate (CCE) and process review for the construction of a waste processing facility designed to convert 29,000 wet tonnes per year (tpy) of green waste and biosolids to 7,000 tpy biochar and 6000 MW of electrical energy. The CCE and process review were intended to provide an independent assessment of the project which has to date been based on a slow-pyrolysis process design and overall facility layout developed by Pacific Pyrolysis Pty Ltd (PacPyro) - a third party technology development company. Lycopodium, as a result of a close relationship with RENEX Group (RENEX) and prior experience with a commercial-scale slow pyrolysis process for decontaminating soil, has offered a slow pyrolysis technology commercially available through TechTrade International GmbH (TTI) as an alternative to the PacPyro system. The process design review has therefore been based not only on Lycopodium's understanding of the fundamentals of slow pyrolysis and the associated unit operations but is backed by further technical guidance by TTI engineers.

The primary estimating methodology involved soliciting preliminary sizing and budget pricing for key plant items from TTI. The costs of the remainder of the plant items were based on factored or historical pricing, a mix of semi-detailed take-off and allowances for bulks, and reference to general site information supplied in existing project documentation supplied by BSC such as the Environmental Impact Statement.

BSC has indicated the intent to develop the biochar facility in two stages:

- Stage 1 – without electricity generation; and
- Stage 2 – with electricity generation.

In carrying out the process review, however, it was noted that PacPyro refers to a combined 'cracking' and scrubbing process for removing tars from the pyrolysis gas which would then enable the resulting 'clean syngas' to be used directly in an internal combustion engine. To the best of our knowledge, this approach has been tried by many others in the past without success and is, as yet, unproven at a commercial-scale. Without significant field trials, it is our opinion that the process is likely to be difficult to control and the outputs will be highly variable. The processes involved are also energy inefficient and considerably reduce the useful energy available. There is therefore considerable risk associated with the process put forth by PacPyro. The TTI process, which has been utilised at numerous commercial-scale pyrolysis facilities, does not rely on pyrolysis gas cleaning. Instead the pyrolysis gases are immediately combusted in a burning chamber and used to heat the pyrolysis system as well as generate steam for indirect drying of the incoming biomass. Depending on the nature of the feed stock (primarily moisture content) and target biochar yield, the TTI system also has the potential to generate power through the use of any excess steam generated. Preliminary sizing and costing of the steam-based power generation equipment, however, would require a more detailed characterisation of the feed stocks than is currently available.

Given the outcomes of the process review, it was determined that the most appropriate design to base the CCE on should be the TTI slow pyrolysis process. At this stage the CCE has been limited to the Stage 1 biochar only facility. Once further information on the feed stock and process outputs is developed then sizing and costing of the electrical power generation equipment associated with Stage 2 will be possible.

The CCE for the biochar only facility was determined to be AUD$23 million.

Additional outcomes of the process and CCE review include:

- Preliminary sizing estimates by TTI for the feed dryer and pyrolysis kiln suggests that the dryer dimensions allowed for by PacPyro are reasonable but their pyrolysis kiln appears to be roughly 50% of the size required. The pricing for both systems appears to have been significantly underestimated.

- TTI has indicated that this project will be similar in scale to that of the RENEX soil decontamination project with respect to the feed dryer and pyrolysis kiln, (with a slightly smaller) combustion chamber due to the difficulty in driving out the moisture contained within the cellulosic material. They have also indicated that the layout and vertical positioning of the equipment would be similar. Experience with this plant suggests that there is considerable expense in the foundations, electrical / instrumentation / controls and insulation / refractory lining components of the facility construction which do not appear to have been sufficiently allowed for in the PacPyro CCE. It should be noted that the dryer and kiln heights may be reduced to a certain extent by having the out load conveyor and char quench screw at or below ground level to minimise installation cost.

- Overall facility layout provided by PacPyro in its “Preliminary Site Plan” is reasonable; however, the space allowed for biochar storage is insufficient based on their stated assumptions regarding number of days of storage and bulk density of the solids. A TTI technology based facility would have a similar footprint for process equipment but the equipment would be arranged slightly differently.

- The ash content of the various feed stocks as stated by PacPyro appears to be significantly higher than that which has been experienced by TTI in their reference plants. Should this be the case then this will have a significant impact on the mass and energy balance. It is unclear what impact the lower level of ash will be for PacPyro’s current estimates of the system outputs.

- Given the clean nature of the feed material (i.e. organic material which is essentially free of problematic contaminants) it is likely that the level of exhaust gas treatment required will be minimal and limited to particulate removal and chloride scrubbing.

- TTI do not believe that a char conditioning stage is necessary, or that the additional cost would be recouped in the value of the char, therefore this element of the process has not been included in the CCE.

Recommendations:

- The overall composition of the feed stock will have a significant impact on the process design and outputs. Prior to proceeding to further engineering design it is recommended that detailed waste characterisation is undertaken, including ultimate and proximate analysis of the representative samples of the proposed waste streams.

2.0 INTRODUCTION

As a result of a number of strategic, social, economic and environmental drivers, Ballina Shire Council (BSC) has reviewed a number of innovative technology options for diverting locally sourced Organic waste from landfill. The technology review identified a slow pyrolysis process as the preferred option. The pyrolysis process thermally treats the organic waste at high temperatures (around 500-550°C) in the absence of oxygen, volatilising a portion of the waste and converting it to a biochar product which then can be sold as a soil conditioner into agricultural markets. A secondary benefit to the pyrolysis process is the capability to generate energy as a by-product.

Following positive results from initial trails by a third-party technology development company, Pacific Pyrolysis Pty Ltd (PacPyro), BSC commissioned a business case to be prepared for the facility which has lead into a Development Application and a successful Federal funding application.

An Environmental Impact Statement has been prepared by Cardno to support the application.

To date, all process design work, facility layouts, and capital costing has been completed for BSC by PacPyro. The slow pyrolysis system designed by PacPyro for this project is intended to annually convert 16,000 dry tonnes (equivalent to approximately 29,000 wet tonnes) of green waste and biosolids to 7,000 tpy biochar and 6000 MW of electrical energy. The capital cost estimate (CCE) for delivering this system was given by PacPyro as approximately $9.25 million [1].

BSC would like to progress the development of the biochar facility and, following a formal expression of interest (EOI), short-listed Lycopodium as an engineering company with the capability to progress the project through the design and construction stage. Lycopodium's EOI submission identified TTI as its technology partner (via RENEX who hold the licensing rights for TTI in Australia/New Zealand) and referenced a number of TTI's existing commercial pyrolysis projects around the world as well as a soil decontamination project for RENEX that Lycopodium is currently commissioning. Following a visit to the RENEX site by BSC personnel and subsequent meetings regarding the project progress to date and overarching aims, Lycopodium has been engaged to draw upon its experience with the RENEX pyrolysis project and other commercial scale processing plants in order to conduct a validation exercise regarding PacPyro's process design and CCE. The ultimate goal of this work is to provide an order of magnitude capital cost estimate based on the most appropriate design solution which will enable BSC to make an early decision as to whether to proceed with the project. Complimenting this work a preliminary schedule for the project has been developed. The outcomes of this work are presented in this report.

Given the level of maturity of project data and engineering deliverables available during its preparation, the estimate has been assessed as Class 4/5 (AACE) and expected estimate accuracy of the order of -30 to +50% [2].

The primary estimating methodology involved soliciting preliminary sizing and budget pricing for key plant items from TTI. The costs of the remainder of the plant items were based on factored or historical pricing, Lycopodium's internal costing database, a mix of semi-detailed take-off and allowances for bulks, and reference to general site information supplied in existing project documentation supplied by BSC, such as the Environmental Impact Statement.

Documents provided by BSC which were used to inform the process design review and CCE include;

- Ballina Shire Council: Waste Organics Pyrolysis Project Business Plan Rev 6 [1]
- Ballina Pyrolysis Project Emissions: Outline of the PacPyro Expected Emissions Range for 2 tph Biochar Plant [3]
- Environmental Impact Statement NA49913070 [4]
- Ballina Biochar and Waste-to-Energy Facility: Supplementary Report to the Environmental Impact Statement [5]
- Analysis of Lennox Head and Ballina Biosolids, Certificate No.: 317630 [6]

These documents, however, provided little information on PacPyro process specifics such as the mass and energy balance and lacked clarity with regards to certain unit operations such as the char conditioning and syngas cleanup stages. In evaluating the PacPyro process against the TTI process it was therefore necessary to consult external literature and alternative technology providers in order to evaluate the potential outputs of some of these process elements. The comments made regarding the PacPyro process within this report therefore reflect Lycopodium's interpretation of PacPyro's process design.

3.0 PROJECT SCOPE DESCRIPTION

The project scope is comprised of a biochar production plant which is designed for continuous processing of 2 dry tonne per hour of organic waste and a maximum throughput of 2.4 dry tonne per hour. Annual organic waste availability for processing is estimated at 16,000 dry tonne per year which equates to approximately 29,000 wet tonne per year assuming that the average moisture content of the organic waste is 45 wt%. The organic waste presented to the process will consist of delivered organics (DO), collected organics (CO), wood waste (WW) and biosolids (BS). The bulk of the organic waste will be sourced from Ballina and Lismore collection areas while additional waste is also likely to be supplied from Richmond Valley and Tweed.

The proposed development is to be constructed and operated at the existing Ballina Waste Management Centre (WMC), off Southern Cross Drive, Ballina, New South Wales. The Biochar facility would be located on an existing hardstand area within Lot 244 DP1175317, adjacent to the existing solid waste baling centre within the Ballina WMC [4]. Shown below in Figure 1 is an aerial photograph which details the proposed site.

The supporting utilities and services for the process are:

- Caustic soda (IBC's)
- Compressed air
- Potable/Towns water, (possibly reclaimed water)
- Liquefied petroleum gas
- Nitrogen gas

The scope of services constitutes the detailed design, procurement, construction and commissioning of the plant described.

4.0 PROCESS REVIEW AND SELECTION

4.1 PacPyro Process Description

A process flow diagram developed by PacPyro is provided below in Figure 2. This diagram indicates the main unit operations involved and the direction of material flows for a project developed based on their technology and process design. Figure 3 is a preliminary site plan developed by PacPyro which provides the only detail available regarding the approximate size/foot print of the main process equipment and overall project layout based on their design. Specifics of the feed stock pre-processing system lack clarity but it is assumed that this consists of some sort of size reduction equipment (such as a shredder) followed by screening and blending (Figure 4).

As described in Figure 2 the pre-processed biomass then enters a direct dryer where moisture is driven off (target moisture content is given as 5 wt%) by passing heated gases and combustion exhausts across the surface of the biomass as it gently rotates within a large rotary dryer. Based on the footprint provided in Figure 3 the dryer dimensions are approximately 21 m long by 2.6 m diameter.

The dried biomass then passes to the pyrolysis kiln where it undergoes slow pyrolysis (heated in the absence of oxygen using slow heating rates) at temperatures in the range of 500-550°C for 30 to 45 minutes[1]. Based on the footprint provided in Figure 3 the pyrolysis kiln dimensions are approximately 9 m long by 2.5 m dia. During the pyrolysis process volatile components of the biomass (including residual moisture) are vaporised and drawn off as pyrolysis gas while the less volatile material is retained in the solid fraction and forms a raw biochar product. PacPyro estimate biochar yields to be approximately 50 wt% relative to the input dry solids.

Raw biochar is sent to a further processing stage referred to as 'char conditioning'. Lycopodium believes this to essentially consist of another rotary kiln in which the biochar is partially gasified/activated. In this process, the char is maintained at higher temperatures (i.e. 800-900°C) and either steam or air is carefully bled into the solid material causing it to partially oxidise and the porosity of the material and its internal structures to become more highly developed. Further organic material is volatilised during this process and it would appear that this material is combined with the pyrolysis gas produced in the main kiln and this combined gas stream is then sent through an additional process referred to as 'syngas cleanup'.

Lycopodium believes that the syngas cleanup device that PacPyro are proposing consists of a thermal cracking step which, in its simplest form, is similar to the biochar gasification stage in that air is carefully contacted with the pyrolysis gas at elevated temperatures (approximately 800-1100°C) such that oxygen is present at a ratio to other gas components which is below the stoichiometric requirement for full combustion. As such, the result is partial combustion/oxidation of pyrolysis gas which not only causes the gas composition to shift, but at these conditions also causes much of the other tarry components that are also present in raw pyrolysis gases to be broken down into smaller molecules. These tarry molecules are highly problematic if the pyrolysis gas is to be used to fuel such devices as internal combustion engines or gas turbines and therefore their decomposition means that the resulting pyrolysis gas is better received by these devices. In the process of adding air, however, nitrogen is introduced to the pyrolysis gas which reduces its

[1] Ref [8] and Ref [9] provide description of BEST Technologies processing conditions

overall calorific value as does the partial combustion of existing low molecular weight gases. The resulting pyrolysis gas is therefore much less energy dense and, as the pyrolysis gas must be cooled substantially before being fed to an engine, a considerable amount of energy is lost from the process in undergoing the thermal cracking stage. We assume that the "sour gas" components are also removed as part of the PacPyro gas clean up, otherwise, based on TTI experience, we understand these components have a severe adverse effect on the internal combustion engines or gas turbines using the gas.

The clean pyrolysis gas then goes through heat exchangers (no description given) and a wet scrubber, presumably to reduce to the temperature and remove any particulates, before being distributed to the process – either to provide process heat in the dryer or pyrolysis kiln, provide gas for power generation in a gas fired engine or to be flared in the event of excess gas.

All exhaust gases, apart from those produced when the pyrolysis gas is flared, are sent for cleaning prior to being emitted to the environment. The flue gas cleaning arrangement appears to consist of a cyclone for removal of larger particulates followed by a wet scrubber. Details of the flue gas cleaning system are limited.

Char exiting the char conditioning stage is cooled via a heat exchanger (no description given) followed by a wetting screw and is then discharged into biochar storage bins.

Electricity produced by the generator set is utilised on-site and excess is sold into the grid.

4.2 TTI Process Description

A block flow diagram of the TTI slow pyrolysis process is provided below in Figure 5. This diagram indicates the main unit operations involved and the direction of material flows for a project developed based on their technology and process design.

It is assumed that pre-processing of the green organic waste will require of some sort of size reduction equipment (such as a shredder) followed by screening and that the screened material will be blended with the biosolids prior to being sent to feed dryer (Figure 4).

As described in Figure 5, in the TTI process the pre-processed biomass enters an indirect dryer where moisture is driven off (target moisture content is given as 10 wt% as TTI experience is that this is the lowest moisture content practically achievable for bio-based feed stocks) by passing ambient air across biomass which is being heated indirectly by steam and gently rotated within a large rotary dryer. A preliminary estimate by TTI of the required dryer dimensions for a dryer duty described in PacPyro documents provided is approximately 16 m long by 3.0 m wide.

The dried biomass then passes to the pyrolysis kiln where it undergoes slow pyrolysis (heated in the absence of oxygen using slow heating rates) at temperatures in the range of 500°C for 30 to 45 minutes. A preliminary estimate by TTI of the required pyrolysis kiln is approximately 17 m long by 1.8 m wide.

During the pyrolysis process volatile components of the biomass (including residual moisture) are vaporised and drawn off as pyrolysis gas while the less volatile material is retained in the solid fraction and forms a raw biochar product.

In the TTI process, the raw biochar does not undergo any further char conditioning. Char exiting the pyrolysis kiln is simply cooled through water addition with a wetting screw and is then discharged from the process. During the wetting stage approximately half of the moisture added is vaporised and this can either be released at the source or combined with the other exhaust gases from the process.

In the TTI process, the pyrolysis gas does not undergo any additional cracking. Instead the pyrolysis gases are immediately combusted in a burning chamber which is located directly adjacent to the pyrolysis kiln to minimise gas cooling and reduce condensation potential of higher molecular weight gas components. The resulting hot combustion gases (approximately 1100-1150°C) are then first sent to the muffle of the pyrolysis kiln to provide energy for the pyrolysis process before then being directed to a heat recovery steam generator (HRSG) which provides steam for the indirect drying of the pre-processed biomass. On the way to the HRSG some of the energy in exhaust gases is also used to pre-heat the air used to combust the pyrolysis gases.

All exhaust gases produced are sent for cleaning prior to being emitted to the environment. The flue gas cleaning arrangement is likely to simply consist of a bag filter for removal of particulates followed by a chloride scrubber. Details of the flue gas cleaning system would be further refined based on detailed characterisation of representative samples of the feed stock.

The TTI system also has the potential to generate power through the use of any additional steam generated. Preliminary sizing and costing of the steam-based power generation equipment (including potential optimisation of energy use through direct drying of the feed), however, would require a more detailed characterisation of the feed stocks than is currently available. Electricity produced by the generator set could be utilised on-site and excess sold into the grid. The cost of grid connection and available selling price of the power, however, may not warrant the latter.

4.3 Preferred Process

In carrying out the process review it was noted that 'syngas cleanup' step in the PacPyro design which appears to be a 'thermal cracking' process for removing tars from the pyrolysis gas is, to the best of our knowledge, an approach has been tried by many others in the past without success. It is therefore, as yet, unproven at a commercial-scale and without significant field trials, it is our opinion that the process is likely to be difficult to control and the outputs will be highly variable. The processes involved are also energy inefficient and considerably reduce the useful energy available. Given that the remainder of the PacPyro process relies on this cleaned syngas to provide process heat and energy for electricity generation, there is therefore considerable risk associated with the process put forth by PacPyro.

In comparison, the TTI process is simpler, has less process stages and has been utilised at a number of different commercial scale reference plants. The TTI process is therefore the preferred choice. The details of the feed stock characteristics, however, currently lack sufficient clarity to enable specification of potential power generation equipment associated with this process.

Regarding the conditioning /activation of the char, while this will result in slightly better physical and chemical properties, it's questionable whether the additional cost will be offset by an appropriately higher sell price for the char. Further work is required to confirm this requirement.

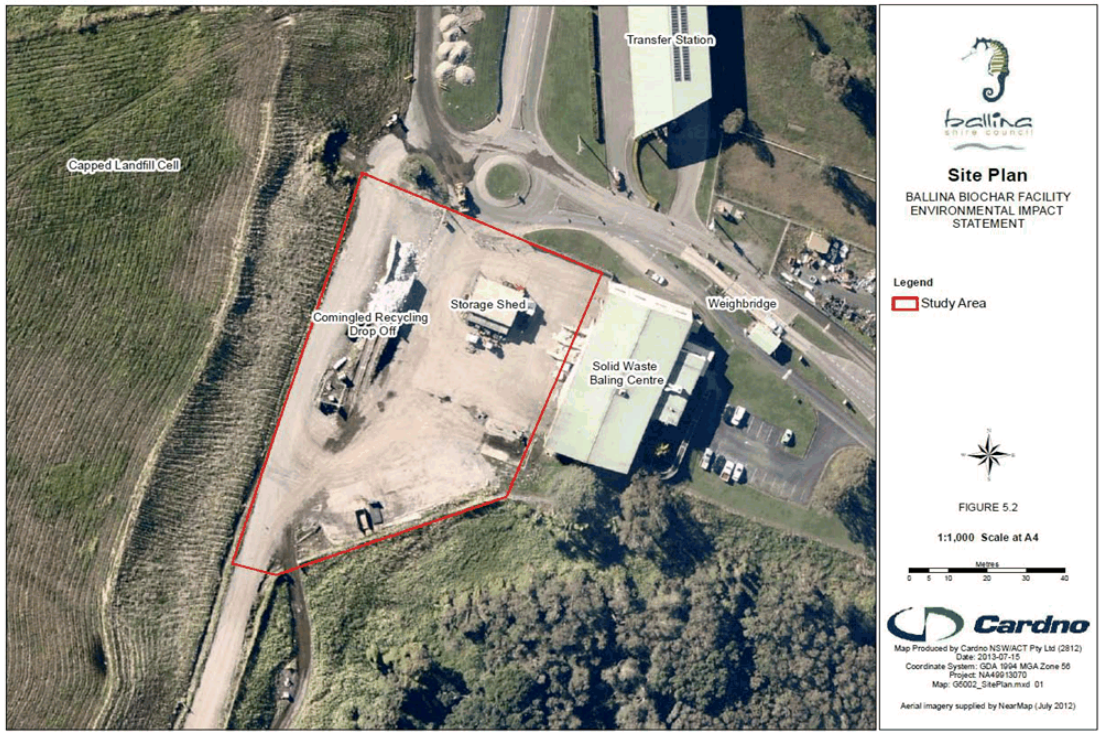


Figure 1. Site Plan showing Study Area (From [4])

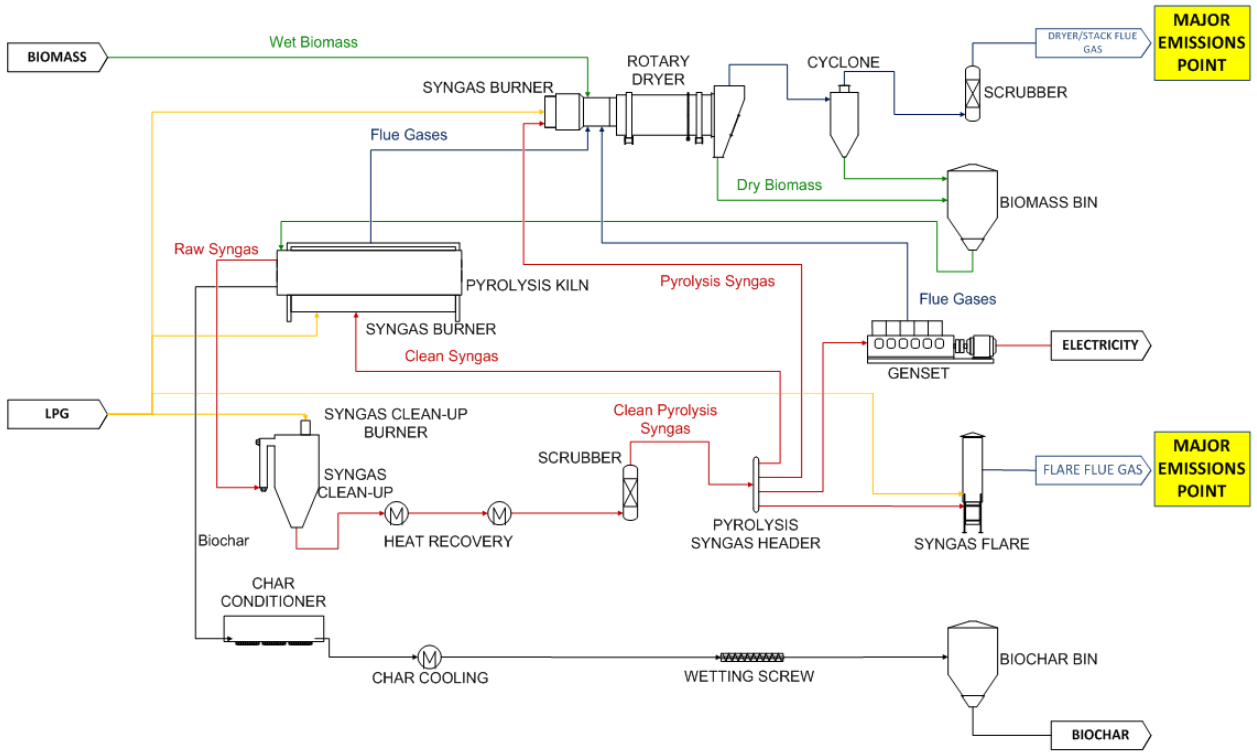


Figure 2. Process Flow Diagram of PacPyro process (excluding pre-treatment such as size reduction, screening and blending) (From [3])

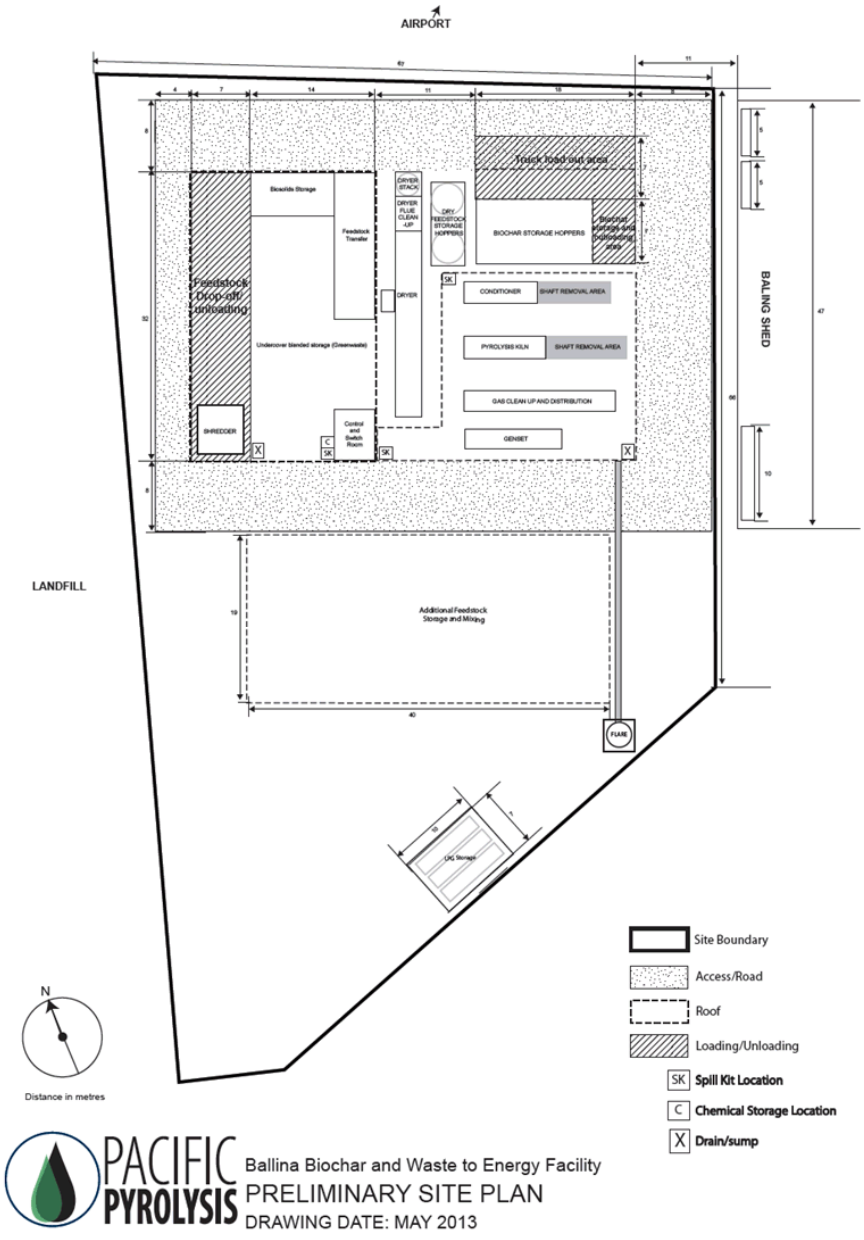


Figure 3. Preliminary Site Plan (From [4])

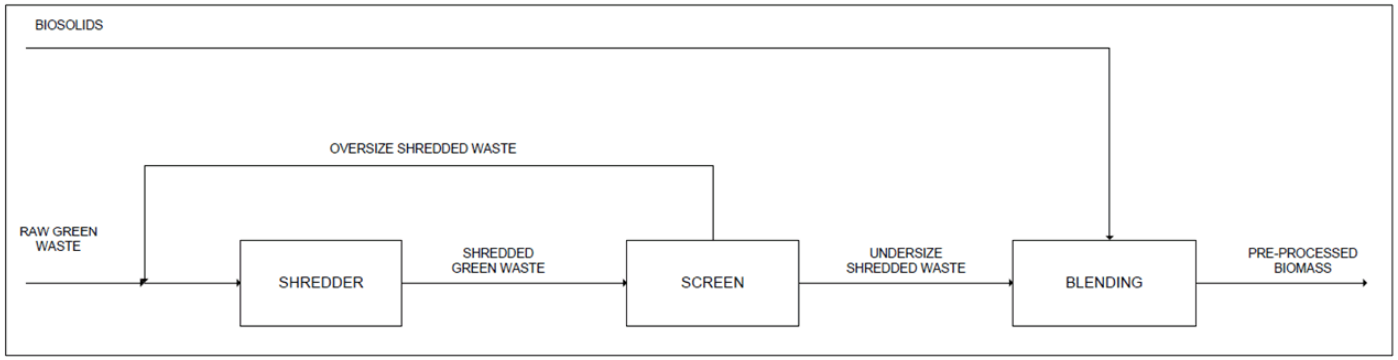


Figure 4. Block Flow Diagram - Feed Stock Pre-Processing System

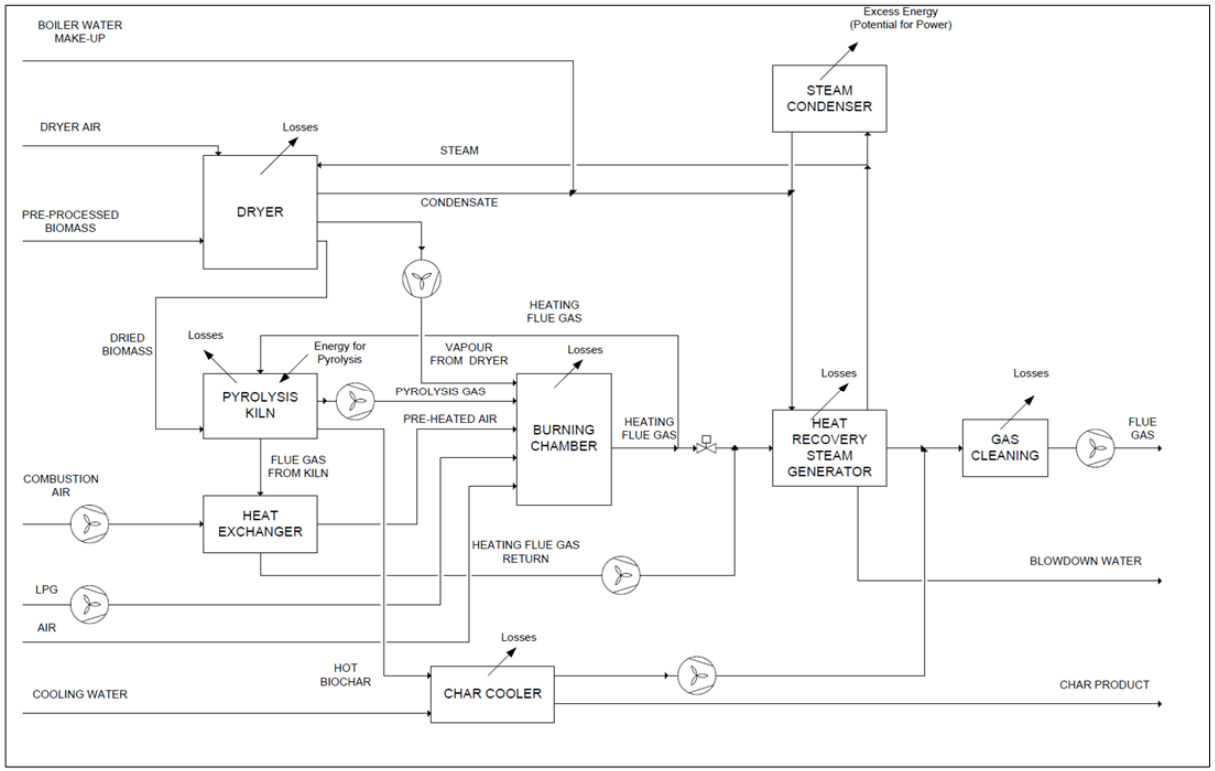


Figure 5. Block Flow Diagram Showing Key Elements of TTI Slow Pyrolysis Process

Table 1. Major Equipment List Detailing Assumed Sizing/Performance Criteria of Process Elements Used in CCE

No.	Process	Description	Sizing/Performance Criteria	Reference
1	Organics Storage	Raw organic materials, such as green waste from kerbside pickup, recovered wood waste are received by the project.	Lycopodium has utilised the dimensions of the feed stock storage and mixing sheds as described in Figure 3 – Preliminary Site Plan. PacPyro assumed 3 days' storage, bulk density of 600 kg/m3, and storage depth 3 m. Max. Storage volume is therefore approx. 576 m^3. Raw organic material will be stockpiled in a large open-sided shed before being pre-treated for processing.	[3] Table 7 (p10)
2	Biosolids Storage	Biosolids from WWTP will make up less than 20w/w% of process feed	Lycopodium has utilised the dimensions of the feed stock storage and mixing sheds as described in Figure 3 – Preliminary Site Plan. PacPyro assumed 3 days' storage, biosolids bulk density of 800 kg/m3, and storage depth 3 m. Max. Storage volume is therefore approx. 216 m^3. Biosolids will be stockpiled in a large open-sided shed before being pre-treated for processing.	[3] Table 7 (p10)
3	Organic Waste Shredder	Green waste (and possibly biosolids depending on consistency) will require size reduction to maximise dryer and pyrolysis kiln reliability.	Lycopodium has assumed that this unit operation consists of a basic industrial shredder capable of producing the material close to the preferred particle size (≤ 12mm, acceptable particle size ≤ 45mm). Contamination may include; non-PVC plastic ≤ 5%w/w (dry), glass ≤ 2mm and ≤ 0.17%w/w (dry), soils and stones ≤ 5%w/w (dry). The unit should be capable of processing the feed stock quantities available as indicated in Table 2 and Table 3 of the BSC Business Plan Document (Ref [3])	[3] Table 1 (p8), [1] Table 2
4	Blending	Blending of green waste and biosolids materials will be required in order to maintain a feed to kilns with consistent properties in order to maximise dryer and pyrolysis kiln reliability.	Lycopodium has assumed that this consists of a ribbon blender designed to handle the maximum anticipated feed rate of 4,600 wet kg/hr (2,400 dry kg/hr) which equates to 8.5 m^3/hr assuming an average bulk density of 540 kg/m^3 and a feed consisting of 20% biosolids, 80% green waste (including DO, CO and WW).	Ref [7]Table 1.3, p.15. Ref [1] Table 2 and Table 3, Ref [3] Table 1
5	Screening	Shredded feed stock will require screening (via vibratory or trammel screen) in order to produce material with acceptable top size requirements. Oversize material will be conveyed back to stockpile while undersize material will continue to a feed hopper for delivery to the dryer.	Lycopodium has assumed that this consists of an in-feed, a vibratory or trommel screen, an over-size conveyor, an undersize conveyor, and a feed hopper.	[3] Table 1 (p8), [1] Table 2
6	Rotary Dryer	Moisture is removed from the feedstock stream using recycled waste heat from the pyrolysis process and from combustion of syngas; the latter being a product generated during the pyrolysis process.	Preliminary sizing by TTI has indicated that the unit would be approximately 3.0m diameter x 16.0m L. Maximum dry solids feed rate has been assumed to be 20% more than 2 dry tph name plate (i.e. 2.4 dry tph). Maximum moisture is calculated to be approximately 48%w/w. Maximum feed rate is therefore 4.6 wet tph. Target outlet moisture content has been assumed to be 10%w/w. Moisture removed is therefore approx. 1.9 tph.	Ref [3] Table 4, Table 17 and Section 6.1
7	Slow-Pyrolysis Kiln	The feedstock passes through an air-lock and enters the kiln where it undergoes slow-pyrolysis. Pyrolysis involves heating a feedstock in the absence of oxygen transforming it into high value products of syngas and biochar. Oxygen is excluded from the kiln which prevents the syngas produced during the pyrolysis process from combusting. The kiln is externally heated using syngas that is produced during the process.	Preliminary sizing by TTI has indicated that the unit would be approximately 1.8m diameter x 17.0m L. Maximum dry solids feed rate has been assumed by PacPyro to be 20% more than 2 tph nameplate (i.e. 2.4 tph). Target feed moisture is assumed to be 10%w/w. Maximum feed rate is therefore 2.67 tph. Assumed outlet biochar moisture content is 0%w/w. Biochar yield is assumed to be 35%w/w (min) and 70%w/w (max). The operating conditions for steady state pyrolysis are assumed to be 500°C (highest treatment temperature, HTT) with a residence time of approx. 45 mins and at a heating rate of 5–10 °C min^{-1}. The pyrolysis kiln will be highly controlled and designed to provide flexibility in operating conditions to allow for processing of the biomass to produce high yields of either biochar or syngas.	Ref [3] Table 4, Table 5,
8	Wetting Screw	The wetting screw is a typical component of char handling systems in which the char is conveyed by a screw system up an incline and sprayed with water to assist with the final cooling and to suppress dust and volatility of the char.	Lycopodium has assumed that this unit operation consists of a screw conveyor fitted with a succession of spray nozzles for cooling and moisture addition. Maximum biochar flow rate assumed to be 1.68 tph. Initial moisture content assumed to be 0%w/w. Maximum output moisture content assumed to be 10%w/w (although in PacPyro process "Agrichar" is referred to as having 30%w/w moisture)(Business Plan [1])	Ref [3] Table 5, Table 28 Ref [1] p20
9	Biochar Bin/ Biochar Storage	Following wetting, biochar is stored for a period of time before being sent off for further processing or use by the end client.	The CCE has allowed for a rectangular slab and L-shaped roofed section with dimensions reflecting those shown in the Preliminary Site Plan – Figure 3, however, storage hoppers and conveying systems have not been included at this stage. This is primarily due to the fact that the biochar storage and handling systems appear to require further design consideration. The area set aside does not meet PacPyro's max storage estimate of 1209.6 m^3. Handling of biochar in Australia is classified under UN Number 1362 (activated carbon), Hazard Class: 4.2, Packing Group III. Depending on the feed stock and pyrolysis conditions, the biochar may also contain crystalline silica or other materials which require limited exposure. Biochar dust presents a similar fire hazard risk as charcoal dust and any volatiles present also present a fire hazard. Suitable care is therefore required to minimise dust accumulation and the combustion risk may require active management through addition of fire retardants (i.e. water). Biochar also has a tendency to self-compact under its own weight making it difficult to store in hoppers due to tendency to plug. Storage in 1000 kg Bulker bags may be a better option from a number of perspectives, including weight compaction, oxygen exclusion and industrial hygiene perspectives.	Ref [3] Table 7, Ref [11]. Ref [12].
10	Flare (and flare flue)	The flare combusts syngas produced during plant start-up and shutdown. The flare is also maintained during normal plant operation on a pilot flame as a safety precaution to ensure no un-combusted syngas is sent to atmosphere and burns any syngas which is produced in excess of requirements. The flare will have capacity to safely burn all pyrolysis gas produced by the facility as a safety measure. During start-up, the flare flue also forms the exhaust point for the combustion products associated with burning LPG to heat process equipment. The temperature at the flare burner is estimated to be between 1000-1600°C.	For the purposes of the CCE Lycopodium has assumed a flare capable of combusting a maximum pyrolysis gas flow rate of 1.95 tph. Following combustion, the flow rate of the product gases (diluted by combustion air) is estimated at 10.12 tph. The minimum flare flow rate is associated with burning a pilot flame and is estimated at 3.7 kg/h LPG use which results in 73 kg/h flue gas emissions.	Ref [3] Tables 10 to 13, Section 4. Section 7.

Table 1. (Continued) Major Equipment List Detailing Assumed Sizing/Performance Criteria of Process Elements Used in CCE

No.	Process	Description	Sizing/Performance Criteria	Reference
11	Bag Filter	A cyclone, or another suitable/cost-effective particulate removal technology, will be required to capture particulate solids carried over in the dryer exhaust and reduce the total amount that exits the system via the dryer exhaust in order to meet emissions standards.	For the purposes of the CCE Lycopodium has assumed a bag filter sized to handle a maximum flow rate through the filter of approximately 20 t/h (during start-up) and designed to assist in reducing particulate matter emissions from the final exhaust stack to less than 5-50 mg/Nm^3.	
12	Dryer Exhaust Scrubber	An essential component of the biochar facility, the exhaust scrubber is required to ensure that all gaseous emissions meet the specified environmental discharge limits.	Due the clean nature of the feed stock it is likely that the exhaust gas scrubber will consist of a simple chloride scrubber. The assumed maximum flow rate through the scrubber is 20 t/h during start-up.	
13	LPG Storage	To start up the plant, before any syngas has been generated, LPG is required in the burners on both the kiln and the dryer to reach the process design temperatures. LPG is also required to keep a pilot flame on equipment where syngas is used in the event of an unexpected stop/start of gas flow. This is a safety measure.	Continuous LPG use for maintaining pilot flames is estimated at 11 kg/h. LPG required for start-up/shut-down is estimated at 570 kg/h. A start-up/down event therefore requires approx. 11,400 kg of LPG (or 22,353 L). Monthly consumption for pilot flame use is approximately 7,920 kg/month (or 15,530 L/month). For the purpose of the CCE Lycopodium has assumed that the LPG storage bullets will be leased based on an ongoing supply contract and have therefore only included foundations and fencing in the costing.	Ref [3] Table 29.

5.0 PLANNING BASIS & PRELIMINARY PROJECT SCHEDULE

It is assumed that the project will be delivered under a Managing Contractor model where the head contractor shall be responsible for the detailed design, procurement, construction and commissioning of the plant based on a fixed scope for a fixed lump sum amount.

It is envisaged that the key equipment will be procured from TTI who will design the equipment and utilize a low cost manufacturing country for the fabrication.

A preliminary assessment of the likely project execution schedule indicated a project duration of 25 months (Appendix 1). It should be noted that the project duration includes an initial allowance of five weeks for feed stock characterization and test work as the information supplied here will provide critical information for the detailed design. Ideally, the waste would be characterised at numerous points across a year in order to understand seasonal fluctuations.

There is also a possibility to process the feed stock through the Renex facility as a full scale trial. While not costed as part of this CCE, given the similar size of the main processing dryer and Kiln, a trial would mirror closely the final targeted process and also enable characterization of the biogass generated.

It should be also noted that lead time for certain specialty equipment items such as the pyrolysis kiln can be significant. An allowance of 15 months has been made for delivery of the Kiln and Dryer.

6.0 COST BASIS FOR THE CAPITAL COST ESTIMATE

6.1 EARTHWORKS

It has been assumed that the proposed site is on level ground.

A nominal allowance has been made for site preparation (removal of topsoil/light vegetation) and for drainage and underground services. The site plan for the plant is as per the layout contained in the Ballina Shire Council report.

Geotechnical data was not available at the time of preparation of the estimate

6.2 CONCRETE WORKS

Concrete quantities for slabs and equipment foundations have been based on the preliminary layout presented in the Ballina Shire Council report. Concrete design has not been undertaken for the estimate. Raft slabs have been based on 150 mm thickness whilst equipment foundation has been based on an estimate of the equipment weight and whether it is rotary or static equipment.

A nominal allowance for foundation piling has been included as it is assumed to be required at this stage (worst case basis) based on the previous land use (subject to a Geotechnical report)

The benchmark supply rates are AUD $140 for 25MPa concrete and AUD $1500/te for reinforcing steel. Installation labour rates are based of Lycopodium's internal cost data.

6.3 STRUCTURAL WORKS

Steelwork quantities have been based on the preliminary layout presented in the Ballina Shire Council report. All roofed areas have been assumed to be open sided simple structures compliant with BCA an Australian Standards.

The benchmark supply rate is AUD $1200/te for hot rolled steel sections.

Installation rates are based on Lycopodium's cost data and consistent with work norms typical for this type of installation. The installed cost includes shop detailing, supply of materials, shop fabrication, painting and site erection.

6.4 EQUIPMENT

In the absence of a detailed Equipment List or Data sheets the equipment for the estimate is based on Lycopodium's interpretation of the project scope and an understanding of the plant requirements based on experience with TTI technology derived from work completed on the RENEX project and discussions with TTI personnel .

The key equipment viz. the rotary dryer, pyrolysis kiln and the gas conditioner have been priced, on an informal budgetary basis.

Installation rates are based on Lycopodium's database of work norms and labour constants. It takes into account equipment dimensions, weights, where available.

6.5 PIPING, VALVING & INLINE EQUIPMENT

A nominal allowance has been made for the following process and service lines:

- LPG
- Nitrogen
- Compressed air
- Potable water
- Syngas & flue gas

6.6 ELECTRICAL & INSTRUMENTATION

The electrical & instrumentation cost is a factored estimate based on Lycopodium's internal metrics

6.7 BUILDINGS & ARCHITECTURAL

Allowance has been made for a control room, the costs for this has been estimated on a square metre basis for such buildings in a hazardous area installation and in compliance with BCA.

No provision has been made for any buildings other than the structures containing the process equipment.

6.8 PRELIMINARIES

The preliminaries is a factored estimate based on Lycopodium's internal metrics for process plants and is intended to cover costs associated with the following:

- Site setup
- Mobilization, demobilization
- Site amenities (site offices, lunch room, change room, toilet, first aid)
- Temporary services (temporary fencing, telephones, light and power, water, cleaning services)
- General and small plant, scaffolding
- Construction supplies

6.9 EPCM

The engineering, procurement and construction management costs (indirects) are a factored estimate based on Lycopodium's internal metrics for process plants.

6.10 OWNERS COST

No allowance has been made for any costs associated with the following:

- Land purchase
- Ballina Shire Council's project management team
- Permits and approvals
- Pre-production cost:
- Duties & taxes
- Working capital

6.11 LICENCING FEE

For the use of the TTI technology Renex has indicated that it would consider a number of models for licensing the technology to BSC. These models are:

1. Lump Sum fee
2. Lump Sum fee pro rata over a fixed duration (i.e. Spread over 10 years?)
3. A throughput royalty based on tonnage processed.

Renex has no firm policy on the magnitude of the fee at this stage, but has indicated an approximate lump sum amount of 20% of the Renex supplied equipment cost could be applicable. We understand the equipment supply costs contained in the capital cost estimate in this report do include a licence fee component of approximately 20%. The actual amount needs to be commercially negotiated with Renex based on final confirmed costs of the equipment and the form of licensing model to be used.

Options 2 and 3 may possibly be a better economic fit for BSC as they do not have an impact on the capital cost of the project but will come out of the operating expenses. However, again these fees would be subject to negotiations.

If BSC nominates its preferred licensing option, Lycopodium can approach Renex for a firmer understanding of its commercial position on that selected option.

6.12 OTHERS

6.12.1 Site Labour Rate

An "all-up" crew rates of AUD $85/hr for all disciplines of work, based on a balanced mix of trades for a 40 hours working week have been used for the estimate:

The "all-up" crew rate includes base wages, daily travel allowance, statutory on-cost (pay-roll tax, superannuation levy, long service leave), PPE, small hand tools and consumables, small plant and equipment, and contractor's profit.

The crew is assumed to be sourced from local, Lismore and Brisbane based trades.

6.12.2 Exchange Rate Variation

The base currency of the estimate is AUD. The following benchmark rates have been used for other currencies:

Euro = AUD $1.435

6.13 CONTINGENCY

A flat 15% has been assigned as the contingency commensurate with the maturity of the project definition and engineering deliverables.

6.14 ESCALATION

An escalation cost has not been included in the estimate.

6.15 MANAGEMENT RESERVE

Management reserve has not been included.

7.0 RISK AND OPPORTUNITIES

The following present a risk to/opportunity for the project

- If the proposed location of the plant is on a previous landfill cell the geotechnical parameters may adversely affect the civil/structural costs associated with the plant. The results of the current Geotechnical investigation being carried out by GHD will provide some preliminary indication of whether our "worst case allowance" is adequate.

- PacPyro refer to a 'cracking' process for removing tars from the pyrolysis gases produced which would then enable the resulting gas stream to be used directly in an internal combustion engine. To the best of our knowledge, thermal cracking processes for a

project of this scale are largely untested and, without significant field trials, it is our opinion that the process is likely to be difficult to control and the outputs will be highly variable. There is therefore significant risk associated with the ability to generate electrical power using the process put forth by PacPyro. In order for this process to be considered in the final design, a demonstration of the technology and a risk review would need to be carried out on the PacPyro proposed process.

- Alternative technology providers such as TTI typically avoid issues associated with tar generation in the pyrolysis gas by keeping the gas at high temperatures and combusting the raw pyrolysis gas before any condensable material liquefies. There is potential to alter the process design such that, rather than cleaning the syngas, the syngas is combusted as is and excess energy is used to generate power via steam. There may also be an opportunity to enhance electrical power generation through the use of direct drying with relation to the feed rather than indirect drying. Further detailed design and costing would be required to fully assess the suitability of this option.

- The overall composition of the feed stock will have a significant impact on the process design and outputs. Prior to proceeding to further engineering design it is recommended that detailed waste characterisation is undertaken, including ultimate and proximate analysis of representative samples of the proposed waste streams. Given the clean nature of the feed material (i.e. organic material which is essentially free of problematic contaminants) it is likely that the level of exhaust gas treatment required will be minimal and potentially less than what has currently been allowed for.

8.0 ASSUMPTIONS

The following assumptions have been made in preparing the estimate

- LPG and Nitrogen shall be a contracted supply agreement and the supplier will provide the storage vessels and vaporisers as part of the supply contract. However, provision has been made for foundations and fenced enclosures for the storage vessels.

- Existing electrical supply to the site is adequate for the additional electrical loads required by the new facility.

- Existing plant equipment (front end loaders, etc) and their support services (fuel storage, maintenance shed) are available for the additional duties imposed by the new facility.

9.0 EXCLUSIONS

No allowance has been made for

- Hazardous waste removal and re-mediation
- Asbestos abatement
- Site infrastructure covering:
  - Approach roads, culverts
  - Office and administration building
  - Access control
  - Car park
  - Landscaping
  - Fire services
  - Mains power supply
  - LPG and Nitrogen storage vessels (assumed leased from supply vendor)
  - Fuel storage
- First fill, fuel, lubricants, consumables & reagents
- Spares (consumables, commissioning and operating)
- Legal and Industrial Relations support
- Statutory permits & approvals
- Import duties
- GST/VAT/Taxes
- Owners project management team expenses
- Plant and administrative pre-production expenses
- Maintenance and operating plant, equipment and tooling
- Training & recruitment

- Bank charges and fees
- Exchange rate hedge
- Cost of finance

10.0 CAPITAL COST ESTIMATE – STAGE 1

Details of the CCE for the proposed Stage 1 works for delivery of the project based on the TTI process technology are provided in the following table.

Table 2. Capital Cost Estimate – Stage 1

Item	Base Estimate
Preliminaries	360,000
Site Preparation	15,000
Drainage, Underground conduits & services	80,000
Equipment Foundations & Ground slabs	1,025,000
Buildings, Storage	640,000
Steelwork, Access platforms & walkways	1,000,000
Biochar Plant	8,300,000
Biochar Plant, Freight	250,000
Biochar Plant, Vendor Installation & Commissioning Support	110,000
Biochar Plant, Equipment Installation	750,000
Utility services	130,000
Piping & Ductwork	1,300,000
Insulation & Refractory	1,020,000
Electrical	1,000,000
Control Room	120,000
Cranage	900,000
In plant Road	120,000
Consulting Costs	3,000,000
Contingency	**3,000,000**
Project Total (excl GST)	**23,120,000**

11.0 CONCLUSIONS AND RECOMMENDATIONS

In carrying out the process review and CCE and it was identified that the reliance of the PacPyro process on a syngas cleanup technology which is unproven presents a large risk to the project and therefore technology provided by TTI was selected as the preferred option for going forward with the CCE cost estimate. The TTI process, however, would require a more detailed understanding of the feed stock characteristics in order to develop a design basis for power generation from steam generated through heat recovery from combustion of the pyrolysis gases produced. A CCE was therefore only generated for Stage 1 project that involves a biochar only facility.

The CCE for the biochar only facility was determined to be $23 million.

Additional outcomes of the process and CCE review include:

- Preliminary sizing estimates by TTI for the feed dryer and pyrolysis kiln suggests that the dryer dimensions allowed for by PacPyro are reasonable but their pyrolysis kiln appears to be roughly 50% of the size required. The pricing for both systems appears to have been significantly underestimated.

- TTI has indicated that this project will be very similar in scale to that of the RENEX soil decontamination project with respect to the feed dryer, while the pyrolysis kiln, and combustion chamber will be slightly smaller. They have also indicated that the layout and vertical positioning of the equipment would be similar and is the preferred arrangement. Experience with this plant suggests that there is considerable expense in the foundations, electrical/instrumentation/controls and insulation/refractory lining components of the facility construction which do not appear to have been sufficiently allowed for in the PacPyro CCE.

- Overall facility layout provided by PacPyro in its “Preliminary Site Plan” is reasonable; however, the space allowed for biochar storage is insufficient based on their stated assumptions regarding number of days of storage and bulk density of the solids. A TTI technology based facility would have a similar footprint for process equipment but the equipment would be arranged slightly differently.

- The ash content of the various feed stocks as stated by PacPyro appears to be significantly higher than that which has been experienced by TTI in their reference plants. Should this be the case then this will have a significant impact on the mass and energy balance. It is unclear what impact the lower level of ash will be for PacPyro’s current estimates of the system outputs.

- Given the clean nature of the feed material (i.e. organic material which is essentially free of problematic contaminants) it is likely that the level of exhaust gas treatment required will be minimal and limited to particulate removal and chloride scrubbing.

- TTI do not believe that a char conditioning stage is necessary and this element of the process has not been included in the CCE.

Recommendations:

- The overall composition of the feed stock will have a significant impact on the process design and outputs. Prior to proceeding to further engineering design it is recommended that detailed waste characterisation is undertaken, including ultimate and proximate analysis of the representative samples of the proposed waste streams.

12.0 REFERENCES

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15. Rabou, L.P.L.M., R.J.C. Van Leijenhorst, and J.H.O. Hazewinkel, *High efficiency power production from biomass and waste*, Energy Research Centre of the Netherlands, Editor. 2004.
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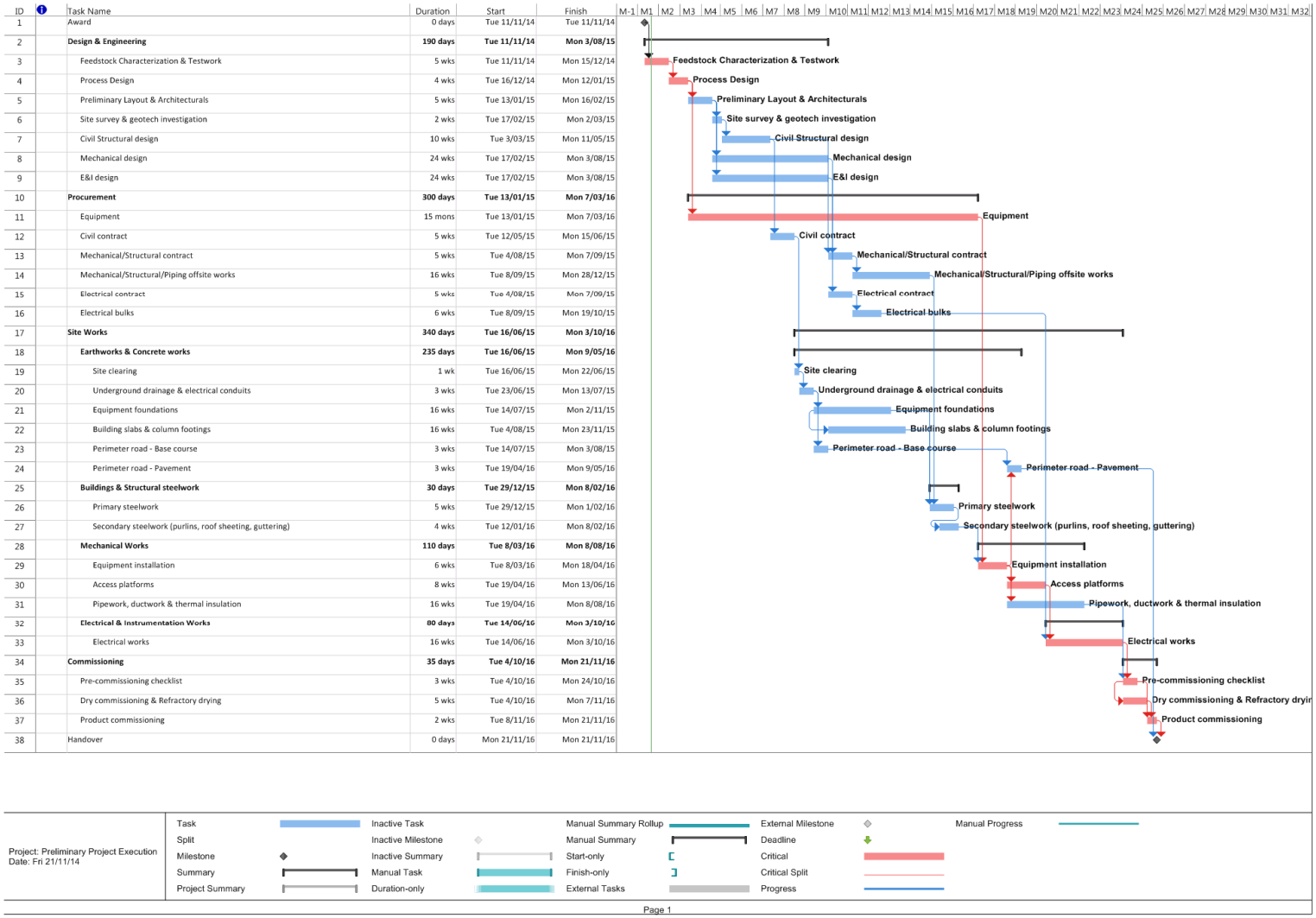
APPENDIX 1

PRELIMINARY PROJECT SCHEDULE

4.5 Ballina Pryolysis Project - Update



ID	Task Name	Duration	Start	Finish
1	Award	0 days	Tue 11/11/14	Tue 11/11/14
2	**Design & Engineering**	**190 days**	**Tue 11/11/14**	**Mon 3/08/15**
3	Feedstock Characterization & Testwork	5 wks	Tue 11/11/14	Mon 15/12/14
4	Process Design	4 wks	Tue 16/12/14	Mon 12/01/15
5	Preliminary Layout & Architecturals	5 wks	Tue 13/01/15	Mon 16/02/15
6	Site survey & geotech investigation	2 wks	Tue 17/02/15	Mon 2/03/15
7	Civil Structural design	10 wks	Tue 3/03/15	Mon 11/05/15
8	Mechanical design	24 wks	Tue 17/02/15	Mon 3/08/15
9	E&I design	24 wks	Tue 17/02/15	Mon 3/08/15
10	**Procurement**	**300 days**	**Tue 13/01/15**	**Mon 7/03/16**
11	Equipment	15 mons	Tue 13/01/15	Mon 7/03/16
12	Civil contract	5 wks	Tue 12/05/15	Mon 15/06/15
13	Mechanical/Structural contract	5 wks	Tue 4/08/15	Mon 7/09/15
14	Mechanical/Structural/Piping offsite works	16 wks	Tue 8/09/15	Mon 28/12/15
15	Electrical contract	5 wks	Tue 4/08/15	Mon 7/09/15
16	Electrical bulks	6 wks	Tue 8/09/15	Mon 19/10/15
17	**Site Works**	**340 days**	**Tue 16/06/15**	**Mon 3/10/16**
18	**Earthworks & Concrete works**	**235 days**	**Tue 16/06/15**	**Mon 9/05/16**
19	Site clearing	1 wk	Tue 16/06/15	Mon 22/06/15
20	Underground drainage & electrical conduits	3 wks	Tue 23/06/15	Mon 13/07/15
21	Equipment foundations	16 wks	Tue 14/07/15	Mon 2/11/15
22	Building slabs & column footings	16 wks	Tue 4/08/15	Mon 23/11/15
23	Perimeter road - Base course	3 wks	Tue 14/07/15	Mon 3/08/15
24	Perimeter road - Pavement	3 wks	Tue 19/04/16	Mon 9/05/16
25	**Buildings & Structural steelwork**	**30 days**	**Tue 29/12/15**	**Mon 8/02/16**
26	Primary steelwork	5 wks	Tue 29/12/15	Mon 1/02/16
27	Secondary steelwork (purlins, roof sheeting, guttering)	4 wks	Tue 12/01/16	Mon 8/02/16
28	**Mechanical Works**	**110 days**	**Tue 8/03/16**	**Mon 8/08/16**
29	Equipment installation	6 wks	Tue 8/03/16	Mon 18/04/16
30	Access platforms	8 wks	Tue 19/04/16	Mon 13/06/16
31	Pipework, ductwork & thermal insulation	16 wks	Tue 19/04/16	Mon 8/08/16
32	**Electrical & Instrumentation Works**	**80 days**	**Tue 14/06/16**	**Mon 3/10/16**
33	Electrical works	16 wks	Tue 14/06/16	Mon 3/10/16
34	**Commissioning**	**35 days**	**Tue 4/10/16**	**Mon 21/11/16**
35	Pre-commissioning checklist	3 wks	Tue 4/10/16	Mon 24/10/16
36	Dry commissioning & Refractory drying	5 wks	Tue 4/10/16	Mon 7/11/16
37	Product commissioning	2 wks	Tue 8/11/16	Mon 21/11/16
38	Handover	0 days	Mon 21/11/16	Mon 21/11/16

4.6 Wollongbar Sporting Fields - Tender

Delivery Program	Open Spaces and Reserves
Objective	To review the project budget and to make a determination in respect to the tender for the construction of the sports fields.

Background

Council has received several reports in relation to the Wollongbar sporting fields with the most recent on the 27 November 2014 to consider the tenders for the construction of the sporting fields.

At that meeting Council resolved as follows:

1. *That, in accordance with Part 7 Clause 178 of the Local Government (General) Regulations 2005, Council authorises the General Manager to enter into direct negotiations in with Synergy Resource Management Pty Ltd.*
2. *That the General Manager be authorised to execute a contract with Synergy Resource Management Pty Ltd, subject to the negotiations in point two above confirming the project is able to proceed in accordance with the current approved budget.*
3. *In the event that point three above is not able to be achieved, a further report is to be submitted to Council to review the options for this project.*

This report now provides an update on the negotiations that have occurred in respect to this contract.

Key Issues

- Project Budget
- Comply with Section 55 of the Local Government Act 1993 and Part 7 of the Local Government (General) Regulations 2005 with regards the acceptance of tenders.

Information

The original tender submission from Synergy Resource Management Pty Ltd provided for a tender price of $4,700,000 (ex GST), with a remaining budget for this element of the project of $4,153,182. This left a shortfall of $546,818, with any contingency entirely removed from the project.

In an effort to meet the project budget, staff and representatives from Cardno Pty. Ltd., being the firm appointed by Council to design the fields, reviewed the design with a view to reduce/change the scope of works. In addition, the individual tendered rates from Synergy were reviewed to identify possible areas where these rates could be considered high.

Several areas were identified as potential areas for consideration and Synergy were contacted and advised of the Council resolution and asked to review their tender to possibly identify potential cost savings prior to meeting with Council.

As a result of these negotiations Synergy re-submitted their tender with two options:

1) Option One - included turfing of the main rugby field at $4,268,491 (ex GST)

2) Option Two - allowed for seeding only of all playing fields at $4,157,801 (ex GST).

Staff have consulted with the Manager Open Spaces and Resource Recovery with reference to the option of turf and seeding of the main rugby field.

Given the playing field will not be utilised until the 2016 playing season, seeding is considered a viable option.

Based on the budget constraints this is the preferred option.

Legal / Resource / Financial Implications

The current approved budget is a follows:

Item	Amount ($)	
	19 November 2013	**14 June 2014**
Essential Works	3,421,509	3,421,509
Inclusions:		
Important but not essential	285,796	285,796
Subject to Section 96	190,000	190,000
Increased budget for clubhouse facilities	200,000	422,000
Provisional sum items	99,375	99,375
Sub Total	**4,196,680**	**4,418,680**
Items for consideration:		
Planting within site along road corridors and buffer zones	30,000	30,000
Provision of AC to four netball courts	100,000	100,000
Lighting to two netball courts	50,000	50,000
Sub-TOTAL	**4,376,680**	**4,598,680**
Contingency	656,502	434,502
Total	**5,033,182**	**5,033,182**
Costs already incurred or committed to date	2,119,924	2,119,924
Total Estimated Project Cost	**7,153,106**	**7,153,106**

The actual makeup of the original budget from November 2013 was changed in June 2014 to reflect the increase in the construction of the rugby amenities and tennis clubhouse.

The total budget remained unchanged and the increased cost was reflected in the reduction to the contingency.

Based on these latest negotiations an updated budget for the entire project is as follows.

Item	Amount ($)		
	Estimate	Actual to Date	Unexpended
Project Management Consultant	150,000	116,700	33,300
Statutory and Approvals Fees	30,000	5,100	24,900
Council Inspections and Fees	55,000	0	55,000
Consultant Fees	313,000	263,400	49,600
Contract Administration	80,000	0	80,000
Architect Fees	58,000	31,000	27,000
Early Works	1,622,300	1,622,300	0
Engineering / Landscaping (Synergy)	4,157,800	0	4,157,800
Construction of New Buildings	880,000	0	880,000
Other Miscellaneous Expenses	50,000	45,500	4,500
Total Estimated Project Cost	**7,396,100**	**2,084,000**	**5,807,100**
Contingency (5% of Synergy Contract)	208,000		
Required Budget	**7,604,100**		
Contingency (7.5% of Synergy - $312,000)	312,000		
Required Budget	**7,708,100**		
Contingency (10% of Synergy - $416,000)	416,000		
Required Budget	**7,812,100**		

The current project budget of $7,153,100 has been funded as follows.

Funding Source	Amount ($)
BBRC Grant	4,496,000
Interest Accrued on Grant	141,000
Sport and Recreation Grant	25,000
Sports Fields Capital Budget	123,000
Ballina Heights Loan Reserve	284,000
Property Reserves	2,084,000
Total Estimated Project Cost	**7,153,000**

In looking at funding options there are surplus funds of $68,900 in respect to the BBRC Grant due to interest accrued. This provides total funding of $7,221,900 ($7,153,000 plus $68,900).

The preference of staff and the project manager is to work with a contingency of 10% for the Synergy contract. This is a large contract with the two lengthy access roads being the major areas of concern due to unknown levels of rock, dry creek crossing and the fact that no earthworks have been completed in these areas to date. Based on the 10% contingency this means there is a budget shortfall of $590,200 ($7,812,100 total project budget minus $7,221,900 funding available).

Consultation

Council has consulted with the design consultant and the preferred tenderer.

Options

Council has no more funds available for this project therefore the options relate entirely to the works program by either deferring or removing items.

In respect to removal, Councillors have already conducted a thorough review of the project and removed a number of non-essential items. The general feeling of staff is that the scope of works now reflects a minimum level of service.

In respect to deferral the two possibilities are the change rooms / public toilets building or the tennis courts and associated clubhouse.

Council has estimated the cost of constructing the change rooms and amenities building at $500,000. This is insufficient to fund the budget shortfall and importantly if the fields are completed there is a need for the public toilets / amenities. The Wollongbar Rugby Club is funding the second storey works.

In respect to the tennis courts it is important to acknowledge that the courts are being relocated to this site as Council is attempting to sell the current tennis court site at the Russellton Industrial Estate.

The estimated selling price is currently around $1.5m and there has been limited interest to date.

As that land has still not been sold (any sale would be subject to finalisation of the relocation) Council could delay the construction of the tennis courts and clubhouse until a sale contract was exchanged, or until other funding was available.

The estimate for the tennis court related works is as follows:

- Tennis courts - $300,000 (tender price)
- Fencing - $120,000 (tender price)
- Clubhouse - $380,000 (estimate)

This totals $800,000 which is well above the $590,200 shortfall and still leaves $209,800 available for the tennis court components.

Ideally only small amounts of the contingency figure of $416,000 will be needed and there is also the possibility of the tennis court site being sold.

Council also has recurrent funding of $156,000 available for sporting fields improvements in our 2015/16 Long Term Financial Plan that could be applied to these works.

In an ideal world Council would still be able to deliver the tennis courts, even without the Russellton Estate land being sold, as per the following scenario

Item	**Amount ($)**
Funds available once tennis courts components removed	209,800
Contingency (not needed)	416,000
2015/16 Sports Fields Funding	156,000
Sub Total	**781,800**

This is only $18,200 short of the $800,000 estimated for all the tennis courts related works, and if the clubhouse came in under the estimate of $380,000 Council could deliver the entire project.

The one other option that was considered in the preparation of this report was the need for the two access roads (Pearces Creek and Ramses Street).

The need for the two access roads has been debated on a number of occasions and importantly the planning consent requires the construction of both accesses.

Staff reviewed the tendered rates from Synergy to determine the likely cost, or saving, of not constructing the Pearces Creek Road access and based on the tendered rates the saving is estimated at $220,000. As this was well short of the funding needed it was not considered to be a viable option for this report.

In conclusion the deferral of the tennis court related works is the preferred option, in the interim, particularly as there is currently no real urgency to relocate the facilities as there is limited sales interest in their existing site. Importantly Council is still committed to relocating the courts and the actual timing of that will depend on the freeing up of funds for these works.

RECOMMENDATIONS

1. That Council approves the interim deferral of the tennis court related works (courts, fencing and clubhouse) from the construction of the Wollongbar Sporting Fields, due to the total funding not being currently available for these works.

2. That Council authorises the General Manager to proceed with the tennis court related works, if the current contingency figure is not required and funds are available for the works.

3. That Council approves a revised budget (including deferral of the tennis court related works) and funding sources for this project as follows:

Item	**Amount ($)**
Project Management Consultant	150,000
Statutory and Approvals Fees	30,000
Council Inspections and Fees	55,000
Consultant Fees	313,000
Contract Administration	80,000
Architect Fees	58,000
Early Works	1,622,300
Engineering / Landscaping (Synergy)	4,157,800
Less Deferral of Tennis Courts and Fencing (Synergy)	(420,000)
Construction of New Buildings	880,000
Less Deferral of Tennis Courts Club House	(380,000)
Other Miscellaneous Expenses	50,000
Sub Total	**6,596,100**
Contingency	416,000
Tennis Courts Allowance (deferred)	209,800
Total	**7,221,900**

Funding Sources	**Amount ($)**
BBRC Grant	4,496,000
Interest Accrued on Grant	209,900
Sport and Recreation Grant	25,000
Sports Fields Capital Budget	123,000
Ballina Heights Loan Reserve	284,000
Property Reserves	2,084,000
Total Estimated Project Cost	**7,221,900**

4. That Council also confirms the $156,000 available in Council's 2015/16 Long Term Financial Plan for sporting fields is available for the Wollongbar Sports Fields tennis court related works, if adequate funds are available to complete the balance of these works as per point two above.

Attachment(s)

Nil

4.7 Festival and Event Support Program - Additional Funds

Delivery Program Tourism

Objective To review requests for additional funds from community event organisers in relation to Council's Festival and Event Support Program

Background

The Festival and Event Funding program for 2015/16 was allocated by resolution of the Council at the October 2014 meeting. The matter arose at the October meeting via a notice of motion that was addressed as a matter of urgency due to the timing for advertising at the Tamworth Country Music Festival (in connection with the Ballina Coastal Country Music Festival). Council resolved to allocate funds as follows.

Event	2015/16 ($)
Ballina Coastal Country Music Festival	25,000
Ballina Prawn Festival	25,000
Skullcandy Oz Grom Open	15,000
Alstonville New Years Eve	15,000
Riverside Carols, Ballina	5,000
Lennox Head Carols	5,000
Ballina Fine Food & Wine Affair	5,000
Country Fair	5,000
TOTAL	**100,000**

The above budget allocation is consistent with Council's Long Term Financial Plan which indicates there is a forecast budget available for Festival and Event Funding in 2015/16 of $100,000.

Since the resolution has been communicated to event organisers, correspondence has been received from two community organisation's seeking additional funds (refer Attachments 1 and 2).

This report outlines the requests for additional funds.

Key Issues

- Equitable distribution of funds to community events
- Budget allocation for the Festival and Event Support Program

Information

Ballina Fine Wine and Food Festival
Council received correspondence from the Rotary Club of Ballina-on-Richmond, the organiser's of the Ballina Fine Wine and Food Festival in November 2014. This followed correspondence from Council advising of the funding allocation of $5,000 for their 2015 event.

The letter (Attachment 1) details their disappointment with their funding allocation and that an expression of interest process did not occur. Their intention was to seek additional funding in 2015 for changes to their event program. The changes they wish to make include:

- The provision of subsided transport to the festival
- The provision of additional infrastructure to ensure an all-weather event
- Entertainment
- Sound system
- Additional dinner themed event on the Friday night prior to the weekend festival.

The key performance indicators provided to Council for the Ballina Fine Wine and Food Festival 2014 include:

Income	$52,923
Expenses	$35,446
Profit/(loss)	$17,477
Value of in kind contribution	$62,188
Number of attendees	2,000 people

The event organiser's are requesting a further $10,000 from Council, to make their total funding contribution $15,000.

Ballina Prawn Festival
The second request for additional funding has been received from the Ballina Chamber of Commerce and Industry for the Ballina Prawn Festival in 2015 (Attachment 2). The correspondence for this request was received in December 2014, following advice from Council of the funding allocation for the Prawn Festival of $25,000 in 2015.

This correspondence details the outcomes of the 2014 festival with the following points raised:

- The festival doubled the event footprint
- Significantly developed the event program
- Attracted twice the number of patrons than in 2013
- Increased tourism visitation (particularly the visiting friends and relatives (VFR) market)
- Aligns with the broader tourism campaigns and the Ballina Coast & Hinterland brand.

The aim for the next two years is to build a large scale multi day signature festival. The event organiser's have expressed an intention to establish an event of national significance attracting greater visitation from outside the local area in the longer term.

The key performance indicators provided to Council for the Ballina Prawn Festival 2014 include:

Income	$97,330
Expenses	$96,293
Profit/(loss)	$1,037
Value of in kind contribution	$150,200
Number of attendees	20,000 across 12 hours

The event organisers are requesting a further $10,000 from Council, to make their total funding contribution $35,000.

Previous Funding Allocations

To provide context to the above requests, the below table details previous funding allocations for the two festivals:

	Ballina Fine Wine and Food Festival	**Ballina Prawn Festival**
2015/16	$5,000	$25,000
2014/15	$5,000	$35,000**
2013/14	$5,000	-

**$25,000 was from a one off grant from *Your Community Heritage Program* from the Australian Government

Both events have sought external grant funding. The Ballina Fine Wine and Food Festival applied for a number of grants, including the Destination NSW Regional Flagship Festival Funding Program however was unsuccessful. The Ballina Prawn Festival applied to the Arts Council of NSW and was unsuccessful.

Sustainability Considerations

- **Environment**
  Not Applicable

- **Social**
  Festivals and events contribute to enhanced community pride.

- **Economic**
  Festivals and events contribute to a prosperous economy by attracting visitors.

Legal / Resource / Financial Implications

Should the Council wish to proceed with the additional funding requests, there will be a financial implication of $20,000.

Consultation

These requests are in response to Council's correspondence advising of the outcome of the Festival and Event Support Program funding allocation.

Options

Option One – Approve the additional funds requested

One option is to proceed with approving the additional funding request for the two festivals. This would mean the allocation to the Festival and Event Funding Program for 2015/16 will be $20,000 more than the original allocation. The total allocation would then increase to $120,000 for 2015/16. If this option is preferred, a funding source will need to be identified by Council.

Option Two – Decline the requests

The second option is to decline the request to provide additional funding to both festivals. The reasons for this decision may include:

- There is currently no transparent process for community event organisers to undertake with respect to the request of additional funds.
- Council is not in a financial position to afford this additional allocation of funds.
- Other events/groups have not had an opportunity to indicate their requests and views to Council in relation to event funding for 2015/16

Option Three – Provide additional funding to one event

A third option is to proceed to fund only one event. This is a difficult approach given that there is no endorsed criterion for distinguishing between the two events.

Other Considerations

A further broader option could be that the two festivals collaborate with one another and integrate the Ballina Fine Wine and Food Festival with the Ballina Prawn Festival.

This option would need exploring further to see if both parties would be agreeable. It could negate the need for any additional Council funding.

Council could also consider initiating a process to re-examine and allocate all of the available funding.

This approach is not recommended on the basis that event organisers have been advised of funding allocations as per Council's October 2014 decision.

Funding of either request raises equity issues in terms of other groups who may be seeking funding. That is, if additional funds are to be made available, other groups may wish to request access to the monies to support their events. Allocation of funds to the current requests may lead to further requests from others and/or negative responses from groups who have not been considered for additional funds.

In addition to the above, it may be beneficial for Council to further consider implementation of a formal expression of interest process in relation to Festival and Event Funding. The current policy *Festival and Events – Council Support Policy,* aims to:

- Ensure that an open and transparent decision making process is in place for requests for support from the Council
- Provides an accessible and equitable process for not-for-profit organisations seeking event support from the Council
- Identifies and supports the Shire's signature festival and events
- Create partnerships with community groups to enhance the attractiveness of Ballina Shire as a destination known for festival and events
- Obtain value from the Council's investment in festival and events
- Provide an avenue for the Council to contribute to expenses associated with the critical services, to ensure a safe event for the community.

The current policy incorporates a process to invite submissions for event funding and for those submissions to be formally considered by the Council in relation to the annual Operational Plan.

Regardless of the Council's decision in relation to the additional funding requested, it is recommended that Council implement an EOI process for allocation of the Festival and Event Funding annually, consistent with the existing *Festivals and Events – Council Support Policy*. This is recommended to improve the opportunity for proposals to be presented to, and considered by, Council and enhance transparency of process.

As the allocation of funds is a matter for Council to determine recommendation one provides an option to approve or decline the requests.

The second recommendation then seeks approval to invite submissions for additional funding.

RECOMMENDATIONS

1A That Council approves the additional funds as requested by the Ballina Fine Wine and Food Festival and the Ballina Prawn Festival for an additional $10,000 respectively ($20,000 in total).

or

1B That Council declines the requests for additional funds for the Ballina Fine Wine and Food Festival and the Ballina Prawn Festival as the funding requested is beyond Council's budget capacity.

2. That Council conduct an expression of interest process for the allocation of Festival and Event Support Program annually, even if funds have been allocated to existing events, to assess whether there are other events that may benefit from funding support, with the allocation of the additional funds to be considered as part of the annual budget process.

Attachment(s)

1. Attachment 1 - Request for funding by the Ballina Fine Wine and Food Festival
2. Attachment 2 - Request for funding by the Ballina Prawn Festival

Held at the Ballina Jockey Club, Racecourse Road, Ballina from 11am – 5pm Sunday 12th July 2015

Mr Paul Hickey

General Manager

Ballina Shire Council

21/11/14

Dear Paul

RE: Festival and Event Support Program 2015/16

I am writing expressing my disappointment at not being given the opportunity to apply in writing for Event Support Funding for the 2015 Ballina Fine Wine and Food Festival. We were under the impression that an expression of interest process for funding applications would be released by Council in December to give organisations such as The Rotary Club of Ballina-on-Richmond an opportunity to put our case forward for extra funding from previous years. Apparently this has not been the case.

Paul following the outstanding success of this year's event our FW&FF Committee has seen the need to expand our event even further. Through surveys taken on the day and feedback from our many exhibitors we can see many opportunities to attract a greater and wider patronage but unfortunately it all comes at a cost.

Major changes that we wish to make are:

- Provide alternative transport by subsidising buses from Byron Bay, Lennox Head and Lismore plus an around town pick-up service. (*this is something that is very necessary to increase our numbers and get into Byron Shire).*
- Provide an extra marquee for undercover exhibits, demonstrations and displays ensuring that our festival remains as an all weather event.
- Engage nationally renowned artists providing first class entertainment rarely seen in Ballina. This will require a stage, marquee, backing band and sound system as part of the event's entertainment.
- Hire a quality sound system that is professionally wired into all areas of our festival for the benefit of patrons and exhibitors so they are aware of the many demonstrations and attractions at our event.
- Hold a degustation evening with a Ballina theme e.g. "*The Fine Tastes of Ballina Dinner*" on the Friday night attracting people to stay in Ballina for the weekend as a culinary experience. (Paul this new initiative is something we are very excited about holding as it takes our event to a whole new level of food and wine appreciation in good surroundings)

Col Lee 0417 862 602 Julie Lee 0414 396 520 Jodie Shelley 0427 287 627
Theresa Atkinson 0428 862 660 Betty Spindler 0417 439 144 Bill Keenan 0402 098 553
Debera Duplock 0409 129 300 Mark Atkinson 0428 663 275 Sheila Aveling 0432 588 375
Rotary Club of Ballina-on-Richmond Inc. ABN: 14 839 627 091 www.ballinafinewineandfoodfestival.com.au

Held at the Ballina Jockey Club, Racecourse Road, Ballina from 11am – 5pm Sunday 12th July 2015

Paul our surveys show that around 55% of our patronage is from 2478 postcode. Our aim this year is to push for more people from out of town due to an increased marketing campaign. We are rebuilding a new more modern and up to date website at the moment which will ensure a fresh and vibrant marketing opportunity for us to promote our event and Ballina in particular. As you are aware our emphasis is to support and encourage local producers, business houses and restaurants to participate demonstrating the diverse and amazing food and products that come from our region.

Paul on behalf of our committee and to ensure we can make the necessary changes to our event we are asking Council to increase its contribution to the 2015 Ballina Fine Wine and Food Festival from $5000.00 to $15000,00. We believe this figure is a fair request taking into account the amounts allocated to other festivals in the town through the Festival and Event Support Program.

We are hopeful that Council can assist us with our request and look forward to your reply when time permits so we can go forward in our planning.

Yours sincerely

Col Lee

Chairman Ballina Fine Wine and Food Festival.

Links for your information regarding this year's event are:

Yellow Bull Media:

Link: https://vimeo.com/105531569

Echo net film:

http://www.echo.net.au/2014/07/Ballina-fine-wine-festival-2/

Our Website: www.ballinafinewineandfoodfestival.com.au

Facebook: www.facebook.com/ballinafinewineandfoodfestival

Thanks

Col

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18 December 2014

Ballina Chamber of Commerce
Supporting the Local Business Community

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T: 02 6681 5049 F: 02 6686 5810
info@ballinachamber.com.au
www.ballinachamber.com.au

Caroline Klose
Corporate Communications &
Tourism Coordinator
Ballina Shire Council

Via email: carolinek@ballina.nsw.gov.au

Dear Caroline,

RE: FESTIVAL & EVENT FUNDING 2015/16

Thank you for your letter dated 30 October 2014 advising that the Chamber has been granted $25,000 in funding for the 2015 Ballina Prawn Festival.

As you know, in 2013 the Chamber received $10,000 from Council to run a Las Balsas celebration with a further $25,000 awarded, administered by the Chamber on behalf of the Council, by way of a Federal Government grant, resulting from the great work of Holly Archibald.

The Chamber, with the support of Council, leveraged these funds to establish the Prawn Festival brand with a longer term objective of establishing a hallmark event for Ballina Coast & Hinterland.

In December 2013 Councillors, after some debate, granted the Chamber Event & Festival funds of $35,000 to run the 2014 event having seen the success of the inaugural festival and recognising its potential.

The Chamber event team doubled the site footprint , significantly developed event programming and marketing strategies and, as a result, attracted twice the number of patrons as the first year. It is now clear to the Chamber that the Ballina Prawn Festival genuinely has potential to become a large scale multi day signature festival for our shire, popular with locals and visitors, and with an already burgeoning national reputation.

It is our view that the Ballina Prawn Festival has real potential to drive increased visitation into the future by attracting people to visit the shire in November and stay several days. This has the potential to increase visitation at other times of the year and contributes to a 'word of mouth' campaign so effective in destination marketing.

Chamber Alliance Program
NSW Business Chamber

The North Coast Destination Network

In addition, the way in which this festival has been so readily adopted by local residents and, more broadly, the residents of the Northern Rivers, indicates that the event is contributing positively to our sense of place by promoting pride and ownership of the Ballina Coast & Hinterland amongst residents.

There are numerous benefits to be gained from successful place making initiatives as canvassed in the 2014 Ballina Prawn Festival Report, a copy of which is attached. The benefits of place making are also discussed in Council's own *People, Place Prosperity* report and well recognised by Council. Additionally, with the VFR market representing forty percent of the shire's tourism economy, encouraging residents to become ambassadors with genuine pride for their community seems a good strategy to attract additional increased visitation.

Event organisers had feedback from locals that their friends from Byron and beyond had come to the festival and commented it was a cool and modern event for Ballina. If we are to tap into a high yield and low impact market of day trippers and tourists, projects like the Ballina Prawn Festival would appear a good strategy within the context of promoting that climate of pride in our 'resident ambassadors' especially as we begin to chase the trendy Melbourne market.

In addition to delivering a professional, fun and quirky festival, the Chamber is committed to working in conjunction with the Ballina Shire Council Tourism Department to ensure our marketing aligns itself with broader tourism campaigns and promotion of the Ballina Coast & Hinterland brand.

As you know the team coordinating and delivering the festival is a small one and to continue the trajectory the Ballina Prawn festival is on the Chamber is seeking additional funds of $10,000 to run the 2015 festival. These additional funds will allow us the opportunity to invest in the necessary infrastructures and resources to ensure the ongoing viability of the event and help us guarantee the festival will have the best possible chance to become a truly sustainable event with a focus on economic, social and environmental outcomes.

Kind Regards,

Nadia Eliott-Burgess | Executive Officer
& Festival Director | Ballina Prawn Festival
Ph: 6681 5049 | Mob: 0438 484 403