



Notice of Finance Committee Meeting

A Finance Committee Meeting will be held in the Ballina Shire Council Chambers, 40 Cherry Street, Ballina on **Wednesday 20 March 2019 commencing at 4.00 pm.**

Business

1. Apologies
2. Declarations of Interest
3. Deputations
4. Committee Reports

A handwritten signature in black ink, appearing to read 'Paul Hickey', with a horizontal line underneath.

Paul Hickey
General Manager

Table of Contents

1.	Apologies.....	1
2.	Declarations of Interest.....	1
3.	Deputations	1
4.	Committee Reports.....	2
4.1	Ballina - Byron Gateway Airport - Long Term Financial Plan	2
4.2	Economic Development and Business Support	16
4.3	Rating Structure and Land Valuations - 2019/20	48
4.4	Street Lighting - LED Bulk Replacement Program	58
4.5	Alstonville Preschool - Camphor Laurel Tree Management	64
4.6	Alstonville and Ballina Swimming Pools - Operations Review	70
4.7	Alstonville Swimming Pool - Amenities Upgrade	90
4.8	Wastewater Operations - Long Term Financial Plan	96
4.9	Waste Operations - Long Term Financial Plan	105
4.10	Water Operations - Long Term Financial Plan	118
4.11	Water Pricing Structure	126

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1. Apologies
 2. Declarations of Interest
 3. Deputations
-

1. Apologies

2. Declarations of Interest

3. Deputations

4.1 Ballina - Byron Gateway Airport - Long Term Financial Plan

4. Committee Reports

4.1 Ballina - Byron Gateway Airport - Long Term Financial Plan

Delivery Program Commercial Services

Objective To review the long term financial plan for the airport.

Background

The Ballina Byron Gateway Airport (BBGA) is operated as a stand-alone business by Council. In recent years the financial performance of the BBGA has been steadily improving as outlined in Table One.

Table One - Operating Results for 2011/12 to 2017/18

Item	2013/14 Actual (\$'000)	2014/15 Actual (\$'000)	2015/16 Actual (\$'000)	2016/17 Actual (\$'000)	2017/18 Actual (\$'000)
Operating Revenues	4,618	4,710	5,112	5,780	6,749
Operating Expenses	4,329	4,363	4,513	4,958	4,973
Operating Surplus / (Deficit)	289	347	599	822	1,776
Add Back Depreciation	761	771	830	807	864
Cash Operating Surplus	1,050	1,118	1,429	1,629	2,640
Capital Movements					
Less: Loan Principal Repaid	839	845	971	1,073	1,130
Add: Capital Income – Grants	0	0	2,291	0	449
Add: Capital Income - Loans	4,648	725	500	0	0
Less: Capital Expenditure	4,995	1,129	2,880	700	312
Less: Unexpended Loans	0	0	0	0	0
Net Cash Movement	(136)	(131)	369	(144)	1,647
Reserve Balance (Deficit)	(591)	(722)	(353)	(497)	1,150
Balance Outstanding Loans	9,157	9,037	8,566	7,493	6,363

Revenues have been increasing at a rate exceeding that of operating expenses, resulting in improvements to the operating result before and after depreciation.

This is excellent from a business sustainability perspective with an operating surplus now being recorded on a consistent basis.

Whilst the operating result is improving, capital expenditure, including loan principal repayments, has been exceeding the available cash reserve, resulting in the Airport Reserve being regularly overdrawn, although it was finally returned to a positive balance for 2017/18.

The BBGA is a major business operation for Council, along with being an economic driver for the region, although it is very cash hungry, requiring significant on-going investment into the airside infrastructure.

The report that follows outlines the latest update of the LTFP.

4.1 Ballina - Byron Gateway Airport - Long Term Financial Plan

Key Issues

- Financial performance
- Infrastructure renewal and expansion

Information

The BBGA has gone through a period of strong growth with passenger numbers rapidly increasing and the services delivered improving.

Capital expenditure has been incurred on major works including an upgrade of the terminal, extension of the apron and an overlay of the runway.

Stage two of the terminal expansion is currently underway with Council being awarded a State Government grant of \$4.5m based on a total cost of just under \$7m.

The existing LTFP for the BBGA has now been updated for the 2019/20 financial year onwards and a copy is included as Attachment 1 (seven pages). The attachment includes the following information:

- Pages One and Two – Provides the actual and estimated operating results for the period from 2002/03 to 2028/29 (some years between 2002/03 and 2016/17 are hidden to allow the information to fit on the A3 pages).
- Page Three – Outlines the capital movements for the business relating to capital expenditure, sources of funding for that capital expenditure, the cash balances for the Airport Reserve and a summary of the loan debt, including annual principal and interest repayments.
- Pages Four to Seven – Charts summarising key ratios and figures.

The forecast operating results for the term of the draft 2018/19 to 2021/22 Delivery Program, as per pages one and two of Attachment 1, are summarised in the following table.

Table Two: Forecast Operating Results for 2018/19 to 2022/23

Item	2018/19 Estimate (\$'000)	2019/20 Estimate (\$'000)	2020/21 Estimate (\$'000)	2021/22 Estimate (\$'000)	2022/23 Estimate (\$'000)
Operating Revenues	6,732	7,174	7,356	7,544	7,739
Operating Expenses	5,713	6,150	6,413	7,054	7,697
Operating Surplus / (Deficit)	1,019	1,023	943	490	42
Add Back Depreciation	1,030	1,100	1,170	1,369	1,570
Cash Operating Surplus	2,049	2,123	2,113	1,859	1,612
Capital Movements					
Less: Loan Principal Repaid	1,189	1,362	1,435	1,524	1,445
Add: Capital Income – Grants	4,051	0	7,500	7,500	0
Add: Capital Income - Loans	2,400	2,500	7,500	7,500	0
Less: Dividend	100	100	100	100	100
Less: Capital Expenditure	7,250	3,600	15,902	15,554	56
Net Cash Movement	(38)	(439)	(324)	(319)	11
Reserve Balance	1,112	673	349	30	41
Balance Outstanding Loans	7,575	8,713	14,778	20,754	19,310

4.1 Ballina - Byron Gateway Airport - Long Term Financial Plan

The operating result is forecast to decline significantly during the four year period from 2019/20 to 2022/23 due to limited growth in revenues and large increases in loan debt.

The reasons for the loan debt are explained in the Capital Expenditure section of this report.

The forecast has limited increases in passenger income as total passenger numbers are stabilising around the 540,000 to 550,000 range.

Both Virgin and Jetstar are operating at high occupancy rates however there is no certainty around when and if they will increase flights, particularly as competition for flights is increasing, with many mining based airports starting to restore growth lost in recent years.

These routes can be more profitable for the airlines as they have a strong business focus, compared to Ballina – Byron which is tourism based, so even though our flights may have high occupancy, decisions external to Council can be made to divert planes to other routes.

This was particularly noticeable in February 2019 when the total Jetstar flights were eight less than February 2018, resulting in Jetstar passenger numbers being down 12% on a month to month comparison (i.e. 33,196 – Feb 2018 to 29,271 – Feb 2019). This is despite the Jetstar occupancy rates being close to 90%.

Typically one regular jet service can add 50,000 passengers per annum and this highlights how susceptible the business is to flight allocation decisions by Virgin and Jetstar.

On a more positive note car parking income has been significantly increased in the attached figures for 2019/20 recognising that there have been on-going interruptions with the terminal expansion works during 2018/19.

In respect to the remaining income and expense items that form the operating results (pages one and two of the attachment) other key points of interest are as follows.

Operating Revenues (page one of attachment)

- Car Rental Franchises – This remains a strong revenue source for the business with new agreements fully operational.
- Rental Terminal Building – The expanded terminal space will provide increased rental income, with Council approving new tenants.
- Airport Bus Shuttle Rents – Income from this item is relatively stable as there is competition from other service providers such as Uber.

Operating Expenses (pages one and two)

- Management – Salaries and Oncosts – There has been a significant recruitment process undertaken following the departure of four staff members (two retirements and two resignations), plus Council has previously approved the recruitment of an additional reporting officer.

All positions have now been filled and this estimate reflects the total annual cost for these salaries and associated oncosts.

- Cleaning Contracts – The expanded terminal will see an increase in costs associated with maintaining the terminal.
- Security in Departure Lounge – This expense item offsets the income item for security fees paid by the airlines to Council.
- Aircraft Movement Area – This budget has been increased to provide a higher level of maintenance to the parking bays on a recurrent basis. The figure equates to approximately 1% of the capital value of the movement area. The increased flights are resulting in additional wear and tear and it is essential that Council expend adequate monies maintaining these bays.

The overall operating result, inclusive of depreciation, is forecast to decrease as additional loans are taken up to finance capital expenditure for the period to 2022/23. This highlights the difficulty Council has in financing capital expenditure for the BBGA.

Cash Result after Capital Movements (bottom of page two)

As the BBGA has been self-funding this cash result has previously been zero, although for 2018/19 onwards it is now showing a \$100,000 surplus. This figure represents the dividend that is being paid to the General Fund from 2018/19 onwards.

The BBGA has traditionally not paid a cash dividend based on the principle that the return to the community is the economic benefits generated through the provision of a wide range of affordable airline services and associated jobs to the residents of the Ballina Shire and the Northern Rivers region.

This changed during the 2018/19 financial year when Council resolved to include a dividend and Council adopted the General Fund Long Term Financial Plan (LTFP) based on a dividend of \$100,000 being paid each year.

It is reasonable for a business activity to provide a dividend to Council, although every \$100,000 taken out of the business represents less funding available for capital expenditure.

Over the ten year forecast of the LTFP this means there is \$1m less available for capital works.

Capital Movements (page three)

Capital Expenditure

The major projects recommended for 2019/20 are:

4.1 Ballina - Byron Gateway Airport - Long Term Financial Plan

- Apron Overlay and Concrete Pads - \$400,000 for 2019/20 and 2020/21 – Typically, asphalt aprons require regular (approximately every two years) patching works to repair pavement damage (rutting, indentations etc.) caused by a combination of aircraft positioning (aircraft nose wheel and main wheels), ground service equipment (GSE), and fuel spills. This can cost anywhere between \$25,000 to \$150,000 depending on the size of the area and the extent of the damage.

The construction of concrete apron pads, possibly as part of a runway widening project, would eliminate these patching works and reduce ongoing maintenance costs.

- Baggage Make Up Area - \$1m – This area regularly exceeds operational capacity for the airline ground handlers ground service equipment (GSE) and has not received any infrastructure improvements since its construction. This negatively impacts on airline on-time-performance and safe working practices. The \$1m should cover an extension to the terminal building and an upgrade to the baggage handling system.
- Car Parking, Solar, Boulevard - \$1.5m – This item expands on the works currently being undertaken as part of the terminal expansion and car park area. Items included relate to air-conditioning improvements, additional access doors to the departure lounge, electrical and telecommunication works for a Flight Information Display System (“FIDS”), airlock auto door to the arrivals hall, replacement of the remaining roof for the existing terminal, plaza and carpark layout improvements.

Solar power is still being considered as part of these works, albeit that the budget may be insufficient. The Civil Services Division are preparing a report to the April 2019 Finance Committee meeting on solar options, along with funding strategies, and the airport, as the fifth largest consumer of electricity for Council sites, will be one of the key sites assessed as part of that report.

- Crown Land and Revetment Wall - \$50,000 in 2019/20 and 2020/21 – Investigations are underway to acquire Crown land at the eastern end of the runway that fronts North Creek to construct a Runway End Safety Area (“RESA”). RESAs are required to assist in stopping an aircraft should it fail to stop on the runway. The \$100,000 is to cover investigation works and compulsory acquisition. Should a revetment wall need to be constructed on North Creek the cost could be at least \$900,000. That allocation is not currently in the budget, although it could potentially form part of the runway widening project.
- CAGRO Facility - \$300,000 - Council is currently exempt from complying with paragraph 139.415 (a) of the Aviation Manual of Standards - Part 139, to provide a suitable work area for the operator with a full view of the manoeuvring and circuit area. This exemption expires on the 28 February 2020. The \$300,000 is funding for an alternate interim low scale tower. A safety case will be submitted to CASA outlining alternate measures that could be implemented (other than building a new facility). The \$300,000 should remain in the budget in the event that CASA does not accept the proposed alternate measures.

4.1 Ballina - Byron Gateway Airport - Long Term Financial Plan

- Drainage - \$300,000 – Drainage floods airport infrastructure and reduces accessibility within and around the airport and its perimeter roads. The existing drainage infrastructure, in the form of tidal valves, has failed and drainage pipes and culverts have collapsed in critical areas. The \$300,000 relates to remedial works to the existing stormwater system.

Based on the cash available in the Airport Reserve, the Baggage Make Up Area (\$1m) and the Car Parking, Solar, Boulevard projects (\$1.5m) are funded through new loan borrowings, representing a total borrowing of \$2.5m for 2019/20.

- Runway Widening and Overlay - \$15m in 2020/21 and 2021/22 – Council has previously not budgeted for a widening in the airport runway, from the existing 30 metres to 45 metres.

The current 30 metre wide runway can handle an Airbus A321 (180 passengers) flown by Jetstar and the Boeing 737-800 (160 passengers) flown by Virgin. However Jetstar is upgrading its A320 fleet to include the Airbus A321 (220 passengers) and the A321 needs a 45 metre wide runway. The BBGA is now the only major eastern seaboard airport that is not 45 metres wide. Preliminary estimates for this work are as follows:

Item	Value (\$'000)
Runway Widening and Strengthening	
06/24 Runway Overlay	10,045
06/24 Runway Widening	9,836
06/24 Runway RESAs	713
Runway Edge Lighting Upgrade	2,489
Sub-total	23,083
Apron Expansion	
Apron Expansion	4,153
Concreting of Parking Positions (Bays 3, 4 and 5)	917
Airside Furniture - including MAGS, IWI and BOM	220
Sub-total	5,290
Total	28,373

The LTFP, as per the funding sources section of page three, has 50% of this project funded from grants and 50% from loans. Without grant funds the project cannot proceed as Council is not in a position to fully finance \$30m worth of loan funds, as the repayments would undermine the financial viability of the airport.

Council did apply to the Federal Government through round three of the Building Better Regions Fund Infrastructure Projects Stream for funding for this project however this application was unsuccessful (as were our applications for the four laning of River Street and the Lennox Head Surf Club).

4.1 Ballina - Byron Gateway Airport - Long Term Financial Plan

With \$15m of loan funds included in the LTFP (\$7.5m in 2020/21 and \$7.5m in 2021/22) the airport operating result significantly declines as interest payments increase. The overall debt ratio increases to an extremely high 32% which means 32% of our total operating revenue is being expended on debt repayments (principal and interest) prior to any operating expenses being incurred.

This is pushing the financial boundaries of the BBGA and ideally Council should aim to secure more than 50% of the capital cost of this project from grants and reduce the proposed loan borrowings.

It is essential that Council secure grant funds for the project to proceed and the recommendations to this report authorise the Mayor to commence representations to the State and Federal Governments.

Legal / Resource / Financial Implications

As outlined in the information section of this report.

Options

This report provides an overview of the latest financial plan for the BBGA.

Based on the need to widen the runway the financial viability of the BBGA is at risk. The need for millions of dollars in future capital investment is one of the reasons why Council previously explored a long term lease to try and reduce the financing risk of the business. Unless grant funds are obtained Council may well need to again consider leasing as a funding strategy.

Coffs Harbour City Council is currently progressing a leasing proposal, with 24 airports across Australia currently managed in this fashion.

The forecast LTFP is based on Council borrowing \$15m in funding for the runway widening and this is the primary reason why the forecast operating result deteriorates in the short to term medium term. Without that borrowing the operating result remains sound, as outlined in the following tables.

**Table Three – Forecast Operating Result (with Runway Widening)
(\$'000)**

Item	2018/19 Estimate (\$'000)	2019/20 Estimate (\$'000)	2020/21 Estimate (\$'000)	2021/22 Estimate (\$'000)	2022/23 Estimate (\$'000)
Operating Revenues	6,732	7,175	7,357	7,545	7,740
Operating Expenses	5,713	6,151	6,414	7,055	7,698
Operating Surplus / (Deficit)	1,019	1,023	943	490	41

**Table Four – Forecast Operating Result (without Runway Widening)
(\$'000)**

Item	2018/19 Estimate (\$'000)	2019/20 Estimate (\$'000)	2020/21 Estimate (\$'000)	2021/22 Estimate (\$'000)	2022/23 Estimate (\$'000)
Operating Revenues	6,732	7,175	7,357	7,545	7,740
Operating Expenses	5,713	6,151	6,414	6,525	6,642
Operating Surplus / (Deficit)	1,019	1,023	943	1,020	1,097

4.1 Ballina - Byron Gateway Airport - Long Term Financial Plan

With Jetstar representing approximately 77% of Council's passenger numbers Council has no alternative but to proceed with the project.

The capital expenditure included in the LTFP has been spread out to ensure the business remains viable and to ensure the Airport Reserve is not significantly overdrawn.

The exact timing of works beyond 2019/20 will be reviewed on an annual basis to ensure works are delivered when necessary.

Finally BBGA staff will be at this meeting to provide a presentation on the current and future plans for the airport.

RECOMMENDATIONS

1. That Council approves the inclusion of the Long Term Financial Plan for the Ballina – Byron Gateway Airport, as per this report, in the draft 2019/20 to 2022/23 Delivery Program and Operational Plan.
2. That Council authorises the Mayor to make on-going representations to the State and Federal Governments in respect to the urgent need to secure funding for the runway widening project as per the Long Term Financial Plan.

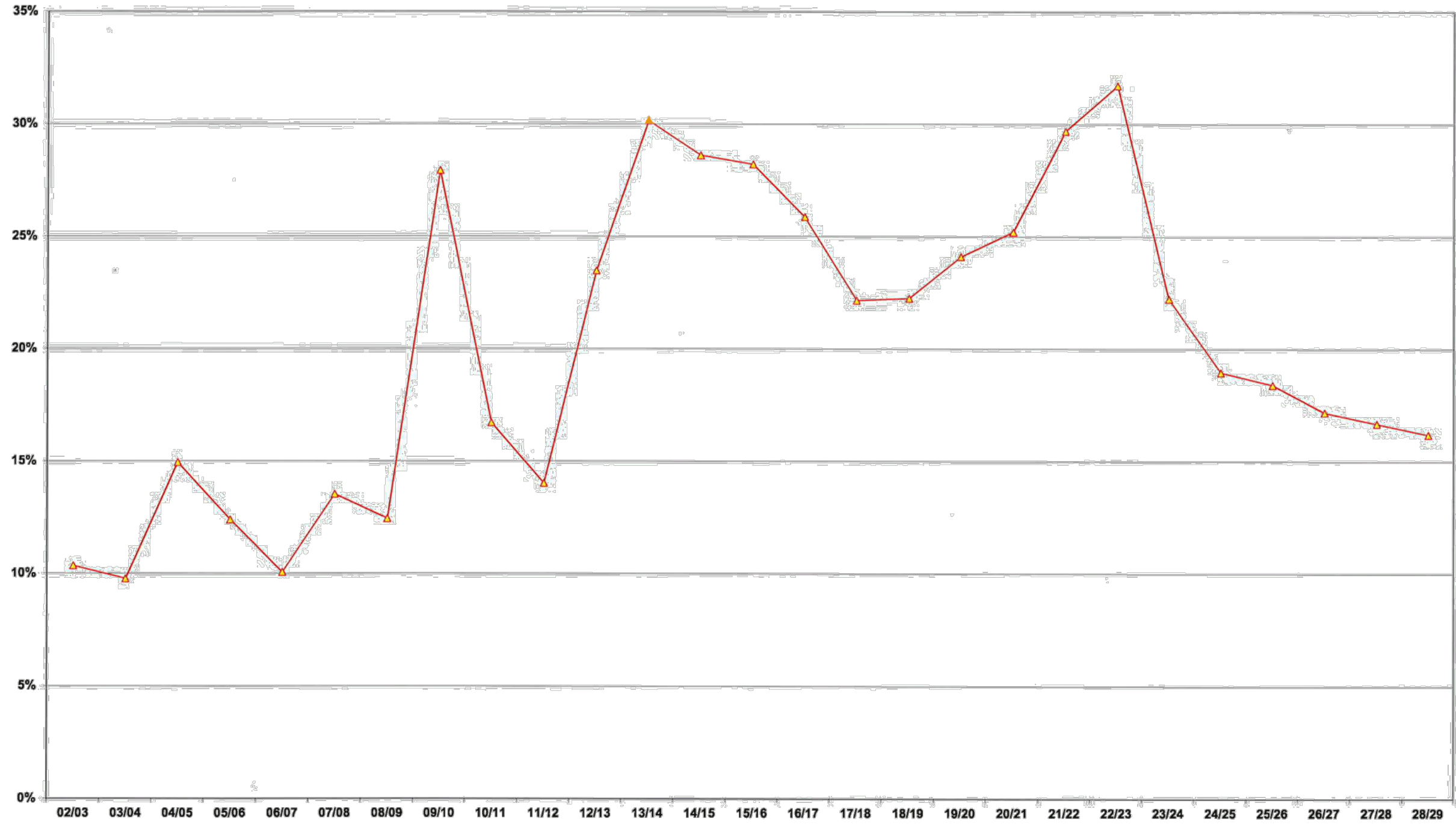
Attachment(s)

1. LTFP - Ballina Byron Gateway Airport

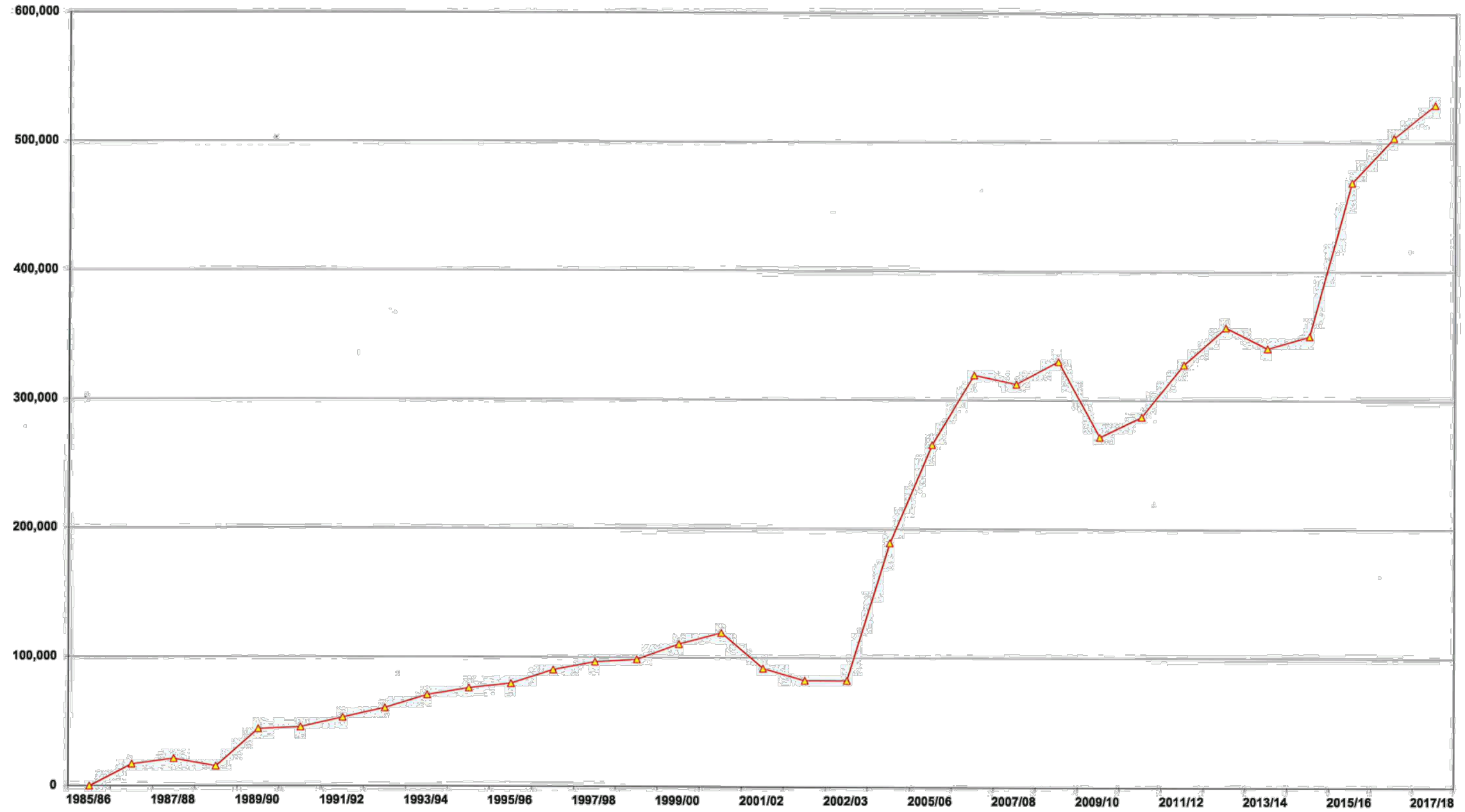
Ballina Byron Gateway Airport - Operating Income and Expense Analysis - 2002/03 to 2028/29



Ballina Byron Gateway Airport - Debt Ratio - 2002/03 to 2028/29



Ballina - Byron Gateway Airport - Historical Passenger Numbers - 1985 to 2017/18



4.2 Economic Development and Business Support

4.2 Economic Development and Business Support

Delivery Program Strategic Planning

Objective To respond to a Council resolution in respect to a business survey and to outline the range of activities undertaken to support local business.

Background

At the December 2018 Ordinary meeting Council resolved as follows:

1. *That as part of the preparation of the 2019/20 Delivery Program and Operational Plan, Council consider the inclusion of funding to undertake an independent survey of our business community to identify priorities that they would like to see considered and implemented by Council to improve the overall business environment.*
2. *That Council receive a report on how Council currently supports business.*

The following report responds to this resolution.

Key Issues

- Economic development
- Council ability to influence

Information

In respect to point one of the resolution, to gauge an understanding of what options are available, discussions were held with Micromex Pty. Ltd, as they undertake regular surveys for local government authorities, as well as determining what information was available through other organisations, such as the NSW Department of Premier and Cabinet (Regional Development – North Coast), the NSW Business Chamber and Regional Development Australia (RDA).

Micromex advise that they have undertaken these surveys for councils, with key points from their feedback as follows:

Business Owner/Manager Telephone Survey

Sample Size & Design: Interviews would be conducted with 100 business owners/senior managers aged 18 years and over

Sample Source: The sample of businesses would be drawn from our Marketing Pro business database. Number harvesting would not be needed for the business sample

'In-scope' respondents would be owners and managers of businesses.

The interviews will be conducted during weekdays from 9:00am to 5:00pm. Additionally, owners/managers will be able to request recontact from Micromex should the initial contact be inconvenient to them. They can either call us on a free call 1800 number or book in a call back time with the interviewer.

Reporting & Presentation: Stage 2 results would be incorporated into the Stage 1 Report, as a separate section (with some resident comparisons where relevant).

4.2 Economic Development and Business Support

Note that with a sample size of 100, it would not be possible to conduct a Shapley Regression Analysis on the business interviews

Questionnaire: *Would focus on items such as*

What are the major constraints on the growth of your business?

What would make a difference to the profitability or viability of your business?

What would assist you in building a greater local customer base?

Where do you/would you lean to assist the growth or sustainability of your business?

Level of confidence

Examine items where Council could assist

Priorities for Council etc

Business Owner/Manager Telephone Survey

N=100 complete, maximum 10 minute questionnaire..... \$9,900 ex- GST

If Council did support a survey, quotations would be sourced from another one or two research companies to benchmark the Micromex response.

The Department of Premier and Cabinet (DPC) was contacted to determine whether they had any data available. They advised that they only have information on a broad scale, “nothing that would drill down to the local level like you need. I know the State assisted councils some time ago to do something similar but not any longer” (Craig Jenkins).

RDA also had no information available.

The NSW Business Chamber advised that they do a quarterly business conditions survey across the State however this information is only dissected by region and not local government areas.

They did advise that they would be happy to co-ordinate a combined Ballina Shire Chambers of Commerce partnership project with Council, which would include the Ballina, Lennox and Alstonville Chambers.

On balance this appears to be a reasonable and cost effective solution, as a starting point, and Council can work with the NSW Business Chamber and the local chambers to develop the survey questions.

There is occasionally feedback that the Chambers do not represent the entire business community however it is a starting point to obtain initial feedback.

The information obtained would then assist Council in determining whether further consultation is needed or whether there are actions Council can implement to respond to any matters raised, within our available resources.

This then leads to the second part of the December 2018 resolution, being Council’s support to the business community.

To address this, the information is summarized under a number of key headings as follows.

4.2 Economic Development and Business Support

Infrastructure

At a more macro level, Council's long standing approach has been to support a business environment that creates opportunities for businesses to establish and grow.

Council has focused on the delivery of infrastructure and ensuring that there is adequate residential land and industrial land available for residential and business growth. Construction is a major contributor to the economy (approximately 9% of employment), with this figure excluding associated businesses such as technical services.

The major contributors to employment, by industry, as a percentage, for the Ballina Shire, as per the economic profile information on Council's website, are as follows:

Industry	2017/18	2012/13
1. Health Care and Social Assistance	17.7	15.5
2. Retail Trade	12.0	13.6
3. Education and Training	9.1	9.6
4. Accommodation and Food Services	9.1	9.6
5. Construction	8.8	8.7
6. Professional, Scientific and Technical Services	5.9	5.3
7. Manufacturing	5.8	5.9
8. Agriculture, Forestry and Fishing	5.3	5.7
9. Public Administration and Safety	4.7	5.0
10. Other	3.2	3.7

This information is available on our website under the heading of "Planning & Development" – sub menu – Economic Development.

The data under this link is provided to Council by .id Consulting Pty. Ltd. and is freely available to the community. The economic information at this link is substantial and contemporary.

In addition to the availability of adequately zoned land Council's infrastructure programs facilitate the provision of a range of essential infrastructure that support the operation and development of business within the Shire.

Council's improvements to public land and property such as open space and recreational infrastructure (including parks, pathways, pools, boating facilities and indoor facilities) supports a range of businesses, including those related to tourism as well as recreation, personal training and sport-related enterprises.

Council's main street beautification projects improve the amenity of key business areas in a manner that supports CBD business, as well as improving the reputation of Ballina and the Shire as a business and visitor destination.

The benefits of main street beautification works to re-invigorate town centres should not be understated, and much like retail stores need to revamp their layouts every few years, it is essential that Council continues to freshen up and revitalize our town centres on a regular basis.

4.2 Economic Development and Business Support

Council's strategic road network delivery program delivers major road network improvements that facilitate the efficient transport of goods and people, benefiting local businesses. Forward looking delivery plan examples in the short to medium term include:

- River Street and Tamarind Drive four laning
- Hutley Drive extension
- Airport Boulevard
- North Creek Road and bridge reinstatement

Similarly, Council's planning and delivery program for water and treated wastewater supply services support economic growth opportunities by providing a secure supply of high quality water to business.

Council's community facilities, such as the Lennox Head Community Centre, the Alstonville Leisure and Entertainment Centre and the (currently under construction) Ballina Indoor Sports Centre, provide meeting and activity rooms that are available for community and commercial operators to provide a range of services to the public.

Further, the pricing structure for the hire of these community facilities includes provisions that are sensitive to the cash flow volatile nature of some small businesses.

Council's Community Facilities Team also work with local business to promote events such as the 'Get Active Expo' that have benefits for the community and local businesses alike. Likewise, the promotion of local events, such as markets and cultural events support local business while serving cultural and social needs of our community.

Council's approach to economic development is one which focusses on ensuring that all staff seek to continually improve the delivery of services to residents and businesses within our Shire.

Chambers of Commerce

Council's General Manager and other staff meet with representatives from the Shire's Chambers of Commerce on a six monthly basis.

The regular meetings provide the opportunity for Chamber representatives to discuss areas of concerns and other feedback regarding Council operations and the general business environment.

Strategies, Plans and Policies

At the broadest level, Council's strategic land use and infrastructure planning seeks to ensure that, as much as possible, land and infrastructure availability do not present impediments, within the confines of State Government legislation, to business development and operations.

On this basis, many of Council's Shire-wide and local strategic and corporate plans address economic development matters, either implicitly or explicitly, in the formulation of actions to be delivered through Council's delivery programs and operational plans. Examples of these plans include:

4.2 Economic Development and Business Support

- Ballina Shire Community Strategic Plan
- Ballina Shire Growth Management Strategy (2012)
- Ballina Shire Economic Development Strategy (2018)
- Ballina Major Regional Centre Strategy (2016)
- Wardell, Alstonville and Wollongbar Strategic Land Use Plans (2016, 2017 & in progress)
- Ballina Marina Masterplan 2017

Examples of actions from the above strategic documents that are being, or have been progressed, are described further in the following sections of this report.

In addition to this a number of Council's operational plans and policies seek to provide for commercial activity in a manner that balances business opportunities with community expectations, such as:

- Commercial Use of Footpaths Policy
- Developer Contributions Investment Incentive Policy
- Events on Public Land Policy
- Festival and Events (Commercial) – Sponsorship (Financial Support) Program
- Filming on Public Land Policy
- Markets on Public Land Policy
- Mobile Food Vending on Public Land Policy
- Council's Infrastructure Delivery Contributions Plans

The daily operation of the above policies supports local business, either directly or indirectly.

Ballina-Byron Gateway Airport and Visitor Services

The Ballina-Byron Gateway Airport is a major contributor to the economic wellbeing of the Shire and the region.

Major upgrades to the terminal and other airport facilities represent a significant commitment by Council towards strengthening the role of this regional airport.

The airport presents a significant opportunity for Ballina Shire by facilitating the movement of business people and other visitors within the Northern Rivers region and major city centres.

In association with Council's commercial development of the adjacent Southern Cross Industrial Estate, the ongoing development of the airport precinct is expected to contribute to the economic wellbeing of the Shire well into the future.

4.2 Economic Development and Business Support

Council's Visitor Services promote tourism operator businesses and new tourism providers and maintain a proactive and collaborative relationship with a broad range of tourism providers.

Council's tourism promotion and media program involves targeted advertising in key tourism markets to promote visitation to the Shire.

Further, Council's Coordinator of Visitor Services participates in regional destination marketing collaborations through the Northern Rivers Tourism Managers' Group.

The first two attachments to this report represent the latest information on the value of tourism to the Ballina Shire.

Customer Service Delivery

Council's Customer Service Team and Business Analysts seek to make improvements to Council's customer service systems on an ongoing basis. Many of these improvements have benefits for business operating in the Shire.

Recent examples include:

- Online issuance of section 603 certificates – making it more efficient for conveyancers and businesses to transfer property.
- Electronic lodgement of development applications – making it more efficient for planning consultants and businesses dealing with development matters.

As mentioned earlier Council's online services include a range of demographic resources provided by external provider .id Consulting Pty Ltd. (Informed Decisions), comprising a community profile (based on Census tables), social atlas (Census based mapping), population forecast (population projections) and economic profile (derived from various sources).

Council staff are also currently working on a development activity monitor to be published annually that provides more fine grained data regarding development activity in the Shire.

These resources can and will assist business in identifying market opportunities, prospects for industry growth and support funding proposals with financial institutions or investors.

Council had previously had a dedicated Economic Development Officer to provide business support and promote economic development in the Shire more generally. This role is now fulfilled primarily by a Senior Strategic Planner on staff.

The key economic development responsibilities of this role include the following:

4.2 Economic Development and Business Support

- Providing a first point of contact for economic development inquiries (Council typically receives 3-5 such inquiries per month on average). Such inquiries relate to requests for information from businesses contemplating relocation to Ballina Shire seeking preliminary advice on development processes and development opportunities, advice on Council strategy, policy and grants and referrals to other agencies.
- Maintaining a watching brief and providing input into a range of Council activities, procedures and policies that have implications for the economic development of the Shire.
- Representing Council on regional economic development collaboration projects, as outlined below (refer to Action A10).
- Progressing the actions of the Council's Economic Development Strategy, as outlined below.

Rates and Charges

Council's business rates and charges have increased substantially during the last ten years, from a relatively low base, and the average figures are now comparable to similar councils and Council needs to be mindful of future increases.

More information on the business rate is outlined in the report titled "Rating Structure and Land Valuations – 2019/20", included elsewhere in this agenda.

Our residential rates and charges are also competitive as outlined in the following table, which was sourced from the presentation used for the public meetings on the 2018/19 draft Operational Plan.

Residential	Ballina	Byron	Clarence	Coffs	Lismore	Richmond	Tweed
Rate	1,043	1,254	1,051	1,218	1,254	969	1,363
Stormwater	25	25	0	25	25	25	0
Water Access	204	182	120	145	275	153	174
Water Consumption	384	432	421	504	643	401	509
Waste Water	975	1,159	1,125	733	926	970	838
Waste	383	488	398	655	365	520	363
Total	3,014	3,540	3,115	3,280	3,488	3,038	3,247
Ballina % Comparison	100%	117%	103%	109%	116%	101%	108%

Council has IPART approval for a 5.94% rate increase in our total rate income for 2019/20, with this being the last identified special rate variation identified in our long term financial plan.

4.2 Economic Development and Business Support

It is interesting to note that Richmond Valley, which is the one council with an average residential rate lower than Ballina, resolved in February 2019 to apply to IPART for a special rate variation of 5.5% for four years from 2019/20 to 2022/23. This will mean that Richmond Valley's average residential rate will be slightly higher than Ballina at the end of that five year period, if their application is approved.

Economic Development Projects

The Ballina Shire Economic Development Strategy, adopted by Council in March 2018, identified a number of actions to pursue in order to assist the economic development of the Shire. A number of these actions are currently being progressed and more details will be presented to Council during 2019.

The following table provides a brief overview regarding the progress to date regarding some of the key actions in the Economic Development Strategy.

Economic Development Strategy Action	Status
Action A10 - Work collaboratively with other shires in the region to support economic development projects and proposals that benefit the region as a whole.	Ongoing, current activities include: <ul style="list-style-type: none"> • Regional Economic Development Officers' Group led by Department of Premier and Cabinet. • Regional Sustain Food (Government and industry) Group. • Input into State Government's Regional Economic Development Strategy. • Input into Regional Freight and Supply Chain Strategy.
Action A11 - Review developer contribution arrangements for business to identify affordable and effective means for supporting business establishment and growth including considering options involving the deferral or waiving of developer contributions under certain circumstances.	Developer Contributions Investment Incentive Policy adopted by the Council in September 2018.
Action B2 - Provide leadership in association with the development of Council's industrial landholdings such as: <ul style="list-style-type: none"> • Maintaining a supply of industrial land parcels so that relocating or expanding businesses can be accommodated in a timely manner. • Consider expanding the range of Council's investment activities to include long-term lease and strata development to cater to a broader range of small to medium enterprises. • Facilitating the clustering of compatible businesses (for example airport related industry and food product manufacturing "food hub") in order to support opportunities 	Current activities in relation to this action have focused on investigations into the potential establishment of a "food hub" on land adjacent to the Ballina-Byron Gateway Airport within the Southern Cross Expansion Area precinct. <p>Progress to date has involved the following:</p> <ul style="list-style-type: none"> • Liaising within food industry peak bodies and individual businesses to identify industry needs and interest. • Coordinating a Northern Rivers regional food industry survey. • Undertaking research into food hubs and industry conditions and

4.2 Economic Development and Business Support

Economic Development Strategy Action	Status
<p>associated with shortened supply chains, improved availability of skilled workers, spin-offs and the potential for sharing infrastructure, suppliers, marketing and distribution networks.</p> <ul style="list-style-type: none"> Investigate feasibility of establishing a manufacturing food hub (with tourism elements) in the Southern Cross Industrial Estate in proximity to the Ballina-Byron Gateway Airport. 	<p>requirements.</p> <ul style="list-style-type: none"> Liaising with various Government agencies regarding possible planning pathways and opportunities for Government support. <p>Further information regarding this project will be presented to Councillors in due course.</p>
<p>Action C4 - Prepare an investment prospectus to attract emerging and strategically important industries and talent that take advantage of the Shire's natural attributes and opportunities.</p>	<p>Prospectus 'wireframe' and core content in preparation. Agency to be engaged for further content creation (images and business profiles) and design. Draft to be presented to the Council in due course.</p>
<p>Action C6 - Facilitate low scale commercial activities in rural areas such as roadside stalls and rural food tourist activities through changes to the land use planning regime.</p>	<ul style="list-style-type: none"> Small scale roadside stalls LEP amendment finalised July 2018. Report currently being prepared for the Council regarding options for facilitating other small-scale commercial activities on rural land (farm gate retail and farm tourism).
<p>Action C8 - Review Council's public land management policies to facilitate place activation of the open space network through the commercial use of key public land areas/activity nodes (such as "food trucks" and watercraft hire).</p>	<p>Mobile Food Vending on Public Land Policy adopted by the Council in November 2017.</p>
<p>Action D4 - Publish population and growth monitoring statistics for Ballina Shire on an annual basis.</p>	<p>First edition data collated and draft prepared. Being prepared for publication.</p>

In addition to the above, the following tasks, responding to actions in the Economic Development Strategy, scheduled for implementation 1-2 years from strategy adoption, will be progressed during 2019:

- Establish an internal Council process with an external facilitator as Chair for coordinating the assessment of priority proposals that involve strategically important industries and/or redevelopment projects occurring in the Shire's business centres (Action A4).
- Convene business/community reference panels to address matters such as facilitating co-working spaces, supporting creative industries, implementing place-making ideas, promoting digital-readiness and networking (Action D2).
- Working with stakeholders to facilitate the establishment of co-working spaces that provide a variety of flexible office spaces, office facilities (meeting rooms, internet, copiers) and networking and mentoring opportunities for small business and start-ups (Action A5). This action is currently being progressed primarily in association with the food hub project (outlined above).

4.2 Economic Development and Business Support

- Review Council's Local Growth Management Strategy to ensure that adequate residential, commercial and industrial land is available to meet projected future needs (Action A8).
- Reviewing Council's processes relating to financial transactions from a "business friendly" perspective, particularly with respect to integrated billing and payment options (Action A3).
- Review wayfinding signage within and towards the Shire's key commercial areas, including CBDs and industrial estates, to ensure they are appropriately and clearly signposted (Action A9).
- Review Council's website to improve its functionality and accessibility relative to small "business friendly" outcomes and principles (Action D1).

The third attachment to this report is a population and development activity report providing a snapshot of the 2017/18 year, being the latest available information.

Legal / Resource / Financial Implications

This report does not currently give rise to any specific legal, resource or financial implications. Existing economic development strategies and actions have been funded through existing Council programs. In the case of new significant initiatives, these will be subject to further consideration through the annual delivery program and operational plan preparation process.

Consultation

This report includes feedback from across Council, along with discussions with external bodies such as RDA, the State Government and the NSW Business Chamber.

Options

In respect to the independent survey of the business community there are two main options being to engage an external survey company (estimated cost \$10,000) or work with the NSW Business Chamber to conduct a survey, as the first point of call.

The NSW Business Chamber is the recommended course of action, initially, as it does not involve any significant costs other than staff time.

The recommendation is to include this as an action in the 2019/20 Operational Plan to ensure the work is conducted during 2019/20.

The information in this report on economic development is for noting and it does help to provide a snapshot of how Council aims to support economic development through a holistic approach rather than trying to create and fund an internal economic unit, which often comes at a significant cost and it is debatable whether such units make a major difference to the local economy.

4.2 Economic Development and Business Support

Council typically benchmarks well on economic indicators, as sourced from the economic data on our website, with one key indicator being unemployment, with the latest available figures as at September 2018 being Ballina Shire (3.54%), Regional NSW (5.60%), NSW (4.50%) and Australia (5.20%). Traditionally Council has had the lowest unemployment rate in the region.

In summary Council undertakes a comprehensive range of activities to support economic development and the recommendations that follow support the information outlined in this report.

RECOMMENDATIONS

1. That Council approves the inclusion in the draft 2019/20 Operational Plan an action to undertake a business community survey to help identify actions that Council can implement to support economic development and assist businesses in their operation and growth, with that survey to be developed in conjunction with the NSW Business Chamber and the local Chambers of Commerce.
2. That Council notes the contents of this report in respect to the actions that support economic development and the business community.

Attachment(s)

1. Media Release - Ballina Shire Council
2. Destination North Coast NSW - Value of Tourism
3. Population and Development Activity Summary - 2017/18



Media Release

11 March 2019

Ballina welcomes over one million visitors

The Ballina Tourism Team is ecstatic that for the first time ever, Ballina has welcomed over one-million visitors. The news that 1,028 000 people visited the Ballina Shire in the 2017/2018 fiscal year was confirmed by Tourism Research Australia.

This breaking news reveals that visitors spent \$311 million over this period in the Ballina Shire. "Overnight visitors injected \$253 million into the local economy and this was boosted by a further \$58 million from domestic day visitors," said Alicia Wallace, Ballina Shire Council's Visitor Services Coordinator.

"This contribution towards our local economy helps to improve the liveability of the area. It enables Ballina Shire residents to have greater options for recreational pursuits in their leisure time due to infrastructure supported financially by the visiting public," said Ms Wallace.

The Tourism Team acknowledge the efforts of strategic planning and the collaboration between Ballina Shire Council, private industry and other levels of government, to sustainably grow the sector. After extensive consultation with the broader industry, the Ballina Shire Destination Management Plan was adopted in 2014. This has paved the direction for attracting higher yielding visitors who respectfully enjoy our destination and leave a significant financial contribution to the local community.

A key objective of 2014 -2020 Ballina Shire Destination Management Plan is to reach \$300 million in overnight visitor expenditure by the end of the 2020 fiscal year; doubling the overnight 2013 visitor expenditure figure of \$149 million. "We are well on track to reaching the \$300 million goal but we can't do it alone. It's important the Ballina Tourism team collaborate with local businesses on marketing initiatives to continually attract ideal visitors," advised Ms Wallace.

Businesses that offer places to eat, drink, shop, stay and play are all part of the visitor economy and visitor experience. The Ballina Tourism Team has valuable marketing packages on offer. If you would like to find how your business can benefit, contact the Ballina Tourism Team on 1800 777 666.

Authorised By Paul Hickey General Manager	Media Spokesperson Alicia Wallace Visitor Services Coordinator 1800 777 666
Distribution Local Media	

Media Release Media Release Media Release Media Release Media Release Media Release Media Release Media Release

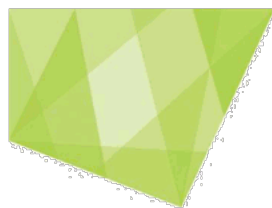


Image: The Ballina Tourism Team is working with local businesses to grow tourism.

	International	Domestic overnight	Domestic day	Sub-Total Domestic	Total
Ballina - Ballina Region - Lennox Head - Skennars Head					
Sample	78	140	73	213	291
Visitors (000)	16	341	671	1,012	1,028
Nights (000)	87	928	-	928	1,016
Average stay (nights)	6	3	-	-	-
Expenditure (\$M)	8	246	58	304	311
Spend per trip (\$)	488	722	86	300	303
Spend per night (\$)	88	265	-	327	306

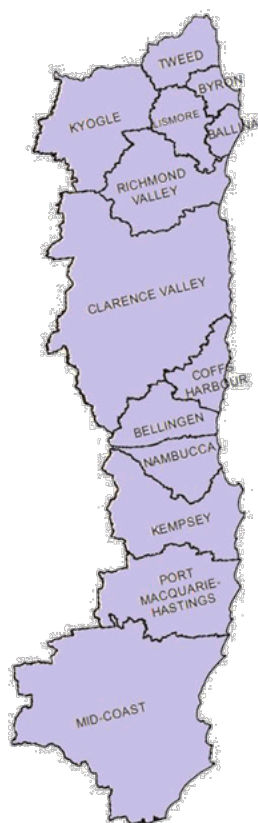
Table: Results of the Ballina Shire visitor economy for Year ending June 2018 (Tourism Research Australia)

Media Release Media Release Media Release Media Release Media Release Media Release Media Release Media Release



Destination
North Coast NSW

The Value of Tourism to NSW North Coast Region



**Every minute of every day,
Tourism delivers \$7,830
of visitor spend into North
Coast NSW Region.**

That is almost **\$11.3 million** per day!!
A value that has grown by 10.7%
in the last year alone.

(Based on Tourism Research Australia - International & National Visitor Surveys)



Travel to North Coast NSW region
 Year ended December 2017
 For the period of January 2017 to December 2017

Destination North Coast NSW

NSW GOVERNMENT

Destination NSW

Tourism delivers 9.5% of our jobs, supports 7,000 businesses and delivers 7.2% of our region's Gross Value Add which has grown every year since 2010/11 at an average 3.5% pa.

HOW DOES TOURISM COMPARE WITH OTHER MAJOR INDUSTRIES IN THE REGION?

The NSW Visitor Economy (3.0% direct share of state total GDP) is worth more than Agriculture, Forestry and Fishing combined (2.0% share of state total) and scores just below Mining (3.2% share of state total) in contribution to NSW.

Tourism in NSW is the 2nd largest NSW industry in terms of exports of merchandise and services (behind Mining and ahead of Manufacturing).

1. Mining (\$17.5 billion)
2. Tourism (\$13.0 billion)
3. Manufacturing (\$9.8 billion)

EMPLOYMENT DUE TO TOURISM

Tourism's DIRECT Contribution to Employment

FULL TIME 10,028

PART TIME 11,543

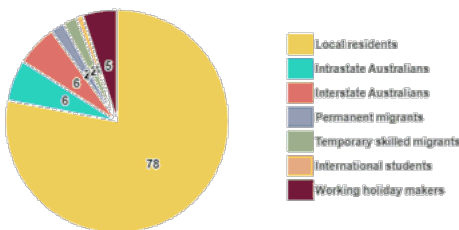


Supporting our local economy, Tourism supplies 9.5% of the region's employment including 21,711 persons who are directly employed and a further 8,307 who are indirectly employed.

There are 7,000 tourism and tourism related businesses in North Coast Region, over 20% of all Regional NSW Tourism businesses.

BUSINESSES RELYING ON TOURISM

Economically, these tourism businesses deliver almost \$2.9 billion (7.2%) of the region's Gross Value Add - nearly half of which is delivered directly by our Accommodation, Food Service, Retail, Transport and Education establishments.



INDUSTRY SHARE OF DIRECT TOURISM GVA



According to the Deloitte 2015-2020 Tourism Labour Force survey, over 78% of tourism job vacancies are filled by local residents of the area where the business is located.

It is estimated that NSW has a 10% vacancy rate in tourism jobs.

TOURISM SUPPLY

Establishments with 10 rooms or more	SUPPLY			DEMAND		REVENUE		
	Establishments	Rooms	Room nights available (000)	Room nights occupied (000)	Room occupancy rate	Takings from accommodation	Average daily rate	Revenue per available room*
	no.	no.	no.	no.	%	\$ millions	\$	\$
North Coast NSW YE Jun-2018	303	9,794	3,583	2,241	62.5%	378	169	106
% ch			0.3%	1.0%	0.5		11.9	8.2

North Coast NSW has over 300 accommodation establishments with a room stock of almost 9,800 (for establishments with ten rooms or more).

In addition, for Northern Rivers, it is estimated that over 5,100 Airbnb properties are in operation.



Direct inbound seats and flights have increased in 2017 with a total of 11,356 flights (+4.0% yoy) delivering 871,000 seats (+4.7% yoy).

The proximity of Newcastle doubles the flight access by adding 895,000 seats (+6.9 yoy) from 9,100 flights (+14.6% yoy).

In the same way, Gold Coast adds over 18,000 flights delivering 3.2 million seats to the region's potential air supply.

Sources: Tourism Research Australia, State Tourism Satellite Accounts, 2016-17, Official Airline Guide OAG YE Dec 2017; Australian Accommodation Monitor 2017-18

Travel to North Coast NSW region
Year ended December 2017
For the period of January 2017 to December 2017

Destination North Coast NSW

NSW GOVERNMENT

Destination NSW

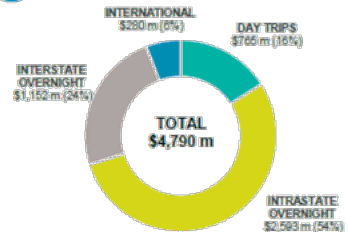
North Coast is the Number 1 region in Regional NSW for Domestic and International visitors, visitor nights and expenditure!!!

ECONOMIC VALUE OF TOURISM

In terms of what is consumed by Tourism, North Coast represents about 12% of the state's Total Tourism Consumption. This is mostly delivered by Intrastate tourism to the Region.

North Coast has a substantial Daytrip tourism market and a very healthy International tourism market.

SHARE OF REGIONAL CONSUMPTION



North Coast visitation has grown over 23% since 2012 in terms of visitor expenditure value.

NORTH COAST REGION TOTAL

12,435 VISITORS IN NC (000)

24,228 NIGHTS IN NC (000)

4,115 NIGHTS IN NC (000)

TRAVEL TYPE

International Overnight

353 VISITORS IN NC (000)

3,885 NIGHTS IN NC (000)

242 EXPENDITURE IN NC (\$M)

Domestic Overnight

5,111 VISITORS IN NC (000)

20,343 NIGHTS IN NC (000)

3,119 EXPENDITURE IN NC (\$M)

Domestic Daytrip

6,971 VISITORS IN NC (000)

n/a NIGHTS IN NC (000)

753 EXPENDITURE IN NC (\$M)

Visitors and nights

ORIGIN

Rank	Individual market	YE Dec 16	YE Dec 17
1	United Kingdom	21.2%	20.2%
2	Germany	12.3%	11.0%
3	New Zealand	9.9%	10.7%
4	USA	11.0%	10.0%
5	Canada	5.2%	5.1%

*In terms of Eastern markets China ranked 10th and had 9.8% growth YoY.

Origin region	YE Dec 16	YE Dec 17
Europe	56.9%	56.3%
North America	16.1%	15.1%
Asia	10.4%	12.2%
New Zealand & Oceania	11.0%	11.6%
Other Countries	5.6%	4.8%

Origin	Share of visitors		Share of nights	
	YE Dec 16	YE Dec 17	YE Dec 16	YE Dec 17
Regional NSW	34.6%	39.7%	32.3%	37.5%
Sydney	24.6%	22.3%	25.6%	24.9%
Total intrastate	59.2%	62.1%	57.9%	62.4%
Queensland	31.4%	28.5%	27.2%	24.5%
Victoria	5.7%	5.8%	9.1%	7.8%
ACT	1.3%	1.2%	1.6%	1.8%
Other interstate	2.4%	2.5%	4.2%	3.5%
Total interstate	40.8%	37.9%	42.1%	37.6%

Origin of domestic daytrip visitors to North Coast TR

YE Dec 2017		Visitors (000)
North Coast NSW		3,818
Intrastate (excl. North Coast TR)		1,053
Interstate		2,100
Total		6,971

Sources: Tourism Research Australia, International & National Visitor Surveys

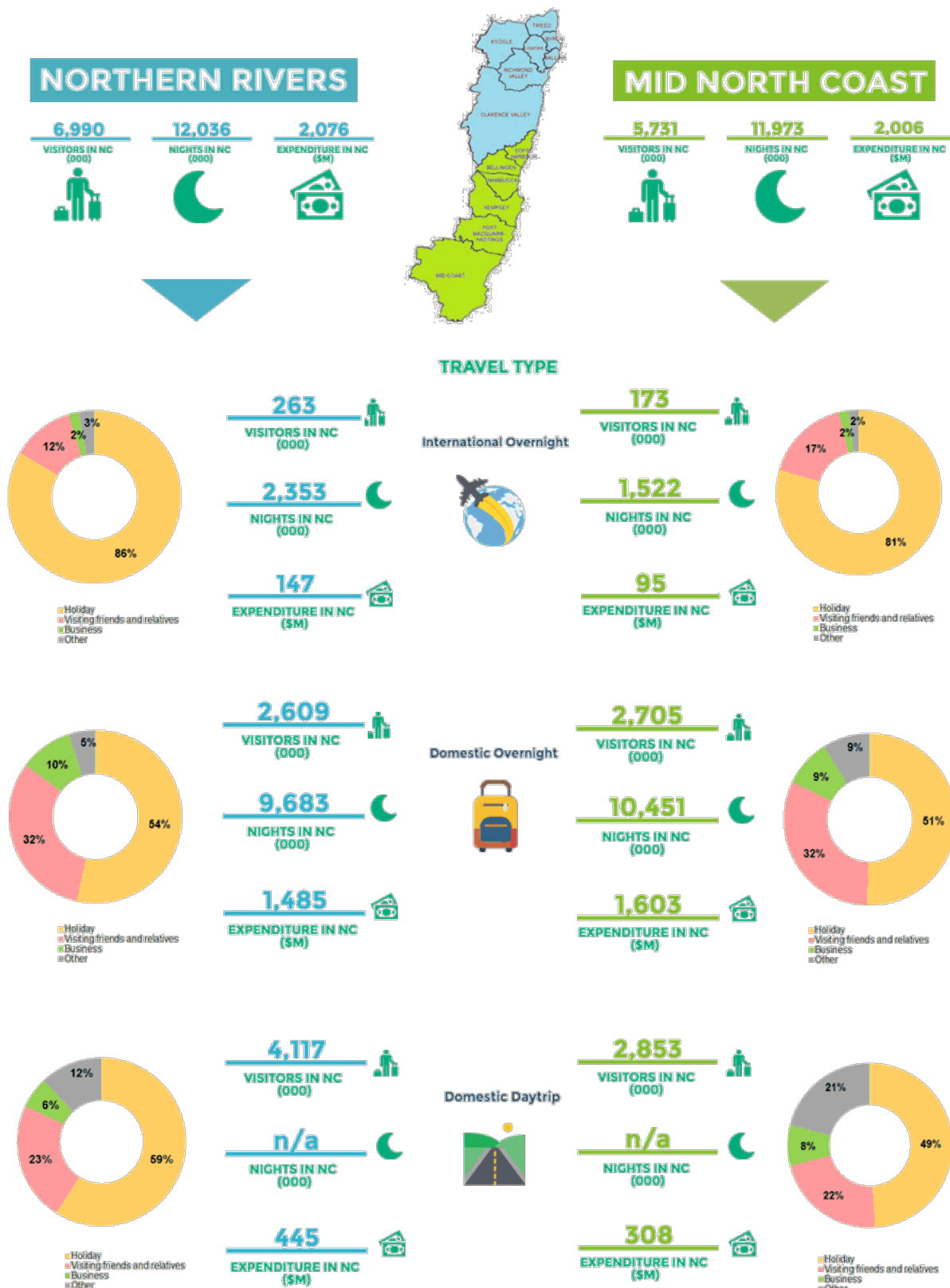
4.2 Economic Development and Business Support

Travel to North Coast NSW region
 Year ended December 2017
 For the period of January 2017 to December 2017

Destination North Coast NSW

NSW GOVERNMENT

Destination NSW



Travel to North Coast NSW region
 Year ended December 2017
 For the period of January 2017 to December 2017

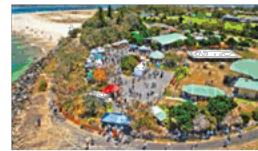
Destination North Coast NSW

NSW GOVERNMENT

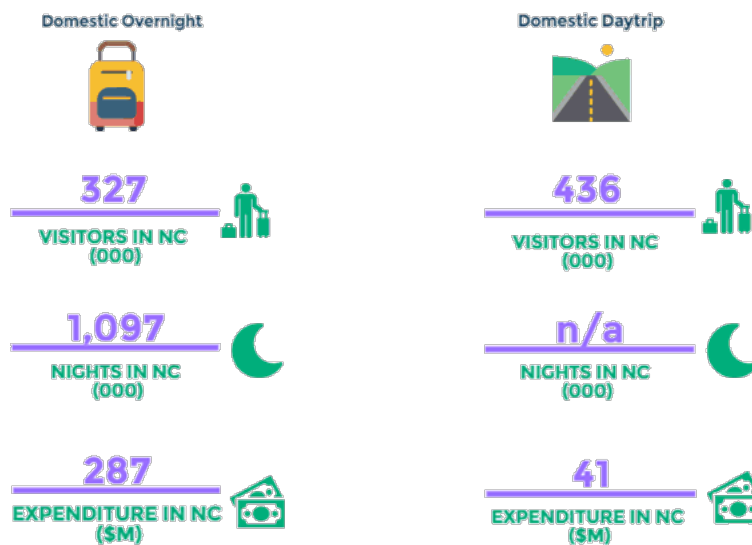
Destination NSW

Events deliver visitors, visitor nights and visitor spend into North Coast NSW Region

Since 2011, NSW has secured events that have and will deliver over \$3.5 billion worth of visitor expenditure into the state.



NORTH COAST NSW EVENTS DELIVERED...



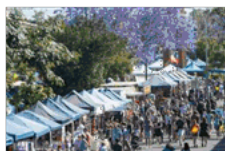
SAMPLE OF NORTH COAST EVENTS

LARGE SCALE

- Barbarians Tour
- Byron Bay Bluesfest
- Grafton Jacaranda Festival
- IRONMAN Australia & IRONMAN 70.3 Port Macquarie
- Kennards Hire Rally Australia
- National Touch League
- NSW Pro Surf Series - Great Lakes Pro
- Splendour in the Grass

OTHER

- Australian Little League Baseball Championships
- Australian Senior League Baseball Championships
- Bangalow Music Festival
- Commonwealth Bank Women's Ashes Series
- FFA National Youth Championships for Boys
- Offshore Superboats Championships - Coffs Harbour
- Sample Food Festival
- Tastings on the Hastings
- The Ballina Prawn Festival
- The Wingham Akoostik Music Festival
- Woolgoolah Curryfest



Source: Tourism Research Australia, National Visitor Survey
 Photo Credit: Destination NSW, Simon Hughes, Sample Food Festival, Chris Nott Photography, Delly Carr.

4.2 Economic Development and Business Support

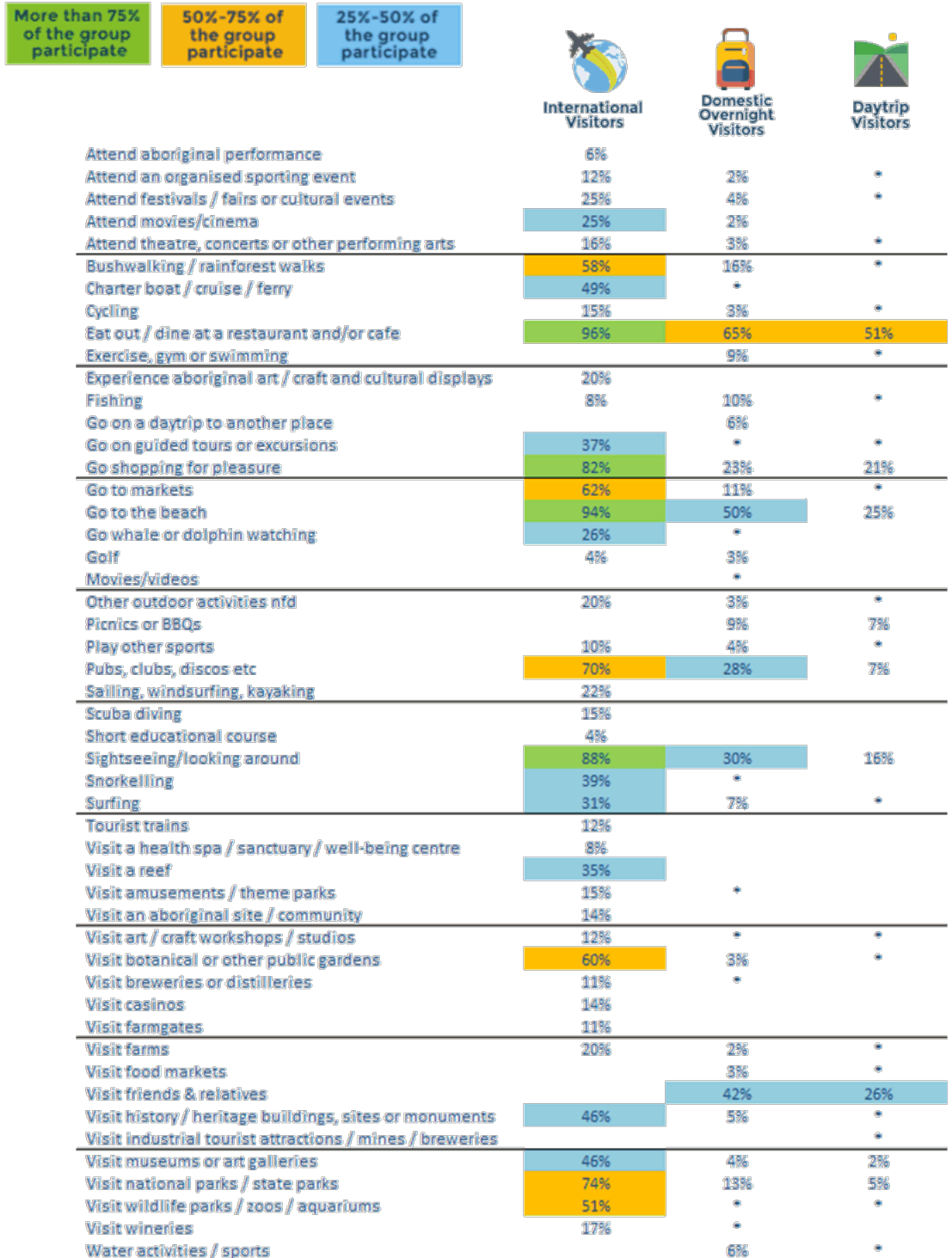
Travel to North Coast NSW region
Year ended December 2017
For the period of January 2017 to December 2017

Destination North Coast NSW

NSW GOVERNMENT

Destination NSW

What experiences drive visitors to come to your destination?



Note items with an asterisk * are available but not statistically reliable
Source: Tourism Research Australia, International & National Visitor Surveys

4.2 Economic Development and Business Support

Travel to North Coast NSW region
Year ended December 2017
For the period of January 2017 to December 2017

Destination
North Coast NSW



Destination
NSW

Is your region getting its **share** of the **Visitor/Tourism economy**?

NORTH COAST REGION

TOTAL

12,435

VISITORS IN NC
(000)



24,228

NIGHTS IN NC
(000)



4,115

NIGHTS IN NC
(000)



NORTHERN RIVERS

TOTAL Northern Rivers

Visitors (000)
Share of NC %
Nights (000)
Share of NC %

	Total Tourism	Inter-national	Domestic Overnight	Daytrip
Visitors (000)	6,990	263	2,609	4,117
Share of NC %	56%	75%	51%	59%
Nights (000)	12,036	2,353	9,683	
Share of NC %	50%	61%	48%	

Kyogle (A)	Total Tourism	Inter-national	Domestic Overnight	Daytrip
Visitors (000)	218	4	92	121
Share of NC %	2%	1%	2%	2%
Nights (000)	399	104	295	
Share of NC %	2%	3%	1%	

Richmond Valley (A)	Total Tourism	Inter-national	Domestic Overnight	Daytrip
Visitors (000)	383	5	175	203
Share of NC %	3%	1%	3%	3%
Nights (000)	790	64	725	
Share of NC %	3%	2%	4%	

Clarence Valley (A)	Total Tourism	Inter-national	Domestic Overnight	Daytrip
Visitors (000)	1,068	22	545	501
Share of NC %	8%	6%	11%	7%
Nights (000)	2,059	83	1,976	
Share of NC %	8%	2%	10%	

Nambucca (A)	Total Tourism	Inter-national	Domestic Overnight	Daytrip
Visitors (000)	277	5	125	146
Share of NC %	2%	1%	2%	2%
Nights (000)	444	35	409	
Share of NC %	2%	1%	2%	

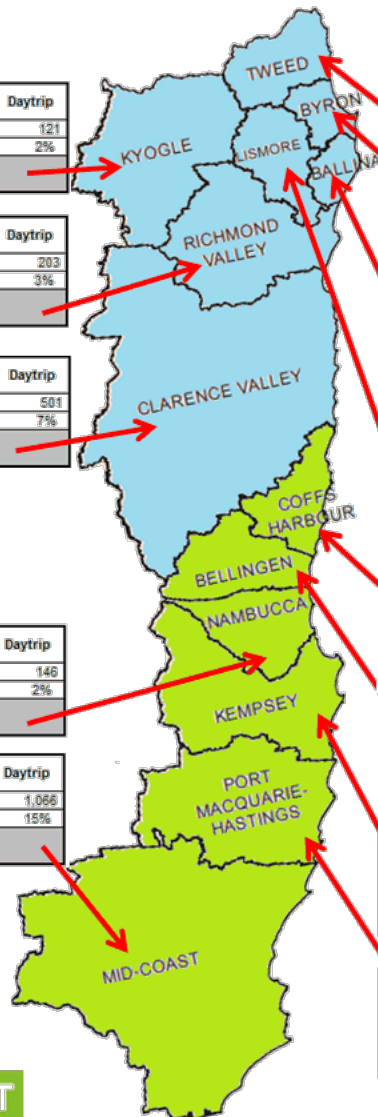
Mid-Coast (A)	Total Tourism	Inter-national	Domestic Overnight	Daytrip
Visitors (000)	2,053	30	957	1,066
Share of NC %	16%	8%	18%	15%
Nights (000)	4,030	337	3,694	
Share of NC %	17%	9%	18%	

MID NORTH COAST

TOTAL Mid North Coast

	Total Tourism	Inter-national	Domestic Overnight	Daytrip
Visitors (000)	5,731	173	2,705	2,853
Share of NC %	46%	49%	53%	41%
Nights (000)	11,973	1,522	10,451	
Share of NC %	49%	39%	51%	

Source: Tourism Research Australia, International & National Visitor Surveys



Tweed (A)	Total Tourism	Inter-national	Domestic Overnight	Daytrip
Visitors (000)	1,791	29	643	1,119
Share of NC %	14%	8%	12%	16%
Nights (000)	2,733	217	2,516	
Share of NC %	11%	6%	12%	

Byron (A)	Total Tourism	Inter-national	Domestic Overnight	Daytrip
Visitors (000)	1,950	208	741	1,002
Share of NC %	15%	59%	14%	14%
Nights (000)	4,201	1,601	2,600	
Share of NC %	17%	41%	13%	

Ballina (A)	Total Tourism	Inter-national	Domestic Overnight	Daytrip
Visitors (000)	920	14	322	583
Share of NC %	7%	4%	6%	8%
Nights (000)	1,120	154	966	
Share of NC %	5%	4%	5%	

Lismore (C)	Total Tourism	Inter-national	Domestic Overnight	Daytrip
Visitors (000)	757	12	198	547
Share of NC %	6%	3%	4%	8%
Nights (000)	687	128	560	
Share of NC %	3%	3%	3%	

Coffs Harbour (C)	Total Tourism	Inter-national	Domestic Overnight	Daytrip
Visitors (000)	1,569	86	750	733
Share of NC %	12%	24%	14%	10%
Nights (000)	3,145	765	2,380	
Share of NC %	13%	20%	12%	

Bellingen (A)	Total Tourism	Inter-national	Domestic Overnight	Daytrip
Visitors (000)	292	5	94	192
Share of NC %	2%	2%	2%	3%
Nights (000)	482	33	449	
Share of NC %	2%	1%	2%	

Kempsey (A)	Total Tourism	Inter-national	Domestic Overnight	Daytrip
Visitors (000)	512	12	301	200
Share of NC %	4%	3%	6%	3%
Nights (000)	1,247	54	1,193	
Share of NC %	5%	1%	6%	

Port Macquarie-Hastings (A)	Total Tourism	Inter-national	Domestic Overnight	Daytrip
Visitors (000)	1,601	79	769	654
Share of NC %	12%	22%	15%	9%
Nights (000)	2,918	306	2,611	
Share of NC %	12%	8%	13%	

Other areas include: Lord Howe Island, Norfolk Island and North Coast NSW Region nfd (areas which are not specified). Figures for these locations are available but not statistically reliable.

Travel to North Coast NSW region
Year ended December 2017
For the period of January 2017 to December 2017

Destination North Coast NSW

NSW GOVERNMENT

Destination NSW

North Coast overnight expenditure to grow by \$1.7B to \$4.7B over the next 10 years!

Australian Government
Austrade

TOURISM RESEARCH AUSTRALIA

TOTAL VISITOR NIGHTS IN NEW SOUTH WALES

	Purpose of visit				Holiday		VFR ^a		Business		Other		All purpose		State total
	Holiday	VFR ^b	Business	Other ^c	Capital city	Rest of state	Capital city	Rest of state	Capital city	Rest of state	Capital city	Rest of state	Capital city	Rest of state	
	Year-on-year change (%)														
2017-18	6.8	3.5	1.7	4.7	9.3	5.0	6.3	0.7	1.3	2.1	6.2	-0.9	6.6	2.6	4.8
2018-19	3.8	4.3	3.7	6.2	5.7	2.4	5.9	2.7	3.0	4.5	6.3	6.0	5.7	3.1	4.5
2019-20	3.5	4.5	3.8	5.0	5.2	2.1	6.0	2.8	4.1	3.6	5.2	4.2	5.3	2.7	4.2
2020-21	3.2	4.2	3.2	5.0	4.7	1.9	5.8	2.5	3.0	3.4	5.1	4.4	5.0	2.5	3.9
2021-22	3.4	4.0	3.3	4.8	5.2	1.9	5.3	2.4	3.1	3.5	5.0	4.1	4.9	2.5	3.9
	5-year average annual growth rate (%)														
2016/17-2021/22	4.1	4.1	3.1	5.2	6.0	2.6	5.9	2.2	2.9	3.4	5.6	3.5	5.5	2.7	4.3
2021/22-2026/27	3.3	4.0	3.2	4.5	5.0	1.8	5.4	2.3	3.1	3.3	4.7	3.9	4.8	2.4	3.8
	10-year average annual growth rate (%)														
2016/17-2026/27	3.7	4.1	3.2	4.8	5.5	2.2	5.6	2.3	3.0	3.4	5.1	3.7	5.2	2.5	4.1

According to Tourism Research Australia's latest State Nights forecast, Tourism Nights in Regional NSW is expected grow by 2.5% pa over the next 10 years.

Should this hold true and North Coast's share of state hold constant, then the value of Overnight Visitor expenditure in the region could reach \$4.7 billion by 26/27 from \$3 billion in 16/17.*

INBOUND VISITOR NIGHTS IN NEW SOUTH WALES

	Purpose of visit				Holiday		VFR ^a		Business		Other		All purpose		State total
	Holiday ^a	VFR ^b	Business	Other ^c	Capital city	Rest of state	Capital city	Rest of state	Capital city	Rest of state	Capital city	Rest of state	Capital city	Rest of state	
	Year-on-year change (%)														
2017-18	11.0	9.5	7.3	7.3	10.9	11.9	8.7	13.2	9.8	-6.5	7.4	6.3	8.8	9.8	9.0
2018-19	6.4	7.4	1.9	6.3	8.8	5.4	7.9	5.5	0.8	9.9	6.3	6.1	8.8	5.8	6.5
2019-20	5.9	7.7	5.9	6.1	8.0	5.1	8.0	6.5	0.3	3.0	6.2	4.5	6.2	6.3	6.0
2020-21	5.2	7.2	2.3	5.2	6.4	4.4	7.7	5.3	2.4	1.5	5.2	5.0	5.7	4.8	5.6
2021-22	5.8	6.8	3.0	4.9	6.0	5.0	6.9	5.2	2.8	4.7	5.0	4.3	5.7	4.8	5.6
	5-year average annual growth rate (%)														
2016/17-2021/22	6.8	7.7	4.1	5.8	7.0	6.3	7.8	7.1	4.3	2.4	5.8	5.2	6.6	6.1	6.5
2021/22-2026/27	5.6	6.5	3.2	4.6	5.8	4.8	6.8	5.1	3.3	2.9	4.7	4.2	5.5	4.7	5.4
	10-year average annual growth rate (%)														
2016/17-2026/27	6.2	7.1	3.6	5.2	6.4	5.6	7.3	6.1	3.8	2.6	5.3	4.7	6.1	5.4	5.9

DOMESTIC VISITOR NIGHTS IN NEW SOUTH WALES

	Purpose of visit				Holiday		VFR ^a		Business		Other		All purpose		State total
	Holiday	VFR ^b	Business	Other ^c	Capital city	Rest of state	Capital city	Rest of state	Capital city	Rest of state	Capital city	Rest of state	Capital city	Rest of state	
	Year-on-year change (%)														
2017-18	4.0	-0.5	0.5	-8.1	3.9	4.0	2.1	-1.6	-1.8	2.5	-7.3	-8.6	0.4	1.1	0.9
2018-19	2.0	2.1	4.1	5.8	2.3	1.9	2.0	2.1	3.9	4.3	5.8	5.9	3.0	2.5	2.6
2019-20	1.6	2.0	3.4	4.1	1.9	1.6	2.0	2.1	3.2	3.6	4.6	3.8	2.6	2.1	2.2
2020-21	1.6	1.8	3.4	4.1	1.8	1.5	1.7	1.8	3.2	3.5	4.5	3.7	2.5	2.0	2.1
2021-22	1.4	1.8	3.3	4.0	1.7	1.4	1.7	1.8	3.2	3.5	4.4	3.7	2.4	1.9	2.1
	5-year average annual growth rate (%)														
2016/17-2021/22	2.1	1.4	3.0	1.8	2.3	2.1	1.9	1.2	2.3	3.5	2.3	1.6	2.2	1.9	2.0
2021/22-2026/27	1.2	1.6	3.2	3.8	1.4	1.2	1.6	1.7	3.1	3.3	4.2	3.5	2.3	1.8	1.9
	10-year average annual growth rate (%)														
2016/17-2026/27	1.7	1.5	3.1	2.8	1.9	1.6	1.7	1.4	2.7	3.4	3.2	2.5	2.2	1.9	2.0

* Modelled on TRA Inbound and domestic 10 year CAGR against a static share of visitor night for North Coast. 2.5% CPI included.

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Source: Tourism Research Australia, International & National Visitor Surveys

Note: Reference to International & National Visitor Surveys source data relates to YE Dec 2017 as this is the latest TRA data where Purpose of Visit is available due to a previous ABS issue.

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BALLINA SHIRE

Population and Development Activity

ANNUAL REPORT FY2017/18

This report provides a summary of key statistics relating to development activity in Ballina Shire including population growth, dwelling approvals, residential subdivision and value of building work.

REGIONAL CONTEXT

The Northern Rivers Region sustains a strong tourist industry, supported by natural attractions including golden sand beaches, rivers and estuaries, rainforests and waterfalls.

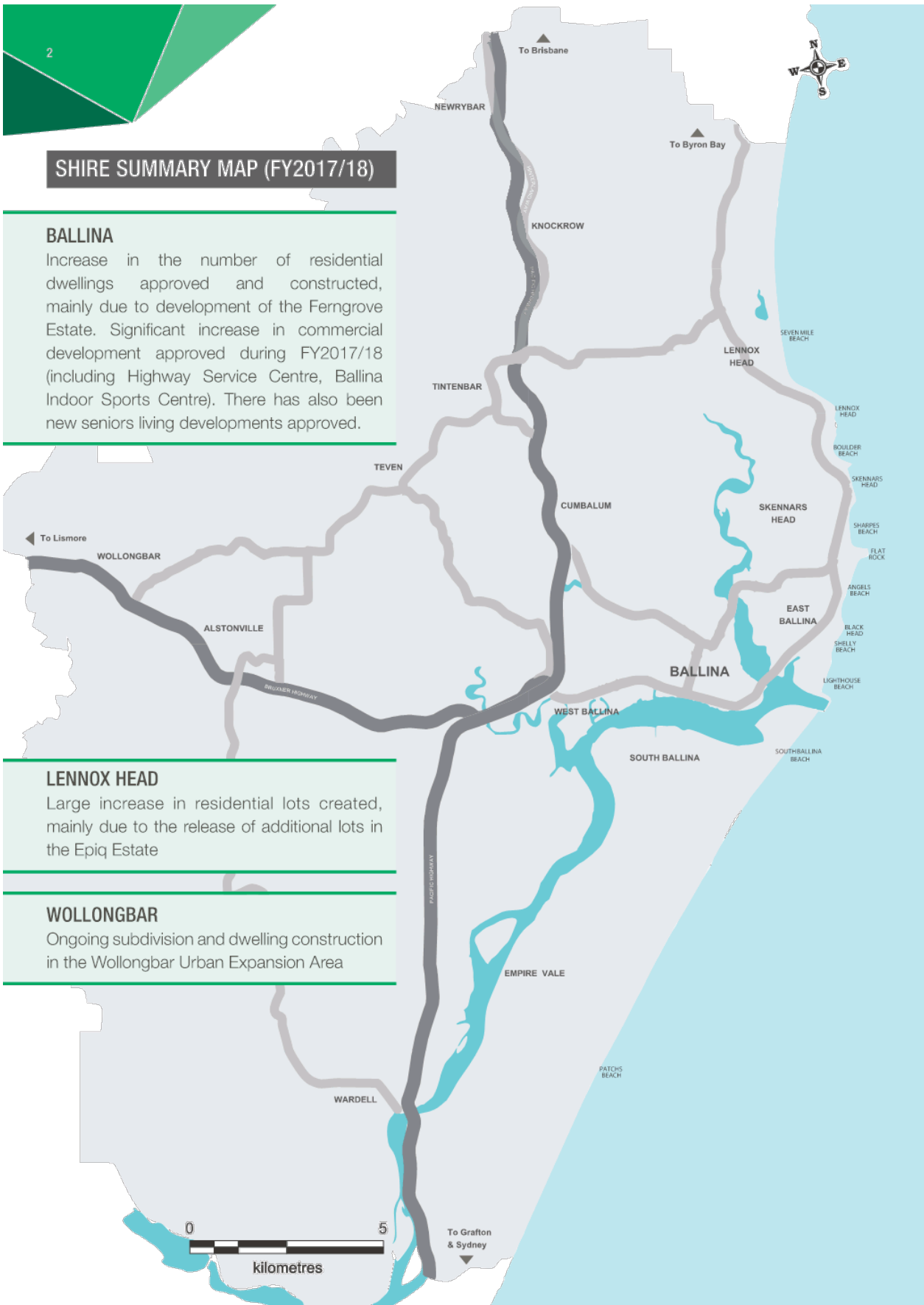
Key industries in the region, in terms of gross regional product (GRP) include health care and social services, manufacturing, construction, retail, education and training, accommodation and food services, agriculture, forestry and fishing, and financial, professional and administrative support services. The key agricultural industries in the region include livestock (meat), milk, sugarcane, cut flowers & nursery stock, macadamia nuts, and fruit and vegetables.

The region has been described as 'a region of villages' reflecting the settlement history of the area characterised by dispersed small villages and rural hamlets supported by towns and higher order centres. Major centres in the region include Murwillumbah, Lismore, Casino, Grafton and more recently, Ballina. The relationship between Ballina and Lismore is

particularly strong due to the proximity of the centres (approximately 30km apart), with Lismore providing higher order medical specialists and Base Hospital services to both centres and surrounding areas. Further, Byron Bay (approximately 30km from Ballina) provides entertainment and night-life opportunities for residents and visitors alike.

The Brisbane/Gold Coast metropolis (including Tweed Heads at the QLD/NSW border) exerts an increasing influence on the region, particularly as road connections continue to improve. The Gold Coast, in particular, is a major retail and entertainment destination for residents within the Northern Rivers region.

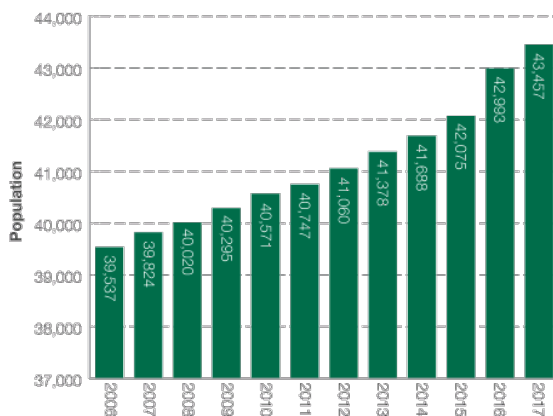
The natural beauty and 'relaxed' lifestyle available in Ballina Shire, along with the high quality air and road transport connections, make it a growing 'lifestyle' location, attracting skilled migrants who are able to live and work in the region while staying connected with the rest of the world, online and by commuting to larger centres.





POPULATION UPDATE

The following chart shows the growth of Ballina Shire's estimated resident population (ERP) between 2006 and 2017. The estimated population of Ballina Shire as of June 2017 was 43,457.



Source: Australian Bureau of Statistics, Census of Population and Housing 2011 and 2016.

The population of Ballina Shire increased by 1.1% or 464 people between 2016 and 2017, as shown in the following chart.



Source: Australian Bureau of Statistics, Census of Population and Housing 2011 and 2016.

The following table shows the population growth in each of the Northern Rivers local government areas between the 2011 and 2016 Census.

LOCAL GOVERNMENT AREA	2011 CENSUS	2016 CENSUS	POPULATION CHANGE 2011-2016 (CENSUS COUNT)	AVERAGE ANNUAL GROWTH RATE 2011-2016 (%)
Ballina	39,272	41,790	2,518	1.3
Byron	29,207	31,556	2,349	1.6
Clarence Valley	49,666	50,671	1,005	0.4
Kyogle	9,227	8,940	-287	-0.6
Lismore	42,764	43,135	371	0.2
Richmond Valley	22,038	22,807	769	0.7
Tweed	85,107	91,371	6,264	1.4
TOTAL	277,261	290,270	12,989	0.9

Source: Ballina Shire Council

Ballina Shire grew at a faster rate than the region as a whole between 2011 and 2016 at an average annual growth rate of 1.3% per annum.

4.2 Economic Development and Business Support



BALLINA SHIRE COUNCIL ECONOMIC DEVELOPMENT

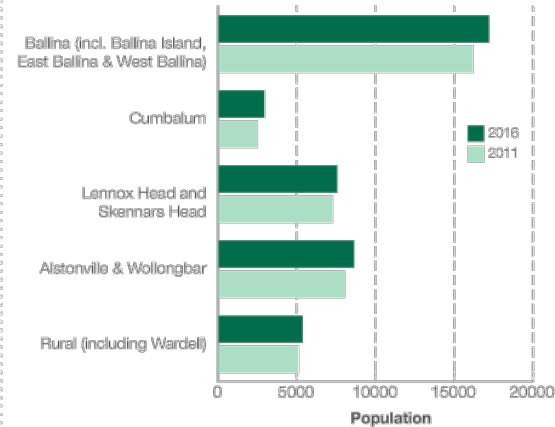
The following table and graph shows the approximate population of Ballina Shire's major development sub-regions in 2011 and 2016.

Population of Ballina Shire development sub-regions, 2011 and 2016

DEVELOPMENT SUB-REGION	2016	2011	CHANGE
Ballina (incl. Ballina Island, East Ballina & West Ballina)	17,230	16,203	1,027
Cumbalum	2,938	2,516	422
Lennox Head & Skennars Head	7,577	7,293	284
Alstonville & Wollongbar	8,645	8,074	571
Rural (including Wardell)	5,374	5,099	274

Source: Australian Bureau of Statistics, Census of Population and Housing 2011 and 2016.

Population of Ballina Shire development sub-regions, 2011 and 2016



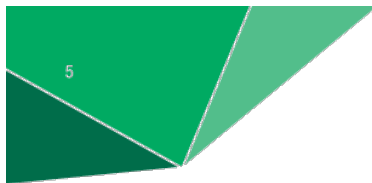
Source: Australian Bureau of Statistics, Census of Population and Housing 2011 and 2016.

The following table shows the population age structure of Ballina Shire by service age groups.

Ballina Shire age structure by service age groups, 2011 and 2016

BALLINA SHIRE – TOTAL PERSONS (USUAL RESIDENCE)	2016		2011		CHANGE
	NUMBER	%	NUMBER	%	
SERVICE AGE GROUP (YEARS)					2011 TO 2016
Babies and pre-schoolers (0 to 4)	2,072	5.0	2,138	5.4	-66
Primary schoolers (5 to 11)	3,348	8.0	3,319	8.5	+29
Secondary schoolers (12 to 17)	3,071	7.3	3,151	8.0	-80
Tertiary education and independence (18 to 24)	2,395	5.7	2,430	6.2	-35
Young workforce (25 to 34)	3,581	8.6	3,283	8.4	+298
Parents and homebuilders (35 to 49)	7,456	17.8	7,632	19.4	-176
Older workers and pre-retirees (50 to 59)	6,176	14.8	6,021	15.3	+155
Empty nesters and retirees (60 to 69)	6,369	15.2	5,132	13.1	+1,237
Seniors (70 to 84)	5,564	13.3	4,756	12.1	+808
Elderly aged (85 and over)	1,755	4.2	1,411	3.6	+344
TOTAL	41,787	100.0	39,273	100.0	+2,514

Source: Australian Bureau of Statistics, Census of Population and Housing 2011 and 2016.



RESIDENTIAL DEVELOPMENT ACTIVITY

RESIDENTIAL SUBDIVISION

The following table shows the annual number of residential allotments approved within the Shire's localities.

Number of residential lots approved Ballina Shire localities FY2013/14 – FY2017/18

LOCALITY	2013-14	2014-15	2015-16	2016-17	2017-18
Ballina (incl. Ballina Island, East Ballina & West Ballina)	7	34	20	44	15
Cumbalum	7	12	187	76	10
Lennox Head	26	222	16	255	60
Skennars Head	0	0	0	2	2
Alstonville	0	20	0	2	10
Wollongbar	20	6	22	0	4
Wardell	2	0	2	0	0
Rural		0	0	0	4
TOTAL	62	294	247	379	105

Source: Ballina Shire Council

The following table shows the annual number of residential allotments created within the Shire's localities (based on subdivision certificates issued).

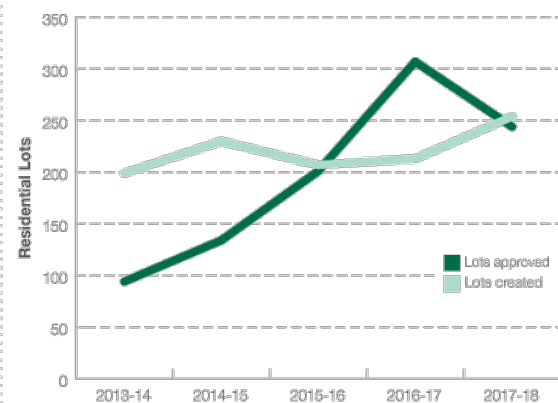
Number of residential lots created, Ballina Shire localities FY2013/14 – FY2017/18

LOCALITY	2013-14	2014-15	2015-16	2016-17	2017-18
Ballina (incl. Ballina Island, East Ballina & West Ballina)	26	42	102	62	36
Cumbalum	0	54	56	24	88
Lennox Head	34	17	91	32	133
Skennars Head	2	0	11	2	21
Alstonville	10	0	6	0	4
Wollongbar	74	74	18	45	27
Wardell	2	0	2	0	0
Rural		0	0	0	2
TOTAL	146	187	286	165	311

Source: Ballina Shire Council

The following graph shows the trend in residential lots approved and created as a 3 year rolling average (in order to smooth annual fluctuations).

Dwelling commencement trends, 3 year rolling average, Ballina Shire development sub-regions FY2013/14 – FY2017/18



Source: Ballina Shire Council



DWELLING APPROVALS

The following table shows the annual number of residential dwellings approved within the Shire's localities.

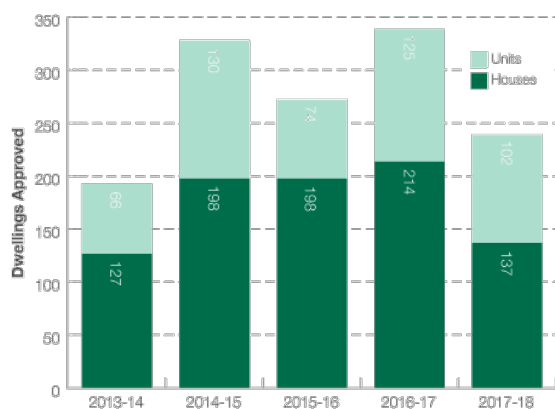
Number of dwellings approved, Ballina Shire localities FY2013/14 – FY2017/18

LOCALITY	2013-14	2014-15	2015-16	2016-17	2017-18
Ballina (incl Ballina Island, East Ballina & West Ballina)	61	112	96	126	103
Cumbalum	24	43	30	54	38
Lennox Head	58	51	54	76	41
Skennars Head	2	3	11	13	10
Alstonville	4	29	10	18	8
Wollongbar	42	63	53	28	22
Wardell	2	4	6	2	3
Rural	14	23	12	22	14
TOTAL	207	328	272	339	239

Source: Ballina Shire Council

The following chart shows the annual number of residential dwellings approved as units and separate houses.

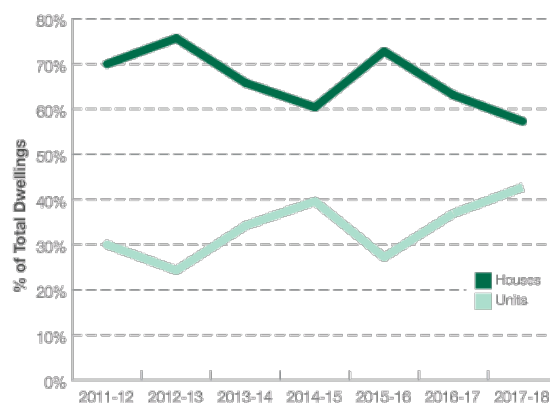
Dwellings approved as houses and units, Ballina Shire FY2013/14 – FY2017/18



Source: Ballina Shire Council

The following chart shows the proportion of annual dwellings approved as units and separate houses.

Proportion of dwellings approved as houses and units, Ballina Shire FY2011/12 – FY2017/18



Source: Ballina Shire Council



DWELLING COMMENCEMENTS

The following table shows the volume of residential construction as the number of dwellings commenced (based on construction certificates issued).

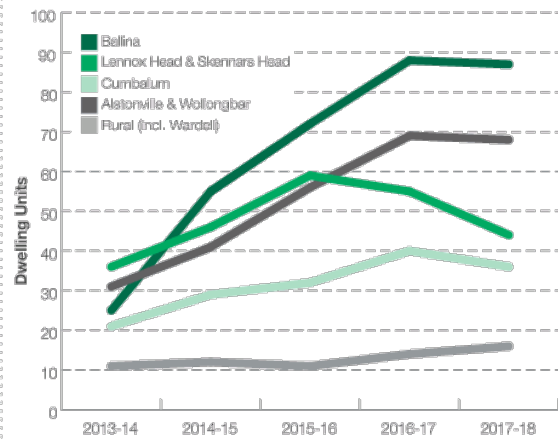
Number of dwellings commenced, Ballina Shire localities FY2013/14 – FY2017/18

Locality	2013-14	2014-15	2015-16	2016-17	2017-18
Ballina (incl. Ballina Island, East Ballina & West Ballina)	42	89	84	91	85
Cumbalum	24	44	29	47	33
Lennox Head	51	44	47	78	38
Skennars Head	2	4	21	13	9
Alstonville	3	7	13	13	7
Wollongbar	45	56	52	25	21
Wardell	2	1	3	5	2
Rural	11	9	8	16	14
TOTAL	180	254	257	288	207

Source: Ballina Shire Council

The following chart shows the trend in the number of dwellings commenced within the Shire's broad development regions as a 3 year rolling average (in order to smooth annual fluctuations in the data).

Dwelling commencement trends, 3 year rolling average, Ballina Shire development sub-regions FY2013/14 – FY2017/18



Source: Ballina Shire Council



VACANT LAND SUPPLIES

The following table shows the total area of land by zoning, focusing on urban zones.

Area of land occupied by urban zones, Ballina Shire FY2017/18

ZONE	AREA (HECTARES)
B1 Neighbourhood Centre	13.9
B2 Local Centre	25.6
B3 Commerical Core	43.9
B4 Mixed Use	6.1
B5 Business Development	3.6
B6 Enterprise Corridor	24.2
IN1 General Industrial	151.8
R2 Low Density Residential	1133.1
R3 Medium Density Residential	922.1
RE1 Public Recreation	352.1
RE2 Private Recreation	48.5
SP2 Infrastructure	147.3
Non-urban zones	46417.8
SHIRE TOTAL (ALL ZONES)	49290

The following table shows the amount of vacant residential zoned land in each of the Shire's urban localities (land zoned R2 Low Density Residential and R3 Medium Density Residential combined).

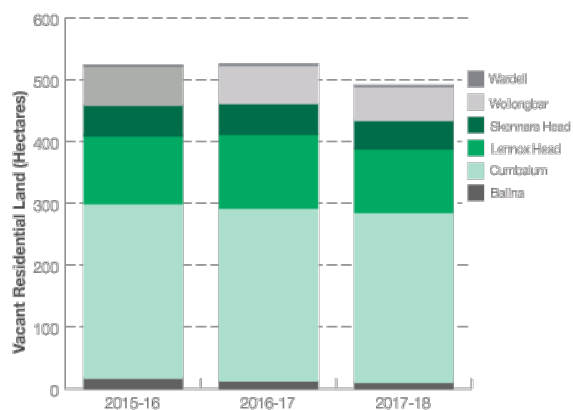
Vacant residential land supplies (Hectares), Ballina Shire localities FY2015/16 – FY2017/18

LOCALITY	2015-16	2016-17	2017-18
Ballina (incl. Ballina Island, East Ballina & West Ballina)	17.0	12.8	10.4
Cumbalum	282.7	279.5	275.2
Lennox Head	109.6	119.8	102.8
Skennars Head	49.9	49.9	46.2
Alstonville	0.0	0.0	0.0
Wollongbar	62.9	61.7	55.0
Wardell	0.3	0.3	0.3
TOTAL	522.4	524.0	489.6

Source: Ballina Shire Council

The following chart shows the consumption of vacant residential zoned land, particularly through the major land developments occurring in Cumbalum, Lennox Head and Wollongbar. Notwithstanding ongoing residential development, Ballina Shire has a significant amount of vacant zoned land available for development.

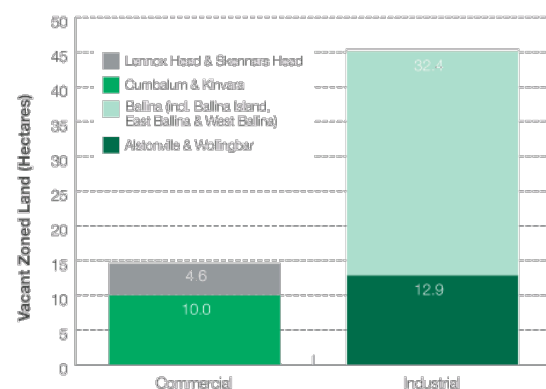
Vacant residential land supplies (Hectares), Ballina Shire localities FY2015/16 – FY2017/18



Source: Ballina Shire Council

The following chart shows the amount of vacant commercial and industrial zoned land within the Shire's localities.

Vacant commercial and industrial land supplies (hectares), Ballina Shire localities FY2017/18



Source: Ballina Shire Council



GENERAL DEVELOPMENT ACTIVITY

The following table shows the annual number of development applications received in Ballina Shire between FY2013/14 and FY2017/18 by category of development.

Number of development applications received by category, Ballina Shire FY2013/14 – FY2017/18

DEVELOPMENT CATEGORY	2013-14	2014-15	2015-16	2016-17	2017-18
Commercial	12	15	24	11	11
Industrial	0	8	3	4	2
Other	6	17	11	12	13
Residential	271	350	382	362	346
Rural	11	7	13	22	20
Subdivision	2	5	11	16	2
TOTAL	302	402	444	427	394

Source: Ballina Shire Council

The following table shows the annual number of development applications approved in Ballina Shire between FY2013/14 and FY2017/18 by category of development.

Number of development applications approved by category, Ballina Shire FY2013/14 – FY2017/18

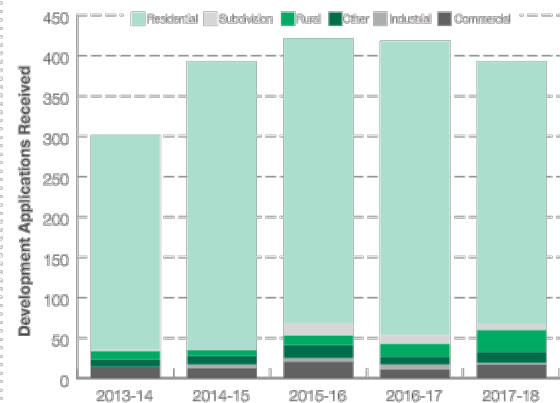
DEVELOPMENT CATEGORY	2013-14	2014-15	2015-16	2016-17	2017-18
Commercial	14	12	21	11	17
Industrial	0	5	4	6	2
Residential	266	358	354	364	326
Rural	11	7	12	16	27
Subdivision*	2	0	15	11	7
Other**	9	11	16	10	14
TOTAL	302	393	422	416	393

Source: Ballina Shire Council

*Includes civil works associated with private subdivision

**Includes civil works associated with public works projects

Development applications approved by category, Ballina Shire FY2013/14 – FY2017/18



Source: Ballina Shire Council



VALUE OF BUILDING WORK

The following table shows the annual value of building work approved in Ballina Shire between FY2013/14 and FY2017/18 by category of development.

Value of approved building work by category, Ballina Shire FY2013/14 – FY2017/18

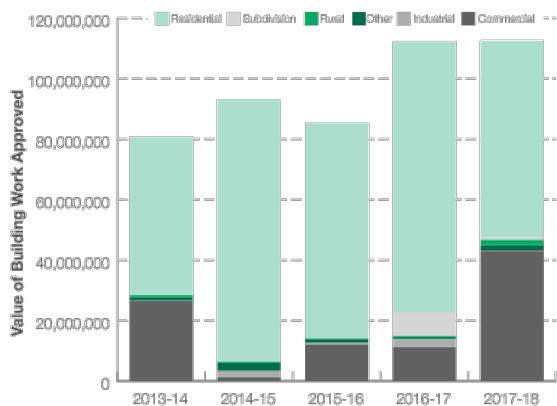
DEVELOPMENT CATEGORY	2013-14	2014-15	2015-16	2016-17	2017-18
Commercial	\$26,738,000	\$1,232,000	\$12,001,107	\$11,318,596	\$43,174,335
Industrial	\$0	\$2,229,000	\$715,000	\$2,714,192	\$60,000
Rural	\$747,110	\$300,000	\$280,000	\$609,585	\$1,733,001
Residential	\$52,105,829	\$86,547,355	\$71,176,428	\$89,466,703	\$65,023,481
Subdivision*	\$1,000	\$0	\$10,000	\$7,781,552	\$868,191
Other**	\$1,055,000	\$2,763,000	\$1,240,000	\$452,318	\$1,759,450
TOTAL	\$90,646,939	\$93,071,355	\$85,422,535	\$112,342,946	\$112,618,458

Source: Ballina Shire Council

*Includes civil works associated with private subdivision

**Includes civil works associated with public works projects

Value of approved building work by category, Ballina Shire FY2013/14 – FY2017/18



Source: Ballina Shire Council

4.2 Economic Development and Business Support



BALLINA SHIRE COUNCIL ECONOMIC DEVELOPMENT

The following table shows the amount of building work by development category that occurred in each of the Shire's development sub-regions during FY2017/18.

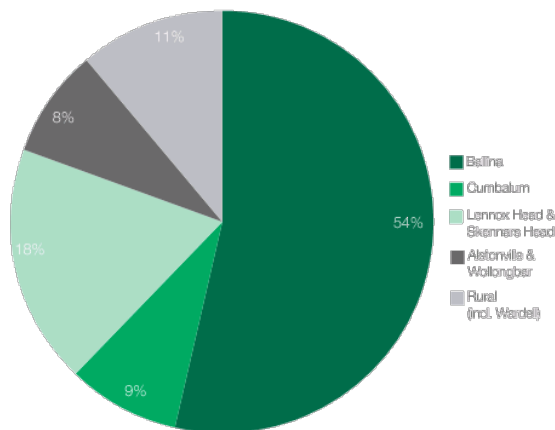
Value of approved building work by category, Ballina Shire development sub-regions FY2017/18

LOCALITY	COMMERCIAL	INDUSTRIAL	OTHER	RURAL	SUBDIVISION	RESIDENTIAL	TOTAL
Ballina (incl. Ballina Island, East Ballina & West Ballina)	\$36,837,440	\$0	\$948,000	\$0	\$0	\$22,720,885	\$60,506,32
Cumbalum	\$0	\$0	\$0	\$0	\$0	\$9,614,378	\$9,614,378
Lennox Head & Skennars Head	\$2,975,480	\$0	\$707,950	\$0	\$611,191	\$16,540,861	\$20,895,482
Alstonville & Wollongbar	\$1,245,705	\$0	\$3,500	\$293,040	\$227,000	\$7,482,303	\$9,251,548
Rural (incl. Wardell)	\$2,115,710	\$60,000	\$100,000	\$1,439,961	\$30,000	\$8,665,054	\$12,410,725
TOTAL	\$43,174,335	\$60,000	\$1,759,450	\$1,733,001	\$368,191	\$65,023,481	\$112,618,458

Source: Ballina Shire Council

The following chart shows the share of the value of total building work that occurred during FY 2017/18 within the Shire's development sub-regions.

Share of value of approved building work within Ballina Shire development sub-regions FY2017/18



Source: Ballina Shire Council

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4.3 Rating Structure and Land Valuations - 2019/20

4.3 Rating Structure and Land Valuations - 2019/20

Delivery Program Financial Services

Objective To confirm the preferred ordinary rating structure for the 2019/20 rating year.

Background

The Local Government Act, 1993 (LGA) provides options for councils in adopting an ordinary rating structure.

Typically Council has minimised major changes to the existing rating structure as changes result in variations to how the rate burden is distributed across ratable properties and does not result in increased revenue.

There needs to be a sound justification for a structural change as any reduction in rates paid by one category of property owner results in increases for all other property owners.

The primary objective is to try and determine a structure that is fair and equitable within the limitations of the LGA. The information that follows outlines the proposed rating structure for the 2019/20 rating year.

Key Issues

- Equity and impacts

Information

There are a number of options Council can consider in respect to implementing its rating structure. Council can choose a base amount (the current structure) or a minimum rating structure, and can also choose to levy different rates for groups of properties categorised as residential, business, farmland or mining.

These are the only four categories allowed under the LGA with no properties in the Ballina Shire meeting the definition of mining.

Groups of properties can be sub-categorised, primarily based on their locality.

In respect to rating structures, the onus is on Council to adopt a fair and equitable structure that complies with criteria outlined in the LGA.

In order for Council to decide upon a fair and equitable rating structure, the following two principles of rating are considered:

- **Ability to pay principle** – This assumes there is a relationship between land values and the ability to pay rates
- **The benefit principle** – This is the "user pays" principle.

4.3 Rating Structure and Land Valuations - 2019/20

It is the mix between the rate in the dollar applied to the property's land valuation (ability to pay principle) and the base amount (benefit principle), that is determined by Council after consideration of certain restrictions contained in the LGA.

Base Amount Rating Structure

Council has been using the base amount rating structure since 2005/06.

This structure comprises two components that make up the total ordinary land rate a property pays, being:

1. The **base amount** is the fixed amount levied on each rateable property, or category of properties (i.e. residential, farmland and business). The base amount levied assumes that all properties benefit equally in respect to works and services provided by Council. Under the LGA, the base amount cannot generate more than 50% of the total rate income in each rating category.
2. The balance of a property's ordinary rate within each category is then calculated by multiplying a **rate in the dollar by the property's land valuation**. The higher the land value, the more the property will pay.

Having a base amount rating structure tends to flatten out the rates payable by individual residential properties, as only half of the ordinary rate is determined by the property's land valuation.

Council determined this to be the most equitable structure, as there is an underlying assumption that properties are benefiting equally from Council services.

Council has adopted a uniform base amount for all residential, business and farmland properties.

The residential base amount derives just less than the 50% allowed for the residential category, which means that as business and farmland category properties tend to have higher land valuations (and fewer properties) than the residential category, the base amount for business and farmland categories raises significantly less than the maximum 50% (for 2018/19, around 14% and 32% respectively).

As a result, the land valuation determines the majority of the total ordinary rate paid by business and farmland properties, which results in higher valued properties accepting a greater share of the rate burden.

For a number of years the base amount for business and farmland properties was at the 50% threshold for those categories however Council resolved to make the base charge the same for all properties, no matter the category, as this provides a more equitable distribution of the rate burden for business and farmland properties.

Unlike residential properties, business and farmland properties are generally income producing, and our rating structure recognises a correlation between the land valuation and the level of potential income able to be generated by the land (i.e. the "ability to pay" principle) for those two categories.

Yield from Business Category to be 20% of Total Yield

Due to Ballina Shire, at that time, having the lowest average rate for the business category of properties for similar sized councils, in 2006 Council resolved to increase the revenue from business properties from 10% of the total rate yield to 20% over a period of five years (i.e. incrementally increase by 2% per annum). This strategy was commenced in the 2006/07 rating year and in 2010/11 the yield reached the desired 20%.

In all following rating years, Council has retained the 20% of total income yield from the business category regardless of land value movements between rating categories from year to year.

In recent years properties within the residential category have seen the highest growth in land values and also the highest growth in the number of assessments. This means that if the total rate burden between rating categories was adopted each year based on actual growth, the business category proportion would be less than 20% of the total income generated.

To retain the 20% yield Council has to maintain a higher differential in the rate in the dollar for business properties, as compared to residential properties, as outlined later in this report.

It is important to ensure that our business rate is reasonable and competitive to support our local economy. To check this, the average business rate for councils in a similar council classification as Ballina Shire, as per the Office of Local Government’s annual comparative data report, was reviewed, with the figures summarised in the following table.

Table One: Average Business Rates as per OLG Data – 2016/17

Council	Average Business Rate (\$)
Albury	5,828
Ballina	2,961
Bathurst Regional	3,962
Bega Valley	2,551
Broken Hill	5,306
Byron	2,461
Cessnock	3,056
Clarence Valley	2,454
Eurobodalla	3,281
Goulburn Mulwaree	5,043
Griffith	2,462
Kempsey	2,283
Kiama	1,338
Lismore	4,366
Lithgow	3,521
Mid-Western Regional	1,813
Orange	5,767
Richmond Valley	2,147
Singleton	6,713
Tamworth Regional	3,128
Wagga Wagga	5,669
Wingecarribee	3,824
Coffs Harbour	4,555
Port Macquarie-Hastings	3,495
Tweed	2,676
Average	3,626

Overall the average is reasonable on a comparative basis however the figures are for 2016/17 and with Council having Ministerial approval for increases in our total rate yield above the rate pegging limit for the three year period from 2017/18 to 2019/20 it is important that we continue to monitor this category to ensure it remains reasonable, as we need to do for all our rates and charges.

Growth and Notional Rate Calculation

Each year Council performs a notional calculation to obtain the total allowable general rate income for the following year. Included in this calculation is a percentage limit of variation from a previous year, which is either the rate peg limit or, where applicable, a special rate variation, as determined by IPART. The notional calculation method also provides Council with additional income to allow for additional service provision costs caused by growth.

The growth calculation is based upon the increase in assessments and land valuations due to subdivisions that occur during the year. Council can also recover income lost in previous years (on a one off basis) for income lost as a result of valuation objections.

Ordinary Rate Calculation Methodology

The following steps outline the current methodology used to set the base amount rating structure and ordinary rate. It is intended to use the same methodology in setting the 2019/20 ordinary rates.

1. Calculate the total notional income for 2018/19. This entails using the base amount and rate in the dollar set in 2018/19 and applying it to the current properties and land valuations on hand (rather than those on hand when the 2018/19 rates were set in July 2018).

This creates a growth allowance within the total allowable income for 2019/20.

As Council has a 5.9% Special Rate Variation approved for 2019/20, this percentage is then applied to the calculated 2018/19 notional income. This generates a total allowable general income figure.

In addition to this, legislative adjustments such as income lost in previous years due to land value objections (one off adjustment) and previous year catch up/excess results are included.

2. Implement the current strategy adopted by Council to set the total business category income as 20% of the total allowable income.
3. Take into account growth in assessments and land valuations between categories from the previous year to arrive at a percentage of total income required from the farmland and residential categories (business already set at 20% and currently no mining category properties).
4. Calculate the base amount (flat charge) for the residential category to be marginally less than 50% to conform to legislative requirements. This base amount is then utilised as the base amount for the business and farmland categories.

4.3 Rating Structure and Land Valuations - 2019/20

5. Calculate the rate in the dollar for each category, with the mining category to be set at the same rate as the business category. The farmland category rate in the dollar is set at approximately 85% of the residential rate in the dollar.

There is no financial calculation behind the discount figure of 85% for farmland, except to say it has been a long standing component of our rating structure. The discount recognises that farmland properties are often large in size, which tends to result in the valuation component of the rate calculation making a higher contribution to the actual rates payable for a property.

2019/20 Rating Structure

IPART announced a rate pegging limit of 2.7% for the 2019/20 rating year however Council has approval for a permanent special rate variation (SRV) to allowable income of 5.9%, being 3.2% above the rate peg figure. This forms the basis for Council's Fit for the Future financial planning.

The following estimates are based on the 5.9% increase. This is the final year of special rate variation increases and from 2020/21 onwards Council's long term financial plan is based on rate peg increases only.

It is essential that Council minimises increases in operating expenses to ensure we meet our Fit for the Future goals and do not need higher than rate peg increases into the future.

Table Two: 2017/18 and 2018/19 Rating Structures

Rate Category	2017/18		2018/19	
	Base Amount	Rate in Dollar	Base Amount	Rate in Dollar
Residential	491	0.165830	517	0.174730
Business	491	0.755810	517	0.804220
Farmland	491	0.141280	517	0.149030
Mining	491	0.755810	517	0.804220

Table Three: Proposed 2019/20 Rating Structure

Rating Category	5.9% Increase	
	Base Amount	Rate in Dollar
Residential	548	0.184140
Business	548	0.858120
Farmland	548	0.156950
Mining	548	0.858120

Table Two shows the adopted rating structures for 2017/18 and 2018/19.

Table Three shows the proposed structure for 2019/20, which incorporates the 5.9% special variation increase.

The figures in Table Three are in draft form only and will change slightly by the time they are adopted for 2019/20.

This is because there may be variations due to growth in assessments and land valuations between now and when the 2019/20 rating structure is adopted by Council at the June 2019 Ordinary meeting.

4.3 Rating Structure and Land Valuations - 2019/20

Table Four: Proposed 2019/20 Income per Category (Cat.) at 5.9%

Rate Category	2018/19				2019/20			
	Income 9.1% Increase	Cat.% from base	Cat % of yield	Ave Rate	Income 5.9% increase	Cat % from base	Cat % of yield	Ave Rate
Residential	16,692,796	49.83	73.00	1,038	17,932,650	49.89	73.29	1,099
Business	4,573,502	14.43	20.00	3,499	4,893,612	14.33	20.00	3,724
Farmland	1,601,454	32.11	7.00	1,611	1,642,742	32.28	6.71	1,695
Mining	0	0	0.00	0.00	0.00	0.00	0.00	0.00
Total	22,867,752	N/A	100.0	1,244	24,469,004	N/A	100.00	1,315

Table Four details the income that will be generated for each rating category, the percentage of revenue each category derives and the average rate per category. The increase in total notional income between 2018/19 and 2019/20 equates to \$1,601,252. This represents an increase of 7%, of which 5.9% represents the SRV and 1.1% represents growth.

The next three tables provide examples of the rates payable for a range of land valuations, based on the residential, business and farmland rating categories.

Table Five: Residential Rates Payable in 2019/20

Land Value Range	Property Count	Land Valuation	2018/19 rate**	2019/20 rate	Change (\$)	Change (%)
0 to 99,999	1,247	50,000	604	640	36	5.9%
100,000 to 199,999	2,876	150,000	779	824	45	5.8%
200,000 to 299,999	6,066	250,000	954	1,008	55	5.7%
300,000 to 399,999	3,167	350,000	1,129	1,192	64	5.7%
400,000 to 499,999	1,668	450,000	1,303	1,377	73	5.6%
500,000 to 599,999	446	550,000	1,478	1,561	83	5.6%
600,000 to 699,999	270	650,000	1,653	1,745	92	5.6%
700,000 to 799,999	176	750,000	1,827	1,929	102	5.6%
800,000 to 899,999	107	850,000	2,002	2,113	111	5.5%
900,000 to 999,999	97	950,000	2,177	2,297	120	5.5%
1,000,000 to 1,499,999	154	1,250,000	2,701	2,850	149	5.5%
1,500,000 to 1,999,999	36	1,750,000	3,575	3,770	196	5.5%
2,000,000 to 2,999,999	12	2,500,000	4,885	5,152	266	5.5%
> 3,000,000	8	3,000,000	5,759	6,072	313	5.4%

For **eligible pensioners**, the general concession (i.e. ordinary rates plus domestic waste charges) in accordance with the LGA is 50% of the general levy to a maximum of \$250 per annum.

This maximum has remained unchanged for many years.

All properties have paid greater than \$500 per annum in ordinary rates and domestic waste charges for some time now and as a result, pensioners meet the full cost of any increase.

4.3 Rating Structure and Land Valuations - 2019/20

Table Six: Business Rates Payable in 2019/20

Land Value Range	Property Count	Land Valuation	2018/19 rate**	2019/20 rate	Change (\$)	Change (%)
0 to 99,999	372	50,000	919	977	58	6.3%
100,000 to 199,999	289	150,000	1,723	1,835	112	6.5%
200,000 to 299,999	170	250,000	2,528	2,693	166	6.6%
300,000 to 399,999	129	350,000	3,332	3,551	220	6.6%
400,000 to 499,999	117	450,000	4,136	4,410	274	6.6%
500,000 to 599,999	59	550,000	4,940	5,268	327	6.6%
600,000 to 699,999	36	650,000	5,744	6,126	381	6.6%
700,000 to 799,999	29	750,000	6,549	6,984	435	6.6%
800,000 to 899,999	16	850,000	7,353	7,842	489	6.7%
900,000 to 999,999	11	950,000	8,157	8,700	543	6.7%
1,000,000 to 1,499,999	45	1,250,000	10,570	11,275	705	6.7%
1,500,000 to 1,999,999	22	1,750,000	14,591	15,565	974	6.7%
2,000,000 to 2,999,999	16	2,500,000	20,623	22,001	1,379	6.7%
> 3,000,000	10	3,000,000	24,644	26,292	1,648	6.7%

Table Seven: Farmland Rates Payable in 2019/20

Land Value Range	Property Count	Land Valuation	2018/19 rate**	2019/20 rate	Change (\$)	Change (%)
0 to 99,999	3	50,000	592	626	35	5.9%
100,000 to 199,999	3	150,000	741	783	43	5.8%
200,000 to 299,999	26	250,000	890	940	51	5.7%
300,000 to 399,999	88	350,000	1,039	1,097	59	5.7%
400,000 to 499,999	181	450,000	1,188	1,254	67	5.6%
500,000 to 599,999	196	550,000	1,337	1,411	75	5.6%
600,000 to 699,999	121	650,000	1,486	1,568	82	5.6%
700,000 to 799,999	91	750,000	1,635	1,725	90	5.5%
800,000 to 899,999	56	850,000	1,784	1,882	98	5.5%
900,000 to 999,999	49	950,000	1,933	2,039	106	5.5%
1,000,000 to 1,499,999	103	1,250,000	2,380	2,510	130	5.5%
1,500,000 to 1,999,999	31	1,750,000	3,125	3,295	170	5.4%
2,000,000 to 2,999,999	11	2,500,000	4,243	4,472	229	5.4%
>3,000,000	10	3,000,000	4,988	5,257	269	5.4%

The % changes in Tables Five, Six and Seven highlights that the business category bears a higher proportion of the overall increase, compared to residential and farmland properties. This is due to the 20% business rate yield.

What is happening is that our total yield is increasing due to residential growth through subdivisions, which means we are generating more revenue in total.

4.3 Rating Structure and Land Valuations - 2019/20

Business properties are not growing at the same rate therefore the rates payable for existing businesses have to increase by a higher percentage to maintain the 20% benchmark.

It will be interesting to see if the business precincts planned for the EPIQ and Aureus Estates help to even this out, as growth in business properties tends to be lumpy rather than the steady increase as occurs with residential properties.

Revenue from Localities

The reason Council introduced the base charging structure in 2005/06 was due to concerns that higher than average increases in the land values for Lennox Head were resulting in that locality paying an unreasonable proportion of the total rate yield.

The next table provides a comparison of the percentage of revenue to be generated from the main localities of the shire, and compared to the populations of these localities, based on these last figures.

Table Eight: 2019/20 Revenue from Localities compared to Population

Locality	Population (#)	%	Assessments (#)	%	Revenue (\$) 2019/20	%
Ballina, East Ballina, West Ballina, Cumbalum, Kinvara	20,727	47.1	8,636	46.4	11,562,473	47.3
Lennox Head, Skennars Head	7,935	18.0	3,431	18.4	4,955,812	20.3
Alstonville, Wollongbar	9,210	20.9	3,828	20.6	4,181,609	17.1
Wardell, East Wardell	663	1.5	467	2.5	506,506	2.1
All other localities	5,440	12.4	2,246	12.1	3,262,605	13.3
Total	43,975	100.0	18,608	100.0	24,469,005	100.0

Revenues generated by locality broadly match the population figure, with Lennox Head paying slightly more and Alstonville / Wollongbar paying slightly less. Considering that rating structures have very limited flexibility the correlation between revenue and population percentages is reasonable.

Legal / Resource / Financial Implications

Council should aim to adopt the most equitable and fairest rating structure within the legislation limitations.

Rates are a major component of a council's resource or revenue base. They provide a guaranteed income source and rate income can be used to finance any service provided by a council.

Consultation

The rating structure will be placed on exhibition for public comment as part of the preparation of the 2019/20 Operational Plan.

Options

Council can vary the rating structure through changes in the base charge, higher or lower differentials between categories and differentials within categories. The proposed rating structure is shown in Table Three of this report.

As touched on in this report, there are differentials applied in this structure for farmland where the rate in the dollar is approximately 85% of the residential rate in the dollar, whereas the business rate in the dollar is approximately 466%, or more than four and a half times, the residential rate in the dollar, to raise the 20% of total rate revenue from business properties.

The 466% differential for 2019/20 has steadily increased as it was 358% in 2010/11 when the 20% rating structure was fully implemented.

Prior to the decision in 2006 to increase the yield from business properties to 20% of the total income, the residential and business property rate in the dollar was the same figure (i.e. 100%).

What has happened over time is that the total of the residential land values as well as the number of residential properties have grown proportionally faster than the business properties which has required Council to gradually increase the business differential to achieve the 20% outcome.

No change is recommended to the current structure for 2019/20 however it is important for Council to note the magnitude of the differentials for both farmland and business properties as compared to residential properties.

The preferred approach is to retain the existing structure for 2019/20, particularly given that this is a SRV year. This is because a change in rating structure represents a redistribution of costs between different types of ratepayers. For those ratepayers that may be negatively impacted, the change in one year would be exacerbated by the SRV increase.

Council may wish to consider changes to the rating structure when there is no SRV, which is proposed for 2020/21 onwards.

Typically the community is very interested in any significant changes to the rating structure. If Council were to consider making significant changes, extensive community engagement would be appropriate.

RECOMMENDATIONS

1. That for the draft 2019/20 Operational Plan, Council approves the inclusion of a base rating structure, modelled on the 2018/19 structure, which applies the following principles:
 - a) Marginally less than 50% of the rate income for the residential category of properties being generated from the base amount
 - b) Business, farmland and mining categories to have the same base amount as the residential base amount
 - c) A total of 20% income from the rate yield to be sourced from the business category properties
 - d) Farmland rate in the dollar is approximately 85% of the residential rate in the dollar
 - e) The mining category rate in the dollar to be set as the same rate as the business category (currently no mining category properties in the shire).
2. That Council notes the indicative figures for this rating structure for 2019/20, as per Tables Three and Four of this report.
3. That for the preparation of the draft 2019/20 Operational Plan Council approves a rating structure based on the 5.9% special rate variation as determined by the Independent Pricing and Regulatory Tribunal.

Attachment(s)

Nil

4.4 Street Lighting - LED Bulk Replacement Program

4.4 Street Lighting - LED Bulk Replacement Program

Delivery Program Support Operations

Objective To examine a proposal from Essential Energy for the upgrade of street light fittings to LED fittings.

Background

In June 2018 Essential Energy wrote to Council seeking a partnership in a proposed program to upgrade eligible local road (P type) street lighting to LED technology. The program offered Council with an opportunity to reduce energy consumption and CO2 emissions, both of which are directions outlined in our Community Strategic Plan and Delivery Program to reduce our resource usage through innovation.

The proposal offered by Essential Energy anticipated a payback period in the order of four years based on the capital cost of replacement street light fittings, Street Light Use of System charges (SLUoS), and energy consumption of the proposed street light fittings.

Council approved the submission from Essential Energy at the October 2018 Ordinary meeting.

Subsequent to the Council approval, Essential Energy advised that there were two issues that had arisen that would increase the payback period from the expected four years to a payback period in the order of seven years.

The proposal is resubmitted for Council's consideration.

Key Issues

- Environmental benefits
- Savings in energy
- Cost and benefit

Information

The cost for local road streetlights is based on two factors; 1) calculated energy used and 2) streetlight use of system (SLUoS). The SLUoS component is a capital and maintenance charge for the lamp, luminaire, bracket, support and connection.

The initial offer from Essential Energy to upgrade the Ballina Shire Type P streetlights to LED technology was based on achieving a SLUoS saving in the order of \$153,000 annually.

Essential Energy recently submitted a proposal to the Australian Energy Regulator (AER) for a revised structure and pricing arrangement for the calculation of SLUoS.

4.4 Street Lighting - LED Bulk Replacement Program

Although the pricing arrangement has not been formally accepted the anticipated SLUoS saving is now expected to be in the order of \$51,000 annually, significantly less than the original proposal.

The key reason the annual savings are less is because the future actual charge will be reduced when compared to the current charge.

In the revised offer from Essential Energy the number of eligible street light fittings has also been reduced from 2,310 to 2,034. This excludes decorative and non-compatible light fittings.

Essential Energy has revised the cost of the LED upgrade offer based on the reduced number of eligible light fittings from \$764,398 down to \$722,844.

Based on the initial proposal from Essential Energy the expected payback period was in the order of four years. The reduced SLUoS saving along with the reduced capital expenditure increases the payback period by approximately three years to a payback period in the order of seven years.

Essential Energy has advised that the GE25W fitting selected by Council in the initial proposal is being replaced by the more expensive Gerard 17W fitting. Essential Energy, however, has confirmed that they will substitute the fitting at no additional cost to Council.

It is estimated that once the LED streetlight installation is complete the energy consumption for Council will reduce from in the order of 9,199MWh per annum down to approximately 8,186MWh per annum.

Legal / Resource / Financial Implications

Accepting the offer for Essential Energy to undertake the bulk replacement of the street lighting comes at a capital cost of \$722, 844 (previously \$764,398).

As outlined in the original report to Council, from a financial perspective, the preferred approach to funding this proposal is:

- a) Determine from the Office of Local Government whether an internal loan from the water and / or wastewater funds is a viable option, as the preferred funding source. The reason for this is that these two funds have significant reserve funds immediately available.
- b) If water and / or wastewater are not a viable option, the Employee Leave Entitlements Reserve is the preferred funding source.
- c) Internal loan is to be repaid in full based on three annual repayments of \$265,000. (to be confirmed)
- d) Any over-expenditure in the capital cost, or reduced savings in forecast street lighting operating expenses, is to be offset by other budget adjustments. This then ensures the internal loan is repaid as priority.

The alternate option is to request a tariff from Essential Energy which is based on capital provided by Essential Energy.

4.4 Street Lighting - LED Bulk Replacement Program

Assuming the cost of capital is similar between Council and Essential Energy, the advantage of this option is it avoids the internal loan arrangements.

The disadvantage is recurrent street lighting costs will be higher each year to fund this type of tariff meaning those funds are not available for other activities. There may also be a financing cost applied by Essential Energy.

Consultation

There have been on-going discussions with Essential Energy.

Options

1. Maintain existing Type P streetlights – if the revised offer from Essential Energy is rejected and Council continues to use the existing streetlight fittings there will be a reduced cost to the operation of the streetlights over the next five years in the order of \$398,000 and \$797,000 over ten (10) years. This is due to the anticipated reduced cost of SLUoS.
2. Accept Essential Energy revised offer – should Council choose to accept the revised offer from Essential Energy there is an expected reduction of the cost of the operation of streetlights in the order of \$110,800 over five years and \$945,000 over ten years.

These figures are calculated as follows:

Pricing Prior to Forecast Reduction – Cumulative Cost (\$'000)

Year	1	2	3	4	5	6	7	8	9	10
SLUoS	208	208	208	208	208	208	208	208	208	208
Energy (kWH)	57	57	57	57	57	57	57	57	57	57
Sub Total P.A.	265	265	265	265	265	265	265	265	265	265
Cumulative Total	265	531	796	1,061	1,326	1,592	1,857	2,122	2,387	2,653

Option One – No Change – Cumulative Cost (\$'000)

Year	1	2	3	4	5	6	7	8	9	10
SLUoS	129	129	129	129	129	129	129	129	129	129
Energy (kWH)	57	57	57	57	57	57	57	57	57	57
Sub Total P.A.	186	186	186	186	186	186	186	186	186	186
Cumulative Total	186	371	557	743	928	1,114	1,299	1,485	1,671	1,856

Option Two – Accept Offer - Cumulative Cost (\$'000)

Year	1	2	3	4	5	6	7	8	9	10
Outlay	722	0	0	0	0	0	0	0	0	0
SLUoS	78	78	78	78	78	78	78	78	78	78
Energy (kWH)	21	21	21	21	21	21	21	21	21	21
Sub Total P.A.	821	99	99	99	99	99	99	99	99	99
Cumulative Total	821	920	1,018	1,117	1,216	1,314	1,413	1,511	1,610	1,708

As per these figures the estimated reduction in pricing, without any change in the lighting, will save Council approximately \$398,000 (i.e. \$1,326,000 minus \$928,000) in the first five years and \$797,000 (\$2,653,000 minus \$1,856,000) over the ten year period. Therefore it is extremely pleasing the AER review is occurring.

4.4 Street Lighting - LED Bulk Replacement Program

By replacing the street lighting with LED fittings Council does save an initial \$148,000 over the ten years, although this does not include any opportunity cost for the \$722,000 that Council has to outlay to undertake the works.

A net present value calculation (i.e. tries to assess the time value of money) of the option one and two cash flows, based on a 5% discount factor, actually results in option one having a lower net cost, although it is marginal.

This calculation does not take into account the environmental benefits and with the financial calculation being very similar, it leads to option two being the preferred approach due to the environmental gains that can be achieved through lower energy usage. Also, with the Fit for the Future Program, it is important that Council minimize operating expenses and option two assists with that approach.

Essential Energy will be carrying out the bulk lamp change within the Ballina Shire commencing in April 2019. If Council rejects the Essential Energy offer at this point in time, there will be an increase of approximately \$112,000 to the Essential Energy offer should Council subsequently choose to upgrade to LED streetlight fittings. The terms of the revised offer are the same as the previous offer endorsed by Council except for a small reduction in the number of lamps to be included in the program, and a superior fitting will be used (at no extra cost to Council).

In respect to financing the Office of Local Government has confirmed Council can borrow internally from water and / or wastewater. The recommendations that follow allow staff to determine the optimum financing strategy, with the aim being to repay any internal loan as quickly as possible, funded from savings in the recurrent street lighting bills.

RECOMMENDATIONS

- 1) That Council accepts Essential Energy's revised offer for the bulk replacement of street lighting with LED fittings, in accordance with Option 2 as detailed in this report.
- 2) The capital cost of approximately \$722,844 is to be funded from an internal loan through a transfer from Water and / or Wastewater Reserves, or the Employee Entitlements Reserve, as determined by the General Manager.
- 3) The 2019/20 draft Long Term Financial Plan is to be based on the internal loan, with the loan repayments funded through savings achieved in the annual street lighting budget.
- 4) That Council authorises the General Manager to accept an alternate fitting technology, if supported by Essential Energy, subject to the environmental and economic performance achieving similar outcomes to the fittings accepted at the October 2018 Ordinary meeting.

Attachment(s)

1. Letter from Essential Energy



Ref: BALLINA_BLR2019

21 February 2019

The General Manager
Mr Paul Hickey
Ballina Shire Council
Po Box 450
Ballina NSW 2478

Dear Mr Hickey

LED Upgrade streetlight bulk lamp replacement in Ballina Shire

We recently had the opportunity to discuss the current status of bulk lamp replacement as well as current and emerging opportunities for LED street lights with key council staff. At the meeting Council requested Essential Energy to provide an updated estimate of savings from the LED upgrade.

In October last year Ballina Council approved a proposal from Essential Energy to upgrade around 2,310 street lights to LED luminaires at a cost of \$764,398. A payback period of less than four years was anticipated based on the continuation of the fy19 Street Light Use of System charges (SLUoS). This original proposal included lights which may be decorative. These would be identified by the contractor in the field and excluded from an LED upgrade as no equivalent luminaire is available.

Essential Energy recently submitted to the Australian Energy Regulator (AER) a proposal for the structure and pricing of Street Light Use of System charges from 1 July 2019 to 30 June 2024. The pricing of the new SLUoS charges has not been formally approved by the AER, however it is Essential Energy's view that the proposed future prices should now be factored into the anticipated savings for LED upgrade projects.

Essential Energy now estimates that the scope of the upgrades for Ballina Council, excluding decorative, will be reduced to 2,034 LED luminaires at a cost of \$722,844.23. Based on the anticipated AER approval of the SLUoS charges, the payback period will be of the order of 7 years.

We also confirm that Essential Energy will provide Gerard LEDs at a price match to the lower cost Option 2 which was previously selected by the Council. Further, Gerard LEDs will generate greater energy savings and meet all elements of the relevant Australian Standards and Essential Energy specification requirements.

Ballina Council has provided a purchase order, and confirmation of the reduced volume and cost by email would be appreciated. An acceptance form for the reduced scope is attached.

Should you or your Council have any questions regarding the bulk lamp replacement program or the status of LED street light technology, please contact me on 0428 133 869 or by email at waide.elliott@essentialenergy.com.au.

Yours sincerely

A handwritten signature in black ink, appearing to read "Waide Elliott".

Waide Elliott
Manager Street Lights & Joint Use

PO Box 5730 Port Macquarie NSW 2444 | ABN 37 428 185 226
Telephone: (02) 6589 8145 | Interpreter Services 13 14 50 | essentialenergy.com.au

22 February 2019

Page 2 of 2

Acceptance Form – Ballina Council 2019
Revised LED Project excluding decoratives.

I accept Essential Energy's quote for Ballina Shire Council's streetlight LED luminaire upgrade for 2,304 street lights at quoted price of \$ 722,844.23 (Ex GST)

Council notes that at signed acceptance Essential Energy will purchase materials and allocate work to Contractors.

Date:.....

Name of Authorised Representative:.....

Position:.....

Signature:.....

Council Order Number:

Please return this form to Waide Elliott, Streetlighting Group, Essential Energy.

Email: streetlighting@essentialenergy.com.au

Post: P.O. Box 5730 Port Macquarie NSW 2444

PO Box 5730 Port Macquarie NSW 2444 | ABN 37 428 185 226
Telephone: (02) XXXX XXXX | Interpreter Services 13 14 50 | essentialenergy.com.au

4.5 Alstonville Preschool - Camphor Laurel Tree Management

4.5 Alstonville Preschool - Camphor Laurel Tree Management

Delivery Program Community Facilities

Objective To examine options regarding the large camphor laurel tree in the grounds of the Alstonville Community Preschool.

Background

At the December 2018 Ordinary meeting Council resolved as follows:

1. *That Council receive a report on the benefits and cost of the following works to improve the overall amenity of the Alstonville Aquatic Centre:*
 - a) *Management of the large camphor tree at the southern end of the complex, to reduce leaf drop into the pool area.*
 - b) *Refurbishment or replacement of the existing amenities to ensure the facilities reflect contemporary standards, particularly in relation to disabled access within the change rooms.*
2. *The information from this report will allow Council to plan for the possible implementation of these works, either this financial year, or to be considered as part of the preparation of the 2019/20 Delivery Program and Operational Plan.*

The following report responds to Item 1a) of the resolution.

Key Issues

- Damage to the new pool equipment
- Provision of preschool shade

Information

The Alstonville Swimming Pool has been substantially redeveloped with new swimming pool infrastructure at considerable cost to the community. As part of this work, the 50 metre pool has been repositioned within the site, and extensive shade and weather protection has been installed for the benefit of pool patrons.

The large camphor laurel tree located within the grounds of the adjoining Alstonville Community Preschool remains a cause for concern for the operational effectiveness and efficiency of the swimming pool.

The concerns relate to leaf and litter drop from the tree causing obstructions within the pool filtration system and impacts on water quality. This generates a need for additional cleaning around the pool apron, as well as causing staining and deterioration of the shade sails/weather protection.

Debris from the tree is also generally unsightly, and detracts from the pool setting.

4.5 Alstonville Preschool - Camphor Laurel Tree Management

Under the Biosecurity Act 2015, camphor laurel (*cinnamomum camphora*) is a declared weed. Council has a general responsibility to prevent, eliminate or minimize, so far as reasonably practicable, the spread of declared weed species in the environment.

A large part of Council's responsibility for weed management is undertaken by Rous County Council, through Council's contribution to the former Far North Coast Weeds County Council.

Whilst recognising that the subject camphor laurel is a declared weed, the tree has aesthetic and amenity values in its current setting.

It provides shade and cooling for the Preschool children and is an attractor for various fauna. The tree is a significant feature in the Preschool playground, given its age and size.

The Preschool's preference is to retain the tree. The values of the tree to the Preschool, and the reasons for supporting its retention, are set out in Attachment 1.

Staff have met with representatives of the Preschool to discuss options for the tree's management, including pruning.

From Council's perspective, pruning is not likely to be effective in remedying the issues at the pool, and could be unsightly, depending on the extent of work undertaken.

Council's Open Spaces and Reserves Section advise that camphor laurel trees are vigorous, and regrowth in pruned sections of the tree is expected.

This epicormic growth is weak and, in time, will break from the tree, causing a need for more frequent maintenance to prevent branches / limbs falling into the children's play area. This action may also heighten risks to children and others within the Preschool, and also to Council.

As a means of retaining the tree, while trying to address the issues caused in the adjoining pool area, staff considered the provision of extensive, relatively small-meshed netting along the common boundary of the two properties to catch leaves and litter from the tree.

Though a cost estimate for the design, supply and installation of such a structure has not been prepared, this may be significant. The netting would also be expensive to maintain and could be unsightly.

The Preschool is a Council asset. At the time of its construction, solar panels were installed on the building as an energy efficiency initiative.

Due to the shading caused by the tree, the performance of the panels is sub-optimal, and they may also be susceptible to damage from tree litter.

More generally, retention of the tree is likely to lead to a deterioration of the condition of the building over time, and / or an increased maintenance burden to the community.

4.5 Alstonville Preschool - Camphor Laurel Tree Management

Having regard for the particular circumstances, the preferred solution is to remove the tree. Indicative removal and remediation costs should be in the order of \$15,000.

If this option was implemented, Council could also consider the extent to which it may wish to contribute to an alternate shade structure within the grounds of the Preschool.

This option is presented despite the clearly articulated position of Preschool management that an artificial or constructed shade structure is not acceptable.

An order of magnitude cost for supply and installation of a suitable structure could be \$50,000.

The Preschool's alternative, if removal is proposed, is to replace the camphor laurel with another mature tree (presumably of a different species) in the playground. Whilst this may be possible, care would be needed in terms of species and site selection to ensure the same concerns raised in this report are not reintroduced.

Legal / Resource / Financial Implications

Council, as a land owner, has a general obligation to assist with the eradication of weed species.

Consideration has been given to options to address the concerns raised, with financial implications for Council dependent on the preferred course of action. No current budget allowance is made for any of the potential responses identified. If Council decides to either prune or remove the tree, this work does not require development consent.

Consultation

Consideration of this matter has not included broad community consultation. Discussions have been held with the Alstonville swimming pool management, representatives of the Alstonville Community Preschool and Council's Open Spaces and Reserves Section.

The Preschool representatives have indicated their strong preference for retention of the tree. The pool management and Council staff consider the preferred outcome is to have the tree removed.

Options

The options available include taking no further action or committing resources to prune or remove the tree.

The pruning option could also include the erection of an appropriate mesh screen/net on the common property boundary between the Preschool and the pool.

If removal or severe pruning is preferred, Council might also consider meeting some or all of the cost associated with the installation of a shade facility within the grounds of the Preschool to offset the loss of the tree.

4.5 Alstonville Preschool - Camphor Laurel Tree Management

For the reasons set out in this report, the recommendation is to have the tree removed. Its retention will continue to cause significant inefficiencies, damage and unnecessary cost within the pool facility. Pruning of the tree and/or erection of a screen/net on the property boundary will not be advantageous in the longer term, and may give rise to further risks.

Camphor laurels are a declared weed and in situations like this where there are sound reasons to remove the tree it is reasonable for Council to support removal.

Removal does impact negatively on the amenity of the Preschool and on that basis prior to removal Council should consider if and what action will be taken to maintain the amenity of the Preschool.

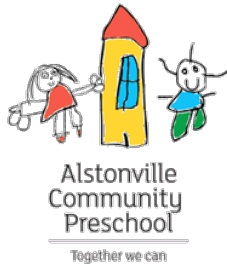
The recommendation that follows supports this approach with a further report to be submitted to either the April 2019 Finance Committee meeting, or at the latest to the June 2019 Ordinary Council meeting, when the draft 2019/20 Delivery Program and Operational Plan is adopted.

RECOMMENDATIONS

1. That Council authorises the removal of the large camphor laurel tree within the Alstonville Community Preschool, as it is a declared weed and it is causing damage and operational inefficiencies within the adjoining Alstonville swimming pool.
2. That given the removal of the tree will potentially detract from the amenity and enjoyment of the Preschool's play area, prior to removal, Council is to examine options for the allocation of funding towards a suitable shade structure within the Preschool grounds as part of the preparation of the 2019/20 draft Delivery Program and Operational Plan.

Attachment(s)

1. Alstonville Community Preschool - Correspondence



Alstonville Community Preschool
PO Box 663 Alstonville NSW 2477
TEL: 02 6628 0822
EMAIL admin@alstonvillepreschool.com.au

6th February 2019

Dear Craig

Thank you for your email dated 1 February 2019. Your email came as quite a surprise to us considering when Roberto Kenk and yourself visited the Preschool on 8/11/2018 you both indicated that you would like to see the tree retained and were keen to trial trimming the tree. To say that the Alstonville Community Preschool parents and children, and indeed the wider community, are disappointed with the implied threat to the tree would be an understatement.

Many of the activities carried out with the children at the Preschool are outside. The tree provides a wide area of much needed shade for the children. It also serves as habitat for birds and land animals. The tree is an important part of the Preschool's playground and is enjoyed by the children for its swing as well as the adventure play provided by its trunk. This is something that a "shade structure" other than a fully mature replacement tree could not provide. The *Education and Care Services National Regulations 2011* indeed state that,

"The approved provider of a centre based service must ensure that the outdoor spaces provided at the education and care service premises allow children to explore and experience the natural environment"

It could also be argued that, even though we have only occupied the site for three years, the tree has become part of our heritage.

The Cancer Council provides guidelines for preschools regarding shade. Under the guidelines, the service will provide and maintain adequate shade for outdoor play. Shade options can include a combination of portable, natural and built shade. The *Education and Care Services National Regulations 2011* also provides regulations around shade requirements that ensure adequate shaded areas are provided so as to protect children from overexposure to ultraviolet radiation from the sun. The penalty for not adhering to this regulation is \$1000. The tree in question provides a vast amount (estimated to be up to 60% of the playground) of shade for the children. If removed, it would need to be replaced with a similarly mature tree of similar shading. We expect that a tree of this size and canopy could cost in excess of \$50,000. As the Preschool is a bushland and natural setting, we would reject any portable or built shade as a replacement for the tree.

We thank you for quoting the *Biosecurity Act 2015* (the Act) as a reason for removing the tree. For the record, the Act has replaced the concept of "noxious weeds" with a more general duty regarding "weeds". The Act has repealed the *Noxious Weeds Act 1993*. For weeds, the General Biosecurity Duty means that any person dealing with plant matter must take measures to prevent eliminate or minimise the biosecurity risk (as far as is reasonably

practicable). In the *North Coast Strategic Weed Management Plan 2017–2022*, *cinnamomum camphora* is not listed as a “priority weed”. However, it is listed as a high priority for asset protection. This category recognises that it is not feasible to contain or eradicate these species, however minimising their impacts is reasonably practicable. The objective of the “asset protection” category of weeds is to prevent the spread of weeds to key sites/assets of high economic, environmental and social value, or to reduce their impact on these sites if spread has already occurred. Effort is focussed on reducing weed threats to protect priority high value assets. As none of this applies to the tree under question at the Preschool, we consider that the Act does not apply in this case.

Furthermore, as you would be aware, the *Biosecurity Act 2015* had been passed into law (awaiting commencement in July 2017) when the Alstonville Community Preschool was opened on its current site in January 2016. If the tree was not raised as an issue during the building of the Preschool, why is it being raised as an issue now? We understand that nothing inherent in the tree itself has changed – all that has changed is that light-coloured shade sails have been installed at the Alstonville Pool, and the tree sometimes drops leaves and nuts on the Pool site. We would like to extend an open invitation to all Councillors to visit the Preschool during the heat of the day to fully appreciate the immense value that the tree provides to our service. Not only in terms of shade but also the educational opportunities it affords to the children.

We reject the need for the removal of the tree. We disagree that it is a requirement under the Act to remove it. If Council was to remove the tree, we would require a costly tree of similar shading to replace it immediately so that no built form would be required to cast shade for the children. We therefore call upon Ballina Shire Council to retain the tree.

Yours sincerely

The Management Committee
Alstonville Community Preschool

4.6 Alstonville and Ballina Swimming Pools - Operations Review

4.6 Alstonville and Ballina Swimming Pools - Operations Review

Delivery Program Community Facilities

Objective To review the performance of the redeveloped Alstonville and Ballina swimming pools and to determine the preferred season for 2019/20.

Background

The redeveloped Alstonville and Ballina swimming pools have been open for approximately seven months and it is now timely for Council to review how the facilities have been performing.

With the 2018/19 swimming pool season scheduled to end 31 May 2019 Council also needs to examine options for the 2019/20 swimming season.

Key Issues

- Usage
- Comparison to budget
- Net cost to the community and overall service levels
- Fees and charges

Information

The redeveloped swimming pools had their ceremonial reopening on Saturday 28 July 2018, with the official pool season starting Monday 30 July 2018 and scheduled to end 31 May 2019, being a period of approximately 10 months.

The attendance numbers have exceeded expectations and what is particularly pleasing is that elderly members of the community are regularly utilising the 25 metre heated pools for exercise, such as walking up and down in the water, and also for programmed activities.

Other increased users include people recovering from injuries accessing the heated water for gentle exercise, and also people with disabilities utilising the access ramps now available on the 25 metre and 50 metre pools.

The weather, particularly for December and January has also been excellent for swimming, which has helped boost numbers.

Increased attendances have resulted in higher revenues than anticipated however there are also significant increases in the forecast chemical, electricity and casual lifeguard expenses.

Overall the significant capital investment Council made in redeveloping the swimming pools has been rewarded with excellent community use of these facilities.

The following tables provide a comparison between actual results to date and the original estimates for a number of variables.

4.6 Alstonville and Ballina Swimming Pools - Operations Review

Table 1 - Operating Budget Summary – Actual to 10 March 2019

Item	2018/19 to 10 March 2019				2017/18	2016/17	2015/16	2014/15
	Budget	Actual	Balance	%	Actual	Actual	Actual	Actual
Operating Expenses								
Ballina								
Chemicals	23,000	43,600	(20,600)	190%	0	20,700	24,500	28,000
Insurance	8,000	9,400	(1,400)	118%	1,600	5,800	6,100	6,600
Rates and Charges	55,000	36,700	18,300	67%	40,300	104,300	71,200	42,000
Maintenance	24,000	26,200	(2,200)	109%	20,000	38,000	30,700	0
Electricity	80,000	74,900	5,100	94%	0	10,400	11,800	11,800
Working Expenses	11,100	16,800	(5,700)	151%	16,300	12,900	15,200	30,500
Contract	230,000	173,400	56,600	75%	164,100	167,500	159,600	161,900
Extra Lifeguards	50,000	69,800	(19,800)	140%	0	39,500	36,300	38,700
Sub Total	481,100	450,800	30,300	94%	242,300	399,100	355,400	319,500
Alstonville								
Chemicals	23,000	43,700	(20,700)	173%	0	24,800	27,500	24,400
Insurance	8,000	8,100	(100)	101%	5,600	4,400	4,600	5,700
Rates and Charges	55,000	30,600	24,400	56%	15,700	57,200	60,200	66,300
Maintenance	24,000	34,300	(10,300)	139%	44,800	34,000	56,400	0
Electricity / Gas	80,000	79,800	200	90%	4,600	39,000	46,400	50,900
Working Expenses	11,100	13,100	(2,000)	111%	11,000	11,100	16,600	50,200
Contract	230,000	157,400	72,600	64%	166,500	169,700	168,500	163,500
Extra Lifeguards	50,000	46,800	3,200	94%	0	46,800	41,500	40,800
Sub Total	481,100	413,800	127,900	81%	248,200	387,000	421,700	401,800
Total	962,200	864,600	97,600	84%	490,500	786,100	777,100	721,300
Operating Revenues								
Alstonville	272,000	307,900	(35,900)	108%	0	179,800	160,100	156,000
Ballina	384,900	590,400	(205,500)	143%	0	256,300	247,200	198,200
Total	656,900	898,300	(241,400)	129%	0	436,100	407,300	354,200
Operating Result	(305,300)	33,700	(339,000)	-11%	(490,500)	(350,000)	(369,800)	(367,100)
Result Per Pool								
Alstonville	(209,100)	(105,900)	(163,800)	51%	(248,200)	(207,200)	(261,600)	(245,800)
Ballina	(96,200)	139,600	(235,800)	-145%	(242,300)	(142,800)	(108,200)	(121,300)

Key points of interest in these figures include:

- Chemical expenses are already above the budget, which reflects higher than forecast attendance numbers, extended periods of hot weather and the original forecast being too low. The expenditure on chemicals was always going to be much higher than previous years based on the expanded size of the redeveloped facilities and predicted use.
- Electricity expenses will exceed the annual budgets with efforts being made to minimise heating where possible.
- Extra lifeguards are trending well above budget. This reflects higher attendance numbers as additional lifeguards are required to be deployed by the pool management companies, when numbers in the pools are above certain thresholds, to meet Australian Standards
- Revenue for both pools is already above budget, with both pools higher than 2016/17, which was a record income year, with just under three months of the season to run.

4.6 Alstonville and Ballina Swimming Pools - Operations Review

- Ballina is actually showing an operating surplus (excluding any loan interest payments and with no depreciation in these figures) which highlights how well that pool has been attended.

In respect to ticket sales and attendance numbers the following tables provide a summary by swimming pool.

**Table 2 - Ballina Swimming Pool
Ticket Sales and Attendance Numbers for 2018/19 to 10 March 2019**

Item	Season Tickets	3 Month Tickets	Individual Paid Visits
Actual sold to 10 March 2019	162	349	87,400
Estimated sales for entire 2018/19 season	70	320	42,300

The season ticket sales are above budget as per the following summary:

Season Tickets	Actual	Estimate
Adult	52	20
Child	10	20
Concession	63	10
Family	37	20
Total	162	70

The initial assumption was that no season tickets would be sold from October onwards and that has proven to be correct.

Three month ticket sales for Ballina are also trending well compared to budget based on the ticket categories:

Three Month Tickets	Actual	Estimate
Adult	114	80
Child	17	80
Concession	136	80
Family	82	80
Total	349	320

The figures in these summaries highlight that concession sales have been well above budget whereas child sales are below budget. The assumption is that passes for children are being purchased as part of the family category.

Total individual paid visits for Ballina are as follows:

Paid	Actual	Estimate
Adult	31,600	10,200
Child / Concession	50,300	29,200
Spectators	5,500	2,900
Total	87,400	42,300

The child / concession figures also include Fitness Passport entries, as that information is currently not reported to Council by the service provider with a dissection between adult, concession and children.

4.6 Alstonville and Ballina Swimming Pools - Operations Review

Fitness Passport, where Council is paid on a per entry basis, has proven to be a substantial component of the attendance numbers, with approximately 10% of the revenue being generated from this income source. This revenue is paid to Council on a monthly basis from the company providing this service and there has been some difficulty in reconciling the income with the attendances entered by the pool management companies.

Errors have been occurring as the Fitness Passport entry machine is not automatically linked to Council's point of sale entry machine and it is reliant on the pool management companies making sure that the Fitness Passport entries are manually entered into the Council point of sale.

To date we have not been able to have the software suppliers link their products.

There have been some variations where Fitness Passport is paying Council higher figures than the income recorded into the Council point of sale, which reflects that the information is not being accurately duplicated, albeit that the variances are always in Council's favour.

Staff are working with Fitness Passport, the pool management companies and our software suppliers to improve the existing process. This has resulted in some inconsistencies in the total attendance numbers albeit that the variances do not change the overall magnitude of the results.

Overall pool entries for Ballina to 10 March 2019 total approximately 132,000. This figure includes other miscellaneous entries such as parents for learn to swim, schools and multiple admissions for ticket holders (i.e. three monthly, season tickets and also ten ticket holders.)

Sales of ten tickets remain popular with Ballina having sold 286 (child), 517 (concession) and 475 (adult) tickets respectively.

Another interesting figure is to try and estimate what benefit a season ticket might provide to a person. Season ticket entries for Ballina to 10 March 2019 are 5,200 (child), 3,300 (concession) and 6,900 (adult) for a total of 15,400 entries. Total season ticket sales are 162, although the family ticket does provide for up to four family members.

The pricing for season tickets was based on a person or persons using the facility more than approximately 1.5 times per week benefitting from the ticket.

The total season ticket sales include 37 families. If we assume that the average number of people in each family ticket is the maximum of four allowed, the total season ticket holders would be 273 (= 162 minus 27 plus 27 x 4).

Total attendance for season tickets to date is approximately 15,400, which divided by 273 and for the 32 weeks for the season to date, equates to an average of 1.7 admissions per week.

On this very crude analysis the pricing for the season tickets would seem reasonable and usage is consistent with the pricing.

4.6 Alstonville and Ballina Swimming Pools - Operations Review

Entries for school programs including carnivals and learn to swim are a major contributor to the viability of the facility with \$62,000 paid for the year to date.

Traditionally some schools have been billed by the pool management companies which resulted in delays in reconciling attendance numbers and income and this has been recently amended to have schools pay on the day where possible.

Details for the Alstonville swimming pool are as follows.

**Table 3 - Alstonville Swimming Pool
Ticket Sales and Attendance Numbers for 2018/19 to 10 March 2019**

Item	Season Tickets	3 Month Tickets	Individual Paid Visits
Actual sold to 10 March 2019	120	274	32,400
Estimated sales for entire 2018/19 season	124	480	15,100

The season ticket sales by category are as per the following summary:

Season Tickets	Actual	Estimate
Adult	26	32
Child	8	32
Concession	42	20
Family	44	40
Total	120	124

As with Ballina, children sales are below budget whereas concession is above budget. The high level of concession reflects the earlier comments in this report that there is an increase in elderly people using the facilities.

Three month ticket sales for Alstonville are actually below budget based as per the following summary.

Three Month Tickets	Actual	Estimate
Adult	75	120
Child	30	120
Concession	70	120
Family	99	120
Total	274	480

All categories are below budget. It was anticipated that Alstonville would have higher numbers than Ballina as there was a perception Alstonville had the more regular users of the facilities however this has not proven to be the case.

Total individual paid visits for Alstonville are well above budget as per the following figures.

Paid	Actual	Estimate
Adult	12,700	5,900
Child / Concession	18,000	7,700
Spectators	1,700	1,500
Total	32,400	15,100

4.6 Alstonville and Ballina Swimming Pools - Operations Review

As per Ballina the child / concession figures also include Fitness Passport entries with some inconsistencies in the total attendance numbers albeit again the figures do not change the overall magnitude of the results.

Overall pool entries for Alstonville to 10 March 2019 total approximately 78,000. This figure includes other miscellaneous entries such as parents for learn to swim, schools and multiple admissions for ticket holders (i.e. three monthly, season tickets and also ten ticket holders.)

Sales of ten tickets for Alstonville are 198 (child), 207 (concession) and 204 (adult) tickets respectively.

Season ticket entries for Alstonville to 10 March 2019 are 7,400 (child), 1,500 (concession) and 7,500 (adult) for a total of 16,400 which is actually more entries than Ballina.

Doing a similar calculation to Ballina to determine usage levels, total season ticket sales are 120 including 44 for families. If we again assume that the average number of people in each family ticket is the maximum of four, the total season ticket holders is 252 (= 120 minus 44 plus 44 x 4).

Total attendance for season tickets to date is 16,400 which divided by 252 and for the 32 weeks for the season to date, equates to an average of 2.0 admissions per week.

Entries for school programs, carnivals and learn to swim are a major contributor to the viability of the facility with \$54,000 collected for the year to date.

2018/19 Budget Review, 2019/20 Season and Fees and Charges

Budget Review

Both pools are being well utilised with individual attendance numbers likely to be 65% to 100% plus above visitations prior to the redevelopment.

The matters that need to be reviewed are the substantial variations to the forecast budgets for 2018/19, confirmation as to what will be the period for the 2019/20 season (and possibly the 2018/19 season), along with the associated fees and charges.

Table 1 in this report provided a summary of the budget for the 2018/19 year to date. The figures highlight there will be major variations for expenses associated with chemicals, electricity and casual lifeguards, whereas income is also well above budget.

In reviewing the 2018/19 budget, Council also needs to confirm the 2018/19 season for the pools, as there has been some interest in keeping the pools open all year.

The current resolution of Council is that the 2018/19 season will end on Friday 31 May 2019 which represents a ten month season. Season tickets have been sold on that basis.

4.6 Alstonville and Ballina Swimming Pools - Operations Review

The downside to extending the season for public swimming pools, particularly for the winter period, is that normally people using the pools during the colder months are regular users who traditionally hold season tickets.

This then means Council incurs additional operating expenses, with a minimal increase in income, resulting in the pools becoming a larger financial burden to Council and the community. The Fitness Passport program will help to improve the operating result as many regular swimmers are now part of that program and Council receives the full entry fee each time a member enters the pool.

In respect to the operating expense budgets both pools were based on the same forecasts, acknowledging there was a large degree of uncertainty in respect to the performance of the pools when the budgets were adopted in June 2018.

The next table provides a monthly breakdown of the estimated budgets along with actuals to date for both pools.

**Table 4 - Expense Budgets and Results to 10 March 2019
(monthly forecasts) (\$'000)**

Expense Item	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	Annual
Chemicals	1	2	2	2	2	2	2	2	2	2	2	1	23
Alstonville	4	8	2	3	13	4	5	2	3	0	0	0	44
Ballina	2	7	2	2	11	7	8	1	3	0	0	0	44
Insurance	8	0	0	0	0	0	0	0	0	0	0	0	8
Alstonville	9	0	0	0	0	0	(1)	0	0	0	0	0	8
Ballina	10	0	0	0	0	0	(1)	0	0	0	0	0	9
Rates and Charges	3	5	5	5	5	5	5	5	5	5	5	3	55
Alstonville	0	11	0	0	6	0	0	14	0	0	0	0	31
Ballina	0	14	0	0	8	0	0	15	0	0	0	0	37
Maintenance	2	2	2	2	2	2	2	2	2	2	2	2	24
Alstonville	4	18	2	3	2	0	1	3	1	0	0	0	34
Ballina	1	5	4	7	2	1	1	4	2	0	0	0	26
Electricity	5	7	7	7	7	7	7	7	7	7	7	5	80
Alstonville	0	12	0	0	38	0	22	8	0	0	0	0	80
Ballina	9	1	11	12	21	7	7	0	8	0	0	0	75
Working Exps	1	1	1	1	1	1	1	1	1	1	1	1	11
Alstonville	4	3	2	1	1	0	2	1	1	0	0	0	13
Ballina	3	4	2	2	1	0	2	2	2	0	0	0	17
Contract	10	21	21	21	21	21	21	21	21	21	21	10	230
Alstonville	0	29	19	19	24	14	24	19	10	0	0	0	157
Ballina	8	24	21	26	21	16	31	21	5	0	0	0	173
Extra Lifeguards	0	3	5	5	5	9	9	7	3	3	3	0	50
Alstonville	0	7	6	6	8	5	8	7	0	0	0	0	47
Ballina	0	10	6	8	8	7	21	6	4	0	0	0	70
Total – Budget	29	41	43	43	43	48	48	45	41	41	41	21	481
Total – Alstonville	21	89	31	32	91	24	61	52	14	0	0	0	414
Total – Ballina	33	63	45	58	72	38	69	49	24	0	0	0	451

The bold figures represent the estimated monthly and annual operating expenses (being the same for each pool) whereas the figures for the lines titled Alstonville and Ballina represent the actual operating expenses incurred, each month, for the year to 10 March 2019.

4.6 Alstonville and Ballina Swimming Pools - Operations Review

Based on these figures the forecast variations to expenses are as follows:

- Chemicals – Based on trend, both pools are likely to spend approximately \$54,000 on chemicals for the year. This is a large increase on the estimate and reflects much higher usage than originally anticipated. Increased attendance results in the need for more chemicals to maintain water quality.
- Maintenance – Increase Ballina by \$25,000 to \$49,000 and Alstonville by \$40,000 to \$64,000. The redeveloped facilities have a significant expansion in infrastructure to maintain and it is essential that adequate funds are provided for essential maintenance.

A list of preferred works is outlined later in this report and \$20,000 is allocated in this recommended budget increase for essential maintenance during June.

- Electricity – Alstonville is trending slightly higher than Ballina and based on existing usage the recommendation would be to increase Ballina by \$32,000 to \$112,000 and Alstonville by \$43,000 to \$126,000.
- Working Expenses – It is recommended Ballina be increased by \$11,900 to \$23,000 and Alstonville by \$8,900 to \$20,000.
- Extra Lifeguards – This is dependent on usage as extra lifeguards are need when there are more than 50 and 100 people in the water. Based on previous month actuals it is recommended that Ballina be increased by \$42,000 to \$92,000 and Alstonville by \$15,000 to \$65,000.

This results in the following revised expense budgets for 2018/19:

Table 5 - 2018/19 Expenditure Budgets – Current and Revised

Item	Current	Revised	Variance
Ballina			
Chemicals	23,000	54,000	31,000
Insurance	8,000	9,400	1,400
Rates and Charges	55,000	57,000	2,000
Maintenance	24,000	49,000	25,000
Electricity	80,000	112,000	32,000
Working Expenses	11,100	23,000	11,900
Contract	230,000	242,000	12,000
Extra Lifeguards	50,000	92,000	42,000
Sub Total	481,100	638,400	157,300
Alstonville			
Chemicals	23,000	54,000	31,000
Insurance	8,000	8,100	100
Rates and Charges	55,000	55,000	0
Maintenance	24,000	64,000	40,000
Electricity	80,000	123,000	43,000
Working Expenses	11,100	20,000	8,900
Contract	230,000	230,000	0
Extra Lifeguards	50,000	65,000	15,000
Sub Total	481,100	619,100	138,000
Total Expenses	962,200	1,257,500	295,300

Balancing this is operating revenues. The following two tables provide the forecast and actual revenues, with the figures cumulative to 10 March 2019

4.6 Alstonville and Ballina Swimming Pools - Operations Review

Table 6 - Income Budgets – Estimated and Actual (Cumulative) (\$'000)

Alstonville	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
Estimate	0	45	91	107	127	177	206	241	262	267	272	272
Actual	0	59	85	97	122	197	245	296	308	0	0	0
Ballina	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
Estimate	1	35	70	92	134	208	287	334	359	371	384	385
Actual	0	97	143	188	233	341	480	568	590	0	0	0

Recognising that season tickets and three monthly ticket sales have largely finished, a conservative estimate for total income for Alstonville is \$317,000 to 31 May 2019 (an increase of \$45,000) and Ballina is approximately \$651,000 (an increase of \$266,100).

Combined this represents a total increase in income of \$311,100.

This means Ballina is forecasting a small surplus of \$12,600 and Alstonville a significant loss of \$302,100. The original total deficit decreases from \$305,300 to \$289,500, being a net improvement of \$15,800.

In summary the increased operating expenses are entirely offset by the increased operating revenues, with the revenue figures being reasonably conservative.

The revised operating deficit with interest on loans included is \$807,400 with interest payments forecast at \$517,900 for 2018/19.

Season Duration

Some users of the facilities have been asking whether Council will extend the existing season and open the swimming pools all year round, as the infrastructure is now in place to allow this to happen. Council needs to balance the benefit of providing this service against the cost to the community.

There is a number of options available including:

- Retain the existing season and close both pools for June and July
- Close one pool for one month (say June) and the other pool for the other month (July) which then ensures swimmers have access to at least one facility for the entire 12 months.

This allows essential maintenance to be completed on one pool each month, as well as providing a break for the pool management companies.

As Council has approved reciprocal rights for ticket holders, this is feasible as it also allows ticket holders to swap between the facilities.

- Opening all year round with only the indoor facility operating for one or both pools. This could help reduce operating expenses and still ensure the facilities are open.
- Open both pools for the entire 12 months.

4.6 Alstonville and Ballina Swimming Pools - Operations Review

- Leaving one pool open and close the other pool for one, two or three months during winter. Council is providing an extremely high level of service with the two redeveloped facilities and having only one facility operating for the winter months provides a reasonable level of service.

Council needs to consider the increase in visitations against the increase in operating costs, as well as identifying how major maintenance is to be undertaken if the pools are open all year round.

Typically there is a monthly net cost to the community in operating the pools therefore any extension only increases the deficit, albeit that this year the Ballina pool is operating at a surplus, albeit we are now approaching the quieter time of year.

The following tables provide the monthly operating results for the year to date for both swimming pools.

Table 7 - Alstonville – Monthly Operating Result to 10 March 2019 (\$'000)

Item	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	Total
Revenues	0	59	26	13	24	75	48	51	11	0	0	0	308
Expenses	21	89	31	32	91	24	61	52	14	0	0	0	414
Result	(21)	(30)	(5)	(19)	(67)	52	(13)	(1)	(3)	0	0	0	(106)

Table 8 - Ballina – Monthly Operating Result to 10 March 2019 (\$'000)

Item	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	Total
Revenues	0	97	46	45	45	108	139	89	22	0	0	0	590
Expenses	33	63	45	58	72	38	69	49	24	0	0	0	451
Result	(33)	34	1	(13)	(27)	70	70	40	(2)	0	0	0	140

The figures represent cash movements and there can be significant differences between months, dependent on when large bills are paid (i.e. electricity, chemical orders).

In examining potential visitations for June and July, which will be the first two months of winter, Council has data available from August 2018, being the last month of the 2018 winter, with actual attendance numbers for the first five weeks for the redeveloped facilities as follows.

Table 9 - Ballina – Weekly Attendance - 30 July to 2 September 2018

Entry Type	5 Aug	12 Aug	19 Aug	26 Aug	2 Sep	Total
Child Paid	473	407	463	205	277	1825
Concession Paid	156	195	211	127	167	856
Adult Paid	396	373	336	258	287	1650
Spectator Paid	89	72	125	42	69	397
Child – 10 Pass	9	19	25	16	21	90
Conc – 10 Pass	35	55	67	50	47	254
Adult – Ten Pass	44	58	87	68	66	323
Child – 3 Month	0	9	16	4	20	49
Conc – 3 Month	4	6	17	33	37	97
Adult – 3 Month	3	21	33	33	36	126
Child – Season	76	108	129	106	128	547
Conc – Season	81	111	111	90	108	501
Adult – Season	223	242	239	202	198	1104
Fitness Passport	135	181	192	135	184	827
Child - Learn to Swim	0	0	0	0	12	12
Totals	1,724	1,857	2,051	1,369	1,657	8,658

4.6 Alstonville and Ballina Swimming Pools - Operations Review

Table 10 - Alstonville – Weekly Attendance - 30 July to 2 September 2018

Entry Type	5 Aug	12 Aug	19 Aug	26 Aug	2 Sep	Total
Child Paid	137	55	79	54	92	417
Concession Paid	57	60	44	26	38	225
Adult Paid	78	85	79	76	75	393
Spectator Paid	44	15	19	8	27	113
Child – 10 Pass	0	76	80	80	69	305
Conc – 10 Pass	0	76	80	81	72	309
Adult – Ten Pass	2	3	20	10	22	57
Child – 3 Month	0	1	0	0	2	3
Conc – 3 Month	2	1	1	2	6	12
Adult – 3 Month	0	0	1	0	5	6
Child – Season	79	96	103	60	151	489
Conc – Season	21	47	61	44	67	240
Adult – Season	100	159	182	114	195	750
Fitness Passport	138	177	189	166	269	939
Child - Learn to Swim	0	76	80	81	72	308
Totals	658	927	1,018	802	1,162	4,567

These figures are for a five week period and the weekly figures are relatively consistent being approximately 1,700 for Ballina and 900 for Alstonville.

This reflects that the numbers remained stable after opening.

If Council did open for June 2019, being the first month of winter, attendance numbers could possibly be similar to August 2018.

In respect to July, being the middle of winter, attendances may be lower, however the mean temperatures for the winter months does not vary significantly, as per the following information sourced from the Bureau of Meteorology website, which provides the mean Celsius figures.

Ballina	Maximum	Lowest
May	22.5	12.1
June	20.3	10.0
July	20.0	8.6
Aug	21.3	8.7

Alstonville	High	Low
May	21.2	15.0
June	19.0	12.2
July	18.6	11.6
Aug	20.0	12.4

Based on the August 2018 attendance averages Council could expect approximately 7,500 entries at Ballina for June and July, representing 15,000 in total. This is based on the estimate of 1,700 per week as per August 2018.

For Alstonville the figure would be approximately 4,000 per month for a total of 8,000 based on the estimate of 900 per week.

These figures do not represent paid attendances as they include season ticket and three month ticket holders.

If those estimated attendances are removed from the figures the actual paid attendances would be approximately 5,500 per month for Ballina (total of 11,000) and 2,700 per month for Alstonville (total of 5,400).

4.6 Alstonville and Ballina Swimming Pools - Operations Review

Applying an average income figure of \$4.55 per ticket (being \$5 less GST) represents income of \$25,000 per month for Ballina (total of \$50,000) and approximately \$12,000 per month for Alstonville (total of \$24,000).

These figures are conservative as some three month tickets would fall due during this period resulting in additional income.

Council would also need to decide whether season ticket holders will receive an extension from 31 May to 30 June or pay an additional fee.

Balancing against the additional revenue is the additional operating expenses for the facilities.

Likely expenses for June and July would be as follows as compared to possible revenues.

Table 11 - June and July 2019 - Estimated Operating Budgets

Ballina	June	July	Total	Alstonville	June	July	Total
Expenses				Expenses			
Chemicals	4,000	4,000	8,000	Chemicals	4,000	4,000	8,000
Insurance	0	0	0	Insurance	0	0	0
Rates and Charges	2,000	2,000	4,000	Rates and Charges	2,000	2,000	4,000
Maintenance	20,000	1,000	21,000	Maintenance	20,000	2,000	22,000
Electricity	15,000	15,000	30,000	Electricity	13,000	13,000	26,000
Working Expenses	2,000	2,000	4,000	Working Expenses	2,000	2,000	4,000
Contract	21,000	21,000	42,000	Contract	21,000	21,000	42,000
Extra Lifeguards	5,000	5,000	10,000	Extra Lifeguards	5,000	5,000	10,000
Total	69,000	50,000	119,000	Total	67,000	49,000	116,000
Revenues	25,000	25,000	50,000	Revenues	12,000	12,000	24,000
Operating Deficit	(44,000)	(25,000)	(69,000)	Operating Deficit	(55,000)	(37,000)	(92,000)
Less Existing Expenses							
Chemicals	1,000	2,000	3,000	Chemicals	1,000	2,000	3,000
Rates and Charges	2,000	1,000	3,000	Rates and Charges	2,000	1,000	3,000
Maintenance	20,000	1,000	21,000	Maintenance	20,000	2,000	22,000
Electricity	7,400	3,000	10,400	Electricity	6,100	3,000	9,100
Working Expenses	1,600	2,000	3,600	Working Expenses	1,900	2,000	3,900
Contract	5,600	10,000	15,600	Contract	5,000	10,000	15,000
Total	37,600	19,000	56,600	Sub Total	36,000	20,000	56,000
Net Increase in Forecast Deficit	(6,400)	(6,000)	(12,400)	Net Increase in Forecast Deficit	(19,000)	(17,000)	(36,000)

The “Less Existing Expenses” line recognises that Council will still be incurring operating expenses during June and July and this line reflects the estimates that would still be in place if Council didn’t extend the season.

A large maintenance budget is currently provided for in June to undertake essential maintenance in the off season.

The “Net Increase in Forecast Deficit” figures are the net increase in the operating deficit Council is likely to incur by opening the pools for June and July (i.e. Net increase = Operating Deficit less Existing Expenses).

The combined increase in the deficit represents a total increase in cost of \$48,400 (\$12,400 plus \$36,000).

4.6 Alstonville and Ballina Swimming Pools - Operations Review

This means the current forecast deficit for the two months of \$112,600 if the pools are not open (i.e. \$56,600 plus \$56,000) increases to \$161,000 (\$69,000 plus \$92,000) if the pools are open during June and July.

With estimated attendances of 23,000 the forecast deficit of \$161,000 represents a subsidy of approximately \$7.13 per entry although this is inflated due to the high maintenance budgets for June.

Without the maintenance budgets, the subsidy reduces to \$5.26 per entry.

This compares to the estimated subsidy for the current 2018/19 season, which based on the revised operating deficit of approximately \$289,500 is closer to \$1.16 per entry based on total estimated attendance numbers of approximately 250,000.

Fees and Charges

The existing fees and charges are as per the following extract from Council's schedule of fees and charges, inclusive of the proposed fees for 2019/20.

Definitions			
<u>Adult:</u>	18 years and over		
<u>Concession:</u>	Seniors Card, Student Cards, Pensioners/Health Care Cards and people with disabilities		
<u>Child:</u>	2-18 Years (Children under 10 years of age must be accompanied by an adult)		
<u>Babies:</u>	Toddlers and babies under the age of two years enter free of charge		
<u>Family:</u>	Two adults and two children or one adult and three children		
<u>Carer:</u>	Adult supervising person(s) with a disability		
Item	2017/18	2018/19	2019/20
Single Entry			
Child	\$4	\$4.50	\$4.50
Concession	\$4.50	\$4.50	\$4.50
Adult	\$5	\$5.50	\$5.50
Spectator	\$3	\$3	\$3
Spectator (supervising child under 10 years attending swim program)	\$3	\$3	\$0
School Teacher / Personal Carer	\$0	\$0	\$0
Fitness Passport	N/A	\$4.50-5.50	\$5.00
Ten Ticket Pass			
Child	\$35	\$40	\$40
Concession	\$40	\$40	\$40
Adult	\$45	\$50	\$50
Three Month Pass	Three months from issue date – can be suspended and recommenced when issuing pool is closed		

4.6 Alstonville and Ballina Swimming Pools - Operations Review

Child	N/A	\$115	\$115
Concession	N/A	\$115	\$115
Adult	N/A	\$140	\$140
Family	N/A	\$300	\$300
Additional child under Family pass – per child	N/A	\$50	\$50
Full Season Pass		1/8/18 to 31/5/19	1/6/19 to 30/6/20
Child	\$185	\$320	\$350
Concession	\$195	\$320	\$350
Adult	\$215	\$360	\$400
Family	N/A	\$800	\$880
Additional child under Family pass – per child	N/A	\$100	\$110
Learn to Swim (LTS), Special Swim Scheme (SSS)			
Supervising Adult	No charge	No charge	No charge
Children (discount to standard entry fee)	\$3	\$4	\$4
Other			
Carnivals - Flat rate fee per person due to exclusive use	\$4	\$4.50	\$5.00
Fundraising / Special Events	POA	POA	POA
Pool Hire – Outside normal hours (paid to Management Company) – not available during normal hours			
Per Lane, per hour	\$15	\$15	POA
Whole Pool, per hour	\$80	\$80	POA
Swimming Programs – Normal hours – Subject to availability in consultation with Pool Management Company	\$0	\$0	\$0

No major changes are recommended for 2019/20 with the items with some changes, or clarifications, marked in yellow and explained as follows.

- Spectator (supervising child under 10 years attending swim program other) – One of the main complaints received is from parents / guardians who attend swimming programs to supervise their young children, who then have to pay the spectator fee.

It is proposed that there be no entry fee when a child under ten years of age is being supervised for swimming programs.

The income foregone from this is estimated to be minimal as spectator income for the year to date is approximately \$7,000 in total for both facilities.

- School Teachers / Defined Carers – These admissions are currently not charged and this ensures this is documented in the fees and charges.
- Fitness Passport – The preferred option is to have a standard fee paid to Council for this service.

The year to date figures with approximately 11,200 entries is 51% adult and 49% children, which means based on the current pricing of \$5.50 and \$4.50 an average price of \$5.00 is reasonable.

The standard fee ensures Council is paid immediately at the end of the month and it also simplifies the end of day reconciliation process for the management companies as they just need to ensure the Council point of sale agrees with the Fitness Passport entry numbers at the gate.

This can be entered manually at the end of the day.

This item would not be a fee advertised at the swimming pools as it is more an agreement with the supplier of the Fitness Passport program.

- Three month passes – Council staff have had extensive discussions with the pool management companies in respect to how three month passes are to be managed towards the end of the financial year (i.e. when there may only be one or two month's remaining).

The preferred approach is that the pass can be issued for a time period that allows the pass to run into the following financial year or alternatively it can be suspended and recommenced to cover any period where the issuing pool is closed.

This allows the person purchasing the pass to advise whether they want to keep the pass operating and use it at the other pool, if it is still operating, or to suspend the pass for the period the issuing pool is closed, and then recommence the pass for the remaining period when the pool re-opens.

The possibility of one month passes was discussed and there is agreement that the ten ticket pass, which is well used, is the preferred option for shorter periods.

- Season passes – If the season is extended it is reasonable to increase the season ticket price and the current proposal is to increase the price by 10% as the recommendations that follow support an extended season for the pools.

The season pass pricing was one item that Council received some complaints about during 2018/19 and the increase does not generate a large amount of additional income, which is estimated at approximately \$13,000.

- Carnivals – The recommendation is to increase this fee to \$5.00 which is paid by all attendees. The \$5.00 is recommended due to the exclusive use of the pool for carnivals.

This means children pay higher than the normal figure of \$4.50 per entry and adults pay less than the normal fee of \$5.50.

- Pool hire – Currently the pool hire is largely not being applied during normal hours and where it is being applied outside normal hours, the pool management company retains the income.

The fees and charges now clarify this current arrangement.

The comments in the fees and charges also reflect that there is no pool or lane hire available during normal hours.

The only instance where Council has been receiving any income for lane or pool hire during 2018/19 during normal hours has been at the Ballina pool where a professional provider has been using one lane of the pool three times per week for rehabilitation of a client(s).

4.6 Alstonville and Ballina Swimming Pools - Operations Review

As the swimming program providers are not paying any fees there is some inconsistency in this and the preference is to have the facilities available for hire during normal hours.

Specialists can still work with persons undergoing rehabilitation and this can be undertaken without the need to hire a lane.

- Swimming Programs – Currently there are no hire fees paid by any of the individuals / companies providing swimming programs.

The long standing reasoning behind this is that the programs bring additional people to the pools, with Council receiving the entry income, and if they are provided by the pool management companies theoretically this is reflected in lower management charges to Council.

The fees and charges clarify this and this is one item that may need further discussion prior to Council going to tender during the 2019/20 season.

Preferred Improvement Works

The final item for this report is feedback from the pool management companies on preferred works.

A summary of the items requested is as follows, with the estimates being very preliminary figures.

Table 13 – Preferred Improvement Works

Description	Alstonville (\$)	Ballina (\$)	Comments
Mens amenities – leaks	N/A	Defect	Negotiate with Woollam Constructions
25 metre pool – expansion joint	N/A	Defect	Negotiate with Woollam Constructions
Second pool vacuum	15,000	15,000	To be
25m pool lane rope attachment	2,000	2,000	Funded from maintenance budgets
Drainage on grassed areas to be improved	5,000	3,000	Funded from maintenance budgets
Concrete under umbrella near splash pad	N/A	2,000	Funded from maintenance budgets
Concrete pad adjacent to heat pumps to store blankets, lane rope reels etc	5,000	N/A	Funded from maintenance budgets
Entrance screen to notify of upcoming events	N/A	10,000	Concept to be reviewed
Security monitor moved to front for easier monitoring	N/A	2,000	Funded from maintenance budgets
PA system antenna for improved coverage	N/A	2,000	Funded from maintenance budgets
25metre blind improvements	Defect	Defect	Negotiate with Woollam Constructions
Grandstand seating – increase		50,000 plus	Consider as part of 2019/20 Operational Plan discussions
Flooring in change rooms	50,000	N/A	Separate report on amenities refurbishment
Shading – increase for splash pad area / 50m pool	50,000	N/A	To be considered as part of 2019/20 Operational Plan discussions
Disabled access ramps to the western grassed areas	Uncertain	N/A	Wait for grant opportunity
Submerged pool handles – safety barrier	10,000	10,000	Funded from maintenance budgets

The items marked as defects are being taken up with Woollam Constructions based on the seven year defect period with the contract.

The maintenance budgets in the revised estimates will allow some of the items to be completed, whereas the remaining major projects will require Council to allocate funding during the development of the 2019/20 Operational Plan.

Legal / Resource / Financial Implications

The swimming pools represents a major financial investment for Council with the cash cost to Council (and the community) of operating the pools at approximately \$1.3m per annum, once loan principal repayments are included.

The Fit for the Future benchmarks require councils to generate operating surpluses, inclusive of depreciation, with the pools operating at an annual deficit of approximately \$1m once depreciation is included (loan principal repayments are not included in the operating result calculation).

Therefore it is imperative that Council manages the pools in a financially responsible manner by balancing the service levels provided with our ability to fund this service.

The contractual agreements with the pool management companies will require adjustment for any extended season if that is endorsed by Council.

Council will be calling tenders for the new management contracts during the 2019/20 season as the existing contracts expire at the end of the 2019/20 season.

Prior to calling those tenders a further report will be submitted to Council to confirm the service levels to be included in that tender.

Consultation

Consultation was conducted with the pool management companies and Council staff and feedback from customers is also outlined in the report.

Options

As outlined in the information section of this report there is a range of options available in respect to the swimming season. The preferred option, following discussions with the pool management companies is:

- Close the Ballina pool for the period from 1 June to 30 June 2019, and then open the pool for all of 2019/20 (i.e. 1 July 2019 to 30 June 2020).

The pool requires major defect works relating to the expansion joints in the 25m pool, which will require it to be emptied and there are water leak problems with the male amenities that also require major repairs.

The one month closure will allow those works to be completed, subject to Woollam Constructions meeting the required timeframe.

- Keep the Alstonville pool open to 30 June 2019 and then close for July 2019, re-opening 1 August 2019 to 30 June 2020.

With the Ballina pool closed for June 2019 the extended opening of the Alstonville pool to 30 June 2019 ensures that there is one pool open to the public.

4.6 Alstonville and Ballina Swimming Pools - Operations Review

Also with Ballina closed, Alstonville should generate some additional income to help reduce the anticipated operating loss for the month.

It is then proposed to close Alstonville for July 2019 to undertake maintenance and to reduce the forecast operating loss and re-open 1 August 2019 to 30 June 2020.

- At this stage, based on the operating and financial performance of the Ballina swimming pool, it is likely that the longer term recommendation will be to have that facility operating all year round.
- In respect to Alstonville the recommendation is to monitor the performance of the pool for the next 12 months as it may be more appropriate to have this facility closed during possibly one, two or three of the winter months based on the net cost to the community.

It will be a matter for the users of that facility, through their attendance, to justify it being open during winter on a sustainable basis.

- Season tickets – With the existing season tickets expiring 31 May 2019 the recommendation is to have the 2019/20 tickets operate from 1 June 2019 to 30 June 2020 (13 months). This then allows season ticket holders to purchase the tickets from Alstonville when it is open during June 2019 or from Ballina from 1 July 2019 onwards.

The proposed increase in the season ticket prices at 10% recognizes that the 2018/19 tickets were based on a ten month season and a person buying a ticket on 1 June 2019 (would need to purchase it at Alstonville) would have potential accessibility for 13 months.

A ticket purchased from Ballina on 1 July would be for 12 months and a ticket purchased from Alstonville when it re-opened on 1 August would still have 11 months of the season to run.

The price of the tickets remains good value for any person using the facilities two or more times per week and very good value for high users of the facilities.

On balance this proposal ensures the community has access to at least one facility for all of 2018/19 and 2019/20, it allows essential maintenance works to be completed and it also allows Council to assess the performance of the Alstonville pool during 2019/20.

The net operating deficit for the Alstonville is substantial and Council needs to balance its service levels with the cost to the community, particularly with the Ballina pool almost having twice the patronage as Alstonville.

The increase in attendances at Ballina has been exceptional, whereas Alstonville has not been as high, which may reflect Alstonville already had a level of heating.

The 2018/19 financial year has been an exceptionally good season for swimming and it will be interesting to see whether the high usage of the facilities continues during 2019/20.

4.6 Alstonville and Ballina Swimming Pools - Operations Review

The revised 2018/19 and forecast 2019/20 budgets based on this proposal are as follows.

Table 12 – 2018/19 and 2019/20 Operating Budgets – Amended Seasons

Ballina	2018/19	2019/20	Alstonville	2018/19	2019/20
Operating Expenses			Operating Expenses		
Chemicals	54,000	63,000	Chemicals	57,000	60,000
Insurance	9,400	10,000	Insurance	8,000	10,000
Rates and Charges	57,000	60,000	Rates and Charges	55,000	60,000
Maintenance	49,000	40,000	Maintenance	54,000	50,000
Electricity	112,000	121,000	Electricity	138,000	129,000
Working Expenses	23,000	24,000	Working Expenses	21,000	24,000
Contract	242,000	264,000	Contract	248,000	250,000
Extra Lifeguards	92,000	101,000	Extra Lifeguards	70,000	72,000
Total	638,400	683,000	Total	651,000	655,000
Operating Revenues	651,000	683,000	Operating Revenues	337,000	347,000
Operating Result Surplus / (Deficit)	11,600	0	Operating Deficit	(314,000)	(308,000)

The forecast revenue for 2018/19 for Alstonville has been increased by \$20,000 from the earlier forecasts in this report which were based on a closing date of 31 May 2019.

The 2019/20 estimates apply the information Council now has available for the 2018/19 season and the forecast total deficit of \$308,000 is close to the original forecast deficit for 2018/19 which was \$305,300 as per Table 1.

It is also proposed to exhibit the draft fees and charges immediately as this will allow the fees to be adopted by the May 2019 Ordinary meeting. This ensures the proposed season ticket price, effective, from 1 June 2019, is operational.

The recommendations that follow focus on the opening seasons, the revised budgets and the proposed fees and charges for 2019/20.

RECOMMENDATIONS

1. That Council confirms the Ballina swimming pool will close for the period 1 June to 30 June 2019 for essential maintenance with the pool to re-open for the period 1 July 2019 to 30 June 2020.
2. The preference of Council for the Ballina swimming pool is to be open all year round, subject to annual reviews of the performance of the facility, relative to attendance numbers and operating costs.
3. That Council confirms the Alstonville swimming pool is to remain open until 30 June 2019 and then close for the period 1 July 2019 to 30 July 2019 for essential maintenance and to help reduce operating costs. The pool is to re-open for the period 1 August to 30 June 2020.
4. The preference of Council for the Alstonville swimming pool is to monitor the performance of the swimming pool, particularly during the winter months, to allow Council to make an informed decision on the preferred season duration, based on attendance numbers and operating costs.

4.6 Alstonville and Ballina Swimming Pools - Operations Review

5. That Council approves the amendments to the 2018/19 operating budgets, as per Table 12 of this report.
6. That Council authorises the inclusion of the forecast 2019/20 operating budgets in the draft 2019/20 Operational Plan, as per Table 12 of this report.
7. That Council authorises the extension of both the Ballina and Alstonville pool contract managers' contract payments for the proposed extended operating periods, with Council confirming fresh tenders for these management contracts will be called during 2019/20 for the 2020/21 season onwards.
8. That Council approves the immediate exhibition of the draft fees and charges for 2019/20, as outlined in this report, with the fees to be reported back to Council at the May 2019 Ordinary meeting following public exhibition period, to allow implementation from 1 June 2019.

Attachment(s)

Nil

4.7 Alstonville Swimming Pool - Amenities Upgrade

4.7 Alstonville Swimming Pool - Amenities Upgrade

Delivery Program Community Facilities

Objective To examine options to improve the amenities building at the Alstonville Swimming Pool.

Background

At the December 2018 Ordinary meeting Council resolved as follows:

1. *That Council receive a report on the benefits and cost of the following works to improve the overall amenity of the Alstonville Aquatic Centre:*
 - a) *Management of the large camphor tree at the southern end of the complex, to reduce leaf drop into the pool area.*
 - b) *Refurbishment or replacement of the existing amenities to ensure the facilities reflect contemporary standards, particularly in relation to disabled access within the change rooms.*
2. *The information from this report will allow Council to plan for the possible implementation of these works, either this financial year, or to be considered as part of the preparation of the 2019/20 Delivery Program and Operational Plan.*

The following report responds to Item 1b) of the resolution.

Key Issues

- Age, design and suitability of the existing amenities
- Privacy and accessibility for patrons
- Cost and priorities

Information

The Alstonville Swimming Pool (ASP) went through substantial redevelopment during 2017 and 2018 with the facility re-opened at the end of July 2018.

The facilities upgrade focused on the replacement of the swimming pools, plant room, club house and exterior infrastructure, i.e. shade, seating BBQ's etc.

The upgrade did not include any major works on the ageing amenity/kiosk structure.

Some works were carried out on the amenity building using maintenance budgets. This included the painting of the exterior of the building and the provision of a slip resistant coating on the tiles around the building.

4.7 Alstonville Swimming Pool - Amenities Upgrade

The amenity building is approximately 23 years old without any major refurbishment works being carried out on it to date. Many Australian standards have changed since the time of the building construction.

The design of the amenities areas in the building does not provide a great deal of privacy and this has generated complaints from members of the community.

The existing amenities do not cater well for young families or for accessibility needs. At some point in time the current infrastructure should be upgraded to meet contemporary standards.

In addition to this, the kiosk area within the building does not provide adequate space to operate efficiently. This space could be extended into what is now the manager's office / first aid room, with the current floor plan included as Attachment 1.

The male change, shower and toilet area is not very private and it would benefit by having enclosed shower/change areas replacing the existing shower areas. The toilet cubicles should also be replaced.

The large urinal in the men's toilet area could be replaced with partitioned porcelain urinals to create a more private environment especially given the age range of the pool users. The porcelain urinals can be set at children and adult heights

The female change, shower and toilet areas are far more private however the cubicles and furnishings within the areas need to be upgraded.

The existing accessible toilet and shower requires modifications to bring it up to current Australian Standards. This can be done with relatively simple changes within and extending the area.

The existing accessible and family amenities can be expanded to enable the inclusion of an overhead accessibility lift, equivalent to that which is being installed in one of the Ballina swimming pool's unisex accessible change rooms.

This allows those users requiring movement to the aquatic wheelchair from their existing chair, the privacy of a room and also a change table to assist their carers.

The internal amenities floors and the tiled walkway areas and steps surrounding the building are also in a poor condition and require refurbishment.

The best way forward with the ASP amenity building upgrade is to establish the works Council wishes to proceed with and the financial boundaries for those works. To assist Council, staff have put together pricing to cover the estimated costs of the discussed works with allowance for some contingency.

If Council resolves to go ahead with the upgrade works, formal design and pricing will be obtained by staff and a works program will be reported to Council.

4.7 Alstonville Swimming Pool - Amenities Upgrade

Given that Council is looking at trialing winter operations of both the pool facilities this year, it will be recommended that the upgrade works on the AAC amenities building be carried out at the end of the 2019/20 season.

Carrying out the building works from, for example, 1 July 2020 will provide Council with the opportunity to plan the works program and notify the Alstonville community well in advance of the closure of the facility, for likely two months, being July and August 2020.

This means the works are funded in the 2020/21 financial year.

Estimated Cost

The estimated cost of the building works have been put together using the Australian Construction Handbook and the Building Code of Australia.

The subject works include the following:

- Standardisation of the unisex accessible toilet amenities
- Standardisation of the unisex accessible and family amenities
- Installation of a hoist system and adult change table in the unisex accessible and family amenities
- Modification of the male and female change rooms with privacy enhancements
- Modifications to the buildings kiosk, office and first aid room
- Changes to walls increasing the size of the kiosk area
- Tidying up the exterior of the building
- Repairs and replacements of the flooring tiles etc. within and around the building.

The proposed building works have been estimated to cost between \$360,000 and \$400,000, with the recommendation being to allow \$400,000, inclusive of contingencies.

Legal / Resource / Financial Implications

Major building modifications may require development approval.

All work will be required to be completed under the direction of the Building Code of Australia.

Consultation

Discussion has been held between the Council maintenance staff, Council management, pool contract management and general user groups.

Options

The first option is in respect to the magnitude of the works to be undertaken with the recommendation being to allow \$400,000 to improve privacy and to meet contemporary standards.

Council may wish to expand or reduce the magnitude of the works proposed.

4.7 Alstonville Swimming Pool - Amenities Upgrade

The difficulty is in funding the works.

Council now has a recurrent budget for refurbishment works for its community facilities with the 2018/19 Delivery Program including the following items:

Description	2018/19 (\$)	2019/20 (\$)	2020/21 (\$)	2021/22 (\$)
Community Facilities	656,200	550,000	566,000	584,000
Community Centre Improvements	24,000	25,000	26,000	27,000
Lennox Community Centre External Cladding / Repairs	82,300	45,000	50,000	200,000
Lennox Community Centre Internal / External Painting	25,000	25,000	25,000	25,000
Ballina Surf Club External Painting Program	25,000	25,000	25,000	25,000
Ballina Surf Club Internal Painting and Floors	25,000	25,000	25,000	25,000
Kentwell Centre Internal / External Painting	12,000	12,000	12,000	12,000
Kentwell Centre AC Unit Replacements			72,000	
Ballina Library / VIC / Rich External Repaint			80,000	
ALEC External / Internal Mods	281,000	169,000	236,000	
Shelly Beach Surf Club Exterior Finishing		40,000		
Wollongbar Hall Repairs / Repaint		43,000		
Newrybar Hall Repaint		43,000		
Community Gallery Repaint		15,000		
Community Gallery Lighting and Ignite Studios	161,900			
60 Crane Street External Repairs / Repaint		13,000		
Naval Museum Exterior Repaint / Toilets		50,000		
Animal Shelter Repaint		20,000		
Administration Centre External Repaint				80,000
71 Tamar Street External Repaint			15,000	
Halls Various Repairs / Repaint				190,000
Former Library - 42 Cherry External Repairs/Repaint	20,000			

At the January 2019 Ordinary meeting, following confirmation that Council had received a grant of \$1,833,502 to refurbish the Lennox Head Community Centre, the priorities for 2019/20 were slightly amended as follows:

That in respect to the \$1,833,502 grant approved for the Lennox Head Community Centre (LHCC) refurbishment, Council reallocate the following projects included in the adopted 2019/20 Community Facilities Program to the LHCC, to ensure that the Council funds required for the grant are available for expenditure on the centre:

- *Community Centre improvements - \$25,000*
- *Shelly Beach Surf Club - \$40,000*
- *Hall Repaints – Reduce by \$13,000*

In reviewing the program for 2020/21 it may be possible to re-allocate the funding for items to free up funding for the ASP amenities upgrade.

4.7 Alstonville Swimming Pool - Amenities Upgrade

The real dilemma with this recurrent program is ALEC. Significant funds, possibly similar to the 2019/20 budget for the Lennox Head Community Centre, need to be expended on that building to bring it to a contemporary standard.

It is planned to submit the recurrent revenue funded capital budget programs, along with the non-recurrent funded items, which are typically funded from Council's property reserves, to the April 2019 Finance Committee meeting.

That report can also canvass options for the \$400,000 identified in this report.

The recommendations support this approach.

RECOMMENDATIONS

1. That in respect to the upgrade of the Alstonville Swimming Pool amenities, Council confirms its preference is to allocate approximately \$400,000 in the 2020/21 financial year to undertake the improvements outlined within this report.
2. That Council receive a report to the April 2019 Finance Committee meeting outlining options to finance the \$400,000 required for the project.

Attachment(s)

1. Floor Plan

4.8 Wastewater Operations - Long Term Financial Plan

4.8 Wastewater Operations - Long Term Financial Plan

Delivery Program Financial Services

Objective To review the long term financial plan for Council's wastewater operations.

Background

Wastewater operations form a significant part of Council's overall turnover at approximately 20% of operating revenue.

For many years, up until 2017/18, the prices for wastewater annual charges were on a steep incline. These increases were to position the business to manage substantial borrowings (\$63 million), ongoing capital works and variations to operating expenses.

Since 2017/18, the business has been able to maintain price increases at more palatable levels, approximating CPI increases, with a proposed increase of 2.7% for 2019/20 and increases approximating CPI, estimated at 2.5%, thereafter.

The 2.7% is based on the IPART determination for NSW rate pegging for 2019/20. IPART base this figure on cost increases for councils and on that basis it is reasonable for Council to apply this to our essential operations.

This report provides an overview of the latest update of the Long Term Financial Plan (LTFP) for our wastewater operations.

Key Issues

- Financial performance and sustainability

Information

The following table shows actual results for the previous two financial years together with the current year's estimated result to 30 June.

Table One: Wastewater Financial Performance

Description	2016/17 Actual \$000	2017/18 Actual \$000	2018/19 Estimate \$000
Operating Revenues	17,888	18,371	19,054
Operating Expenses (including depreciation)	18,291	17,531	17,525
Operating Result - Surplus / (Deficit)	(403)	840	1,529
Excluding Depreciation and Loss on Sale	4,396	3,868	3,985
Cash Operating Result – Surplus	3,993	4,708	5,514
Less Loan Principal Repaid	2,958	3,096	3,387
Less Capital Expenditure	2,561	6,518	5,858
Add Capital Income	764	2,411	2,130
Cash Increase / (Decrease)	(761)	(2,495)	(1,602)
Fund Infrastructure Movements / Leave Balances	(3,128)	165	0
Reserve Balances	11,060	8,730	7,128

4.8 Wastewater Operations - Long Term Financial Plan

The operating result has been steadily improving, although there is some variability in non-cash items such as depreciation and losses on sale of assets, which typically refers to infrastructure that has been replaced. These anomalies are eliminated to calculate the cash surplus, which shows that the result has and is forecast to continue to improve.

The business has reached a point where it is forecast to make an operating surplus, inclusive of depreciation, which is positive. The next goal is to achieve a consistent operating surplus to fund capital expenditure, possibly pay off loan debt quicker and perhaps look to increase reserves to cater for growth and improved service levels.

The attachments to this report are the latest review of the LTFP for the ten year period from 2019/20 to 2028/29.

Attachment 1 is the forecast Income Statement for Wastewater Operations based on the format as per Council's Annual Financial Statements.

Attachment 2 is the same information, based on the main operating revenues and expense categories for the business, along with a summary of capital movements.

Attachment 3 is the capital expenditure program for the ten year period.

In respect to operating revenues the primary source of income is the annual charge, which is forecast to generate approximately \$17.2 million out of the total operating revenues of \$19.5 million for 2019/20. Adjustments to this charge are the primary lever used to direct the financial performance of the business.

Capital income refers to contributions from developers relating to new subdivisions. This income source is difficult to predict. The model assumes \$2.2 million from this source (increasing by CPI each year) however this figure can be considerably higher or lower in any given year.

The capital works program is a key driver in the LTFP and a large part of the works relate to population growth. The timing of these works can vary from the forecast depending on what growth does occur and in what locations.

The current model predicts capital works at an average of around \$5 to \$6 million for the first three years of the draft Delivery Program, followed by expenditure of \$9 million in the fourth year, which results in the available cash reserves being drawn down in the first few years.

A major cost in operating expenses is the interest portion of the loan repayment which will be \$3.4 million in 2019/20.

As the year's progress, the interest portion of the loan reduces, whilst the capital element of the repayment increases by the same amount.

This is something to consider when comparing total operating expenses from one year to the next, as it can distort the comparison.

The next table details the forecast movements in the total loan liability.

4.8 Wastewater Operations - Long Term Financial Plan

Table Two: Total Outstanding Loans

Loan	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Principal Paid	3,387,000	3,535,800	2,716,300	2,919,600	3,114,500	3,309,400
Interest Paid	3,513,700	3,364,900	3,199,400	2,996,000	2,801,200	2,606,300
Loan Balance	53,088,500	49,552,700	46,836,400	43,916,800	40,802,300	37,492,900

The completion of an interest free loan in 2019/20 will reduce loan repayments by \$985,000 from 2020/21.

The financial model presented includes an increase to prices of 2.7% in 2019/20 and 2.5% thereafter with these figures reflective of the rate peg limit (2019/20) and future CPI (2.5%).

Table Three: Wastewater Financial Model

Description	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29
Operating Revenue	19,054	19,478	19,864	20,374	20,847	21,334	21,871	22,439	23,073	23,731	24,408
Operating Expense	17,525	17,427	17,471	17,623	17,760	17,966	18,083	18,186	18,381	18,547	18,770
Operating Result	1,529	2,051	2,393	2,751	3,086	3,368	3,788	4,253	4,691	5,184	5,638
Add Back Deprec	3,985	3,969	3,978	4,058	4,139	4,222	4,306	4,392	4,480	4,570	4,661
Cash Surplus	5,514	6,020	6,371	6,809	7,225	7,590	8,094	8,645	9,171	9,754	10,299
Capital Income	2,130	2,180	2,240	2,300	2,360	2,420	2,490	2,560	2,630	2,700	2,770
Loan Principal	3,387	3,536	2,716	2,920	3,115	3,309	3,511	3,711	3,910	4,110	4,279
Capital Expenditure	5,858	5,516	4,910	9,101	6,405	1,961	5,878	1,707	1,223	1,385	1,401
Net Reserve M'ment	(1,602)	(852)	985	(2,911)	66	4,740	1,196	5,788	6,668	6,960	7,389
Total Reserves	7,128	6,276	7,262	4,351	4,417	9,156	10,352	16,140	22,807	29,767	37,156

An operating surplus is predicted for all years, which is an excellent outcome.

Assumptions Applied

- Increase to annual charges (availability/consumption) in 2019/20 will be 2.7%
- Interest income from funds invested will decline along with reserve balances
- Income from recycled water is forecast at \$58,000 being 80% of the potable water step one tariff
- Operating expenses, excluding non-cash items (depreciation etc) and loan interest to increase by 0.7% for 2019/20
- Developer contributions estimated at \$2.2 million
- Capital expenditure of \$5.9 million for 2019/20

Fees and Charges

The proposed annual charges for 2019/20 are shown in the next table.

4.8 Wastewater Operations - Long Term Financial Plan

Table Four: Proposed Annual Charges

Charge Type	2018/19 \$	2019/20 \$	% Increase
Residential Availability Charge	975	1,001	2.7%
Vacant Land Charge	735	755	2.7%
Non Residential Usage Charge	2.47	2.54	2.7%
Non Residential Access Charge	Variable based on meter size		
Recycled Water	80% of potable water step one		

A report on water pricing also forms part of this agenda and makes recommendations in respect to the current two step water pricing structure.

Should a change in the water billing structure be implemented, further consideration may be made in relation to the pricing of the recycled water (i.e. as to whether to maintain the pricing at 80% of potable water step one or review this percentage).

The current pricing position in respect to recycled water is as follows:

- There is no availability charge
- The usage charge is set at 80% of the step one price of potable water

This report does not contemplate changing these principles however if Council is of a mind to make amendments, it would be appropriate to do so as part of the recommendation.

Council Comparison

The next table compares the 2018/19 wastewater charges of various councils for a residential property, with Council's charge around mid-range following many years of higher than CPI increases.

The objective now is to minimise future increases as the business is generating an operating surplus.

Charge (\$)	Ballina	Byron	Clarence	Coffs	Lismore	Richmond	Tweed
Annual	975	1,159	1,125	733	926	970	838

Legal / Resource / Financial Implications

As outlined in the information section of this report.

Consultation

Any charges proposed for 2019/20 will be subject to formal exhibition.

Options

Council has the option of endorsing the proposed charges or examining further alternatives.

The recommendation is to exhibit the proposed fees and charges, and LTFP, as per the contents of this report.

4.8 Wastewater Operations - Long Term Financial Plan

RECOMMENDATION

That Council endorses the annual charges, as per the following table, as well as the long term financial plan, as per the attachments to this report, for the wastewater operations, for exhibition in the draft 2019/20 Operational Plan.

Charge Type	2018/19 \$	2019/20 \$	% Increase
Residential Availability Charge	975	1,001	2.7%
Vacant Land Charge	735	755	2.7%
Non Residential Usage Charge	2.47	2.54	2.8%
Non Residential Access Charge	Variable based on meter size		
Recycled Water	80% of potable water step 1		

Attachment(s)

1. Income Statement
2. Wastewater Operations
3. Capital Expenditure

WASTEWATER OPERATIONS - INCOME STATEMENT (2017/18 to 2028/29)													
ACTUAL 2017/18	ITEM	ESTIMATED											
		2018/19	2019/20	%	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	OPERATING RESULTS												
	Operating Activities												
16,137,100	Annual Charges	16,762,000	17,221,000	3	17,656,000	18,102,000	18,558,000	19,028,000	19,509,000	20,002,000	20,508,000	21,026,000	21,558,000
1,378,400	User Charges and Fees	1,441,400	1,479,600	3	1,516,400	1,554,400	1,593,700	1,634,100	1,675,600	1,717,300	1,760,200	1,804,200	1,849,500
253,100	Interest and Investment Revenues	193,300	166,600	(14)	159,700	173,800	139,300	105,000	107,900	129,400	201,800	285,100	372,100
446,300	Other Revenues	512,700	465,300	(9)	384,900	394,800	404,900	415,200	425,700	436,800	448,100	459,700	471,500
156,100	Grants and Contributions for Operating Purposes	144,500	145,500	1	147,300	149,100	150,900	151,800	152,700	153,600	154,500	155,500	156,400
8,224,500	Grants and Contributions for Capital Purposes	2,875,500	2,930,000	2	2,990,000	3,050,000	3,110,000	3,170,000	3,240,000	3,310,000	3,380,000	3,450,000	3,520,000
	Other Income:												
0	Net Gain from Disposal of Assets	0	0	0	0	0	0	0	0	0	0	0	0
26,595,500	Total Income from Continuing Operations	21,929,400	22,408,000	2	22,854,300	23,424,100	23,956,800	24,504,100	25,110,900	25,749,100	26,452,600	27,180,500	27,927,500
	Operating Expenses												
4,587,000	Employee Benefits and On-costs	4,729,000	4,876,000	3	5,027,000	5,183,000	5,344,000	5,510,000	5,681,000	5,857,000	6,039,000	6,227,000	6,420,000
4,248,300	Borrowing Costs	3,647,700	3,433,900	(6)	3,199,400	2,996,000	2,801,200	2,606,300	2,405,100	2,204,700	2,005,400	1,806,000	1,637,000
4,368,200	Materials and Contracts	4,900,500	4,757,800	(3)	4,836,100	4,944,000	5,023,000	5,117,600	5,213,900	5,243,000	5,355,300	5,428,900	5,523,900
3,673,900	Depreciation and Amortisation	3,851,000	3,900,000	1	3,978,000	4,058,000	4,139,000	4,222,000	4,306,000	4,392,000	4,480,000	4,570,000	4,661,000
459,100	Other Expenses	397,100	459,500	16	430,500	441,800	453,200	509,900	477,000	489,200	501,700	514,700	528,000
0	Net Loss from Disposal of Assets	0	0	0	0	0	0	0	0	0	0	0	0
17,336,500	Total Expenses from Continuing Operations	17,525,300	17,427,200	(1)	17,471,000	17,622,800	17,760,400	17,965,800	18,083,000	18,185,900	18,381,400	18,546,600	18,769,900
9,259,000	Net Operating Result for the Year	4,404,100	4,980,800	13	5,383,300	5,801,300	6,196,400	6,538,300	7,027,900	7,563,200	8,071,200	8,633,900	9,157,600
1,034,500	Net Operating Result Before Capital Income	1,528,600	2,050,800	34	2,393,300	2,751,300	3,086,400	3,368,300	3,787,900	4,253,200	4,691,200	5,183,900	5,637,600

WASTEWATER OPERATIONS																
ACTUAL			LEDGER ACCOUNT	BUDGET ITEMS	ESTIMATED											
2015/16	2016/17	2017/18			2018/19	2019/20	%	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
OPERATING REVENUES																
14,087,200	15,398,000	16,137,100	12000	Annual Charges	16,762,000	17,221,000	3	17,656,000	18,102,000	18,558,000	19,028,000	19,509,000	20,002,000	20,508,000	21,026,000	21,558,000
1,141,900	1,368,500	1,378,400	12010	User Charges	1,441,400	1,479,600	3	1,516,400	1,554,400	1,593,700	1,634,100	1,675,600	1,717,300	1,760,200	1,804,200	1,849,500
156,600	159,100	156,100	12002	Operating Grants	144,500	145,500	1	147,300	149,100	150,900	151,800	152,700	153,600	154,500	155,500	156,400
385,300	385,400	366,700	12012	Fees and Fines	438,500	282,500	(36)	289,700	297,100	304,600	312,300	320,200	328,400	336,800	345,400	354,200
496,500	492,500	253,100	12004	Interest	193,300	166,600	(14)	159,700	173,800	139,300	105,000	107,900	129,400	201,800	285,100	372,100
81,600	84,000	79,600	12014	Other Revenues	74,200	182,800	146	95,200	97,700	100,300	102,900	105,500	108,400	111,300	114,300	117,300
16,349,100	17,887,500	18,371,000		Total Operating Revenues	19,053,900	19,478,000	2	19,864,300	20,374,100	20,846,800	21,334,100	21,870,900	22,439,100	23,072,600	23,730,500	24,407,500
OPERATING EXPENSES																
Direct Expenses																
383,500	410,900	390,300	55000	Engineering Management	467,100	516,400	11	529,600	543,800	558,000	572,100	587,300	602,500	617,600	633,700	649,700
865,000	1,188,700	1,021,700	55002	Administration and Customer Service	994,300	1,025,800	3	1,052,300	1,094,600	1,107,400	1,135,900	1,165,000	1,194,700	1,245,200	1,256,700	1,289,100
196,000	611,200	236,100	55002	Contributions to Works and BBRC	433,000	44,100	(90)	45,300	46,500	47,700	48,900	50,200	51,500	52,800	54,200	55,600
23,800	30,300	36,600	55004	Miscellaneous	30,000	70,900	136	31,800	32,700	33,600	34,500	35,500	36,500	37,500	38,500	39,500
1,032,900	950,800	988,700	55012	Energy Costs	1,159,100	1,216,900	5	1,247,700	1,279,300	1,311,800	1,345,000	1,379,000	1,413,800	1,449,400	1,486,000	1,523,500
460,000	274,800	293,300	55010	Mains - Maintenance	280,000	280,000	0	287,000	294,200	301,600	309,200	317,000	325,000	333,200	341,600	350,200
258,000	264,200	288,100	55011	Pumping Stations - Operations	292,000	300,000	3	293,100	299,000	305,000	311,100	317,100	254,700	254,700	254,700	254,700
932,200	1,009,800	855,300	55013	Pumping Stations - Maintenance	885,000	900,000	2	922,500	945,600	969,300	993,600	1,018,500	1,044,000	1,070,100	1,096,900	1,124,400
137,200	160,500	160,000	55014	Camera and Jetting - Maintenance	209,700	230,000	10	235,800	241,700	247,800	254,000	260,400	267,000	273,700	280,600	287,700
1,364,100	1,169,100	1,312,400	55015	Treatment Plants - Operations	1,312,000	1,379,000	5	1,413,800	1,449,700	1,486,500	1,524,100	1,562,700	1,602,300	1,643,000	1,684,500	1,727,000
98,500	66,900	111,600	55015	Treatment Plants - Biosolids	95,000	100,500	6	103,100	105,700	108,400	111,200	114,000	116,900	119,900	122,900	126,000
1,038,300	1,145,600	996,000	55020/50023	Treatment Plants - Maintenance	1,015,300	1,070,600	5	1,097,700	1,125,500	1,154,000	1,183,300	1,213,200	1,243,900	1,275,400	1,307,600	1,340,500
44,100	67,300	91,200	55021	Maintenance - Other	85,000	110,000	29	112,800	115,700	118,600	121,600	124,700	127,900	131,100	134,400	137,800
294,300	315,900	289,200	55022	Operations - Other	382,500	402,600	5	413,200	424,000	435,200	446,600	458,200	470,000	482,700	495,500	508,600
80,000	79,200	249,800	60010	Recycled Water - Mtce and Operations	251,000	257,500	3	264,200	271,000	278,000	285,200	292,500	300,000	307,700	315,700	323,800
Indirect Expenses - Overheads																
1,888,000	1,950,000	2,094,000	55002	Overheads Distributed	2,135,600	2,189,000	3	2,243,700	2,299,800	2,357,300	2,416,200	2,476,600	2,538,500	2,602,000	2,667,100	2,733,800
Debt Servicing																
4,358,200	4,199,300	4,248,300	55006	Interest on Loans	3,513,700	3,364,900	(4)	3,199,400	2,996,000	2,801,200	2,606,300	2,405,100	2,204,700	2,005,400	1,806,000	1,637,000
Non-cash Expenses																
3,531,900	3,730,500	3,673,900	55022	Depreciation	3,851,000	3,900,000	1	3,978,000	4,058,000	4,139,000	4,222,000	4,306,000	4,392,000	4,480,000	4,570,000	4,661,000
10,800	416,400	0		Loss on Disposal of Infrastructure	0	0	0	0	0	0	0	0	0	0	0	0
301,100	249,300	0	55022	Unwinding Interest Free Loan	134,000	69,000	(49)	0	0	0	0	0	0	0	0	0
17,297,900	18,290,700	17,336,500		Total Operating Expenses	17,525,300	17,427,200	(1)	17,471,000	17,622,800	17,760,400	17,965,800	18,083,000	18,185,900	18,381,400	18,546,600	18,769,900
(948,800)	(403,200)	1,034,500		Operating Result - Surplus / (Deficit)	1,528,600	2,050,800	34	2,393,300	2,751,300	3,086,400	3,368,300	3,787,900	4,253,200	4,691,200	5,183,900	5,637,600
3,531,900	3,730,500	3,673,900		Add Back Depreciation	3,851,000	3,900,000	1	3,978,000	4,058,000	4,139,000	4,222,000	4,306,000	4,392,000	4,480,000	4,570,000	4,661,000
10,800	416,400	0		Add Back Loss on Infrastructure Disposal	0	0	0	0	0	0	0	0	0	0	0	0
301,100	249,300	0	55022	Add Back Unwinding Interest Free Loan	134,000	69,000	(49)	0	0	0	0	0	0	0	0	0
2,895,000	3,993,000	4,708,400		Cash Result - Surplus / (Deficit)	5,513,600	6,019,800	9	6,371,300	6,809,300	7,225,400	7,590,300	8,093,900	8,645,200	9,171,200	9,753,900	10,298,600
Capital Movements																
2,793,300	2,957,900	3,095,600		Less Loan Principal Repayments	3,387,000	3,535,800		2,716,300	2,919,600	3,114,500	3,309,400	3,510,600	3,711,100	3,910,300	4,109,700	4,278,700
0	0	0		Less Transfer to Reserves	0	119,500		267,500	1,014,800	1,798,200	2,299,500	0	3,207,500	4,017,600	4,239,500	4,599,000
2,011,000	803,000	1,846,500		Add Transfer from Reserves	2,412,600	0		0	0	0	0	876,400	0	0	0	0
174,600	736,500	3,078,700		Add Capital Income Applied	1,339,000	3,171,000		1,542,000	6,246,000	4,112,000	0	438,000	0	0	0	0
2,267,300	2,554,600	6,518,000		Less Capital Expenditure	5,858,200	5,515,500		4,909,500	9,100,900	6,404,700	1,961,400	5,877,700	1,706,600	1,223,300	1,394,700	1,400,900
20,000	20,000	20,000		Cash Result after Capital Movements	20,000	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										Funding Source 2019/20				Funding Source 2020/21				Funding Source 2021/22				Funding Source 2022/23				
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Grants	Sect 64	Loans	Reserves	Grants	Sect 64	Loans	Reserves	Grants	Sect 64	Loans	Reserves	Grants	Sect 64	Loans	Reserves	
Pumping Stations																										
SP2001 - Well Protection - Swift St	200,000									200,000			0				0									0
SP3110 - Pump Stn - Montwood Drive		700,000											0	700,000			0									0
North Ballina - New Pumping Station			1,364,000										0				0	1,364,000								0
SP5006 - Richmond St Storage		182,000											0				182,000									0
SP2402 - Lindsay Avenue	106,000											106,000					0									0
SP2401 - Power Drive Pumps		62,300										0					62,300									0
Pumping Stations - Capacity Upgrades	374,000									268,000		106,000					0									0
Pumping Stations - Renewal Program	338,000	348,000	362,000	376,000	391,000	407,000	423,000	440,000	458,000				338,000				348,000								362,000	376,000
Treatment Facilities - Minor Capital																										
Treatment Plant Ballina	23,000	24,000	25,000	26,000	27,000	28,000	29,000	30,000	31,000				23,000				24,000								25,000	26,000
Treatment Plant Lennox	23,000	24,000	25,000	26,000	27,000	28,000	29,000	30,000	31,000				23,000				24,000								25,000	26,000
Treatment Plant Alstonville	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000				11,000				11,000								11,000	11,000
Treatment Plant Wardell	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000				11,000				11,000								11,000	11,000
Ballina Treatment Plant Upgrade																										
Ballina - Post Completion Works	400,000									400,000		0					0									0
Desalination Plant			2,000,000	2,000,000								0					0	1,000,000				1,000,000		1,000,000		1,000,000
Ballina - Gantry Crane	500,000									500,000		0					0									0
Ballina - Programed Membrane	500,000	500,000	500,000	500,000						500,000		0		500,000			0	500,000						500,000		0
Ballina - Kubota Membrane Turbine	583,000									583,000		0					0									0
Lennox Head Treatment Plant Upgrade																										
Lennox - Treatment Master Plan	30,000											30,000					0								0	0
Lennox - Membrane Replacement							300,000					0					0								0	0
Wardell Treatment Plant Upgrade																										
Treatment Plant Master Plan			100,000									0					0								100,000	0
Trunk Mains																										
Rising Main Rehabilitation - Swift St	60,000											60,000					0								0	0
SP3001 - Byron Street, Lennox Head	25,000		546,000									25,000					0	546,000							0	0
SP4006 - Gravity Sewer, A'ville		342,000										0		342,000			0								0	0
GM4104 - Transfer Mains, A'ville/W'bar	10,000	0								10,000		0		0			0								0	0
GMWUEA - Gravity Mains		200,000										0				200,000									0	0
GM2101 - Gravity Main, West Ballina						205,000						0					0								0	0
GM2104 - Gravity Main, West Ballina						438,000						0					0								0	0
RM-PS6 - CURA B Rising Main						4,011,000						0					0								0	0
Karaluren Close, Lennox Head PS			100,000									0					0								100,000	0
Wastewater - Capital Expenditure Carried Forward																										

WASTEWATER - CAPITAL EXPENDITURE (cont'd)																									
Asset Description										Funding Source 2019/20				Funding Source 2020/21				Funding Source 2021/22				Funding Source 2022/23			
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Grants	Sect 64	Loans	Reserves	Grants	Sect 64	Loans	Reserves	Grants	Sect 64	Loans	Reserves	Grants	Sect 64	Loans	Reserves
Wastewater Mains - Renewals																									
Main Renewals	423,000	436,000	453,000	471,000	490,000	510,000	530,000	551,000	573,000				423,000				436,000				453,000				471,000
Seamist Rising Main	650,000										650,000		0				0				0				0
Service Connections																									
New Wastewater Connection (Gravity)	10,000												0				0				0				0
New Wastewater Connection (E-one)	50,000												0				0				0				0
Plant and Equipment																									
Plant Replacement Program	96,500	88,200	122,900	61,700	11,400	58,700	352,600	128,300	246,700				96,500				88,200				122,900				61,700
Backhoe (Fleet Expansion)	185,000												185,000				0				0				0
Other Miscellaneous Works																									
Telemetry	16,000	16,000	17,000	18,000	19,000	20,000	21,000	22,000	23,000				16,000				16,000				17,000				18,000
Ethernet Telemetry Upgrade	150,000												150,000				0				0				0
Reuse Program																									
Ross Lane - Dual Retic Reservoir			500,000	2,612,000									0				0	500,000			0	2,612,000			0
Recycled Water Meters New	100,000	110,000	120,000	130,000	140,000	150,000							100,000				110,000				120,000				130,000
Urban Reticulation System	25,000												25,000				0				0				0
Henderson Farm - Distribution Mains		280,000											0				280,000				0				0
Meadows Estate - Distribution Main		270,000											0				270,000				0				0
Greenfield Grove - Distribution Mains			158,000	162,000									0				0				158,000				162,000
Lennox Head - Distribution Mains					362,000								0				0				0				0
Fig Tree Hill - Distribution Mains					472,000								0				0				0				0
CURA B - Distribution Mains			2,336,000										0				0	2,336,000			0				0
Recycled Water - Hydrant Installations	30,000	30,000											30,000				30,000				0				0
Recycled Water - Communications	10,000												10,000				0				0				0
Recycled Water - Alstonville	10,000												10,000				0				0				0
Recycled Water - Smart Metering	10,000												10,000				0				0				0
Wollongbar Sportsfields Irrigation Pipe	216,000												216,000				0				0				0
West Ballina Bulk Supply Pipeline	25,000												25,000				0				0				0
Lennox WWTP - High Lift Switchboard	25,000	225,000											25,000				225,000				0				0
Lennox WWTP - Refurb Belt Press	150,000												150,000				0				0				0
Alstonville WWTP - Inlet Work		900,000	300,000										0				900,000				300,000				0
Alstonville WWTP - Biosolids		50,000											0				50,000				0				0
Alstonville WWTP - Solar Farm		100,000											0				100,000				0				0
Ballina WWTP - Stage 2 Upgrade			50,000										0				0				50,000				0
Wardell WWTP - S60 Approval	140,000												140,000				0				0				0
Total Capital Expenditure	5,515,500	4,909,500	9,100,900	6,404,700	1,961,400	5,877,700	1,706,600	1,223,300	1,384,700	0	3,171,000	0	2,344,500	0	1,542,000	0	3,367,500	0	6,246,000	0	2,854,900	0	4,112,000	0	2,292,700

4.9 Waste Operations - Long Term Financial Plan

4.9 Waste Operations - Long Term Financial Plan

Delivery Program Financial Services

Objective To review the long term financial plan for Council's waste operations.

Background

Council's waste service comprises two distinct programs being Landfill and Resource Management (LRM) and Domestic Waste Management (DWM).

LRM is responsible for the waste management facility plus the collection of kerbside non residential waste and DWM is responsible for the collection of kerbside residential waste.

The Local Government Act requires DWM to be treated as a separate entity due to the manner in which the revenues are raised through an annual charge.

Each year the external auditor completes an assessment to ensure that DWM is not being run with the intent of making a surplus that is beyond the needs of the business.

This report provides an overview of the latest update of the Long Term Financial Plan (LTFP) for the LRM and DWM operations.

Key Issues

- Financial performance and sustainability
- Legislative change
- Long term aims and objectives
- Affordability

Information

Legislative Position

In 2018, the NSW EPA proposed changes to the Protection of the Environment Operations (POEO) (Waste) Regulation 2017 and the POEA Act 1997 that would affect the way Council manages waste. After considerable consultation, the EPA resolved not to implement these changes.

As a result, Council has some clarity on our ability to continue to send waste streams to alternative offsite locations for processing, recycling or disposal.

This methodology has been the most efficient given the current site constraints and has resulted in minimising the monies we pay to the State Government for the waste levy.

The Queensland Government will implement a waste levy in the coming financial year (\$75/tonne), however this disposal method remains the most effective compared to landfilling onsite.

4.9 Waste Operations - Long Term Financial Plan

Landfill and Resource Management (LRM)

The recent financial results for LRM together with the forecast for 2018/19 are as follows.

Table One: Actual and Forecast Results for LRM

Description	2016/17 Actual \$000	2017/18 Actual \$000	2018/19 Estimate \$000
Operating Revenues	3,350	2,104	2,230
Operating Expenses (including depreciation)	2,362	1,475	2,227
Operating Result - Surplus / (Deficit)	988	628	3
Excluding Depreciation / Remediation	1,061	605	740
Cash Operating Result - Surplus / (Deficit)	2,049	1,233	743
Less Loan Principal Repaid	1,112	182	0
Less Capital Expenditure	0	400	417
Less Dividend to General Fund	1,407	1,910	2,220
Add Capital Income	0	0	0
Cash Increase / (Decrease)	(470)	(1,259)	(1,894)
Reserve Balances	3,703	2,444	550

The 2017/18 forecast result was impacted by the removal of the waste operations charge of \$73 per annum for residential and farmland ratepayers, which reduced recurrent revenues by approximately \$1.3 million, offset in part by a reduction in the depreciation expense.

The loan principal repayments in 2017/18 were the final payments on the remaining loans for this business, resulting in nil loan balances by the year end.

The operating performance is marginal with an operating surplus of \$3,000 inclusive of depreciation and an operating cash surplus of \$743,000 predicted for this financial year.

The proposed dividend of \$2.22 million in 2018/19 is funding towards the Ballina Indoor Sports Centre. This finalises that dividend program.

The forecast cash reserve at 30 June 2019 is in the order of \$550,000.

Strategy

The current strategy is to continue to truck off site and generally keep operations similar to existing practices.

At this stage the benefits to truck off site are preferable to landfilling based on the net cost of this method of operation. Council needs to be mindful that if this situation alters due to legislative change in respect to the waste levy, a large amount of capital may be required to construct new waste cells.

Given the rapid escalation in the cost to construct new cells, this scenario may potentially limit Council's options to consider future landfilling given the anticipated costs.

Prior to Council landfilling within the constructed Cell 5 at the Waste Management Centre, capital would be required to upgrade the leachate management system to manage an increased volume of leachate.

4.9 Waste Operations - Long Term Financial Plan

Furthermore, future legislative changes may have significant impacts on ongoing operational income and expenses.

Financial Model

The latest financial model is based on a continuation of current waste management practices and does not factor in potential capital outlays and impacts on the operating results, which could occur from possible legislative changes.

In this scenario, the current outlook for LRM is positive, with all outstanding loans paid out in 2017/18. The forward plan does not propose any new borrowings nor does it include the construction of new cells.

LRM has assets valued at \$9.7 million which mainly relate to property plant and equipment. The next biggest asset is the cash reserves.

The LTFP does foresee a time when expenditure will be required on remediating the current cell however given current practices it is difficult to know exactly when this will be necessary. For modelling purposes an amount of \$3.7 million has been included in 2025/26.

The next table outlines the latest financial plan for LRM for 2019/20 and all subsequent years.

Table Two: LRM Long Term Financial Plan

Description	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29
Operating Revenue	2,230	2,094	2,154	2,219	2,284	2,352	2,422	2,494	2,479	2,553	2,629
Operating Expense	2,227	2,253	2,196	2,243	2,293	2,343	2,394	2,446	2,498	2,551	2,606
Operating Result	3	(159)	(42)	(24)	(9)	9	28	48	(19)	2	23
Add Back Deprec	740	573	584	596	608	620	633	646	659	672	685
Cash Surplus	743	414	542	572	599	629	661	694	640	674	708
Capital Income	0	0	0	0	0	0	0	0	0	0	0
Loan Principal	0	0	0	0	0	0	0	0	0	0	0
Capital Expenditure	417	100	103	106	110	114	119	3,682	129	134	139
Dividend	2,220	0	0	0	0	0	0	0	0	0	0
Reserve M'ment	(1,894)	314	439	466	489	515	542	(2,988)	511	540	569
Total Reserves	550	864	1,303	1,769	2,258	2,773	3,315	327	838	1,378	1,947

The LTFP indicates that LRM will generate reasonably consistent cash surpluses.

A decrease in income in 2019/20 predominantly relates to reduced interest income, resulting from forecast reserves being reduced by end of 2018/19.

The reserve balance grows steadily for a number of years until impacted by capital expenditure in 2025/26 (the year in which it is currently modelled to complete the remediation).

Assumptions

- Council will continue to export virtually all waste off site
- The levy payable will be in the order of \$100,000
- LRM will pay transport and treatment expenses for mixed waste, green waste, recyclates and construction / demolition
- There are capital works in 2025/26 relating to remediation of existing cells \$3.6m
- Assumed that the existing customer base and gross quantity of waste coming in the gate will remain reasonably consistent.

Operating Revenues

- Commercial properties collection annual charge income of \$600,000
- Gate fees from self-haul \$1.3 million with the income for 2018/19 trending under budget.
- Gate fees from DWM / Council \$3.4 million. This item is presented as a negative expense as it is an internal charge. It has been included in the income section of this narrative to compare against other gate fees.
- The gate fees paid by DWM represent a significant percentage of total gate fees, which emphasises the importance of DWM to LRM.

Operating Expenses

- Transport costs for mixed / inert / recyclates \$2.4 million
- Overhead and administration expenses \$768,000. The distribution of salaried staff costs between LRM and DWM has been changed significantly with the allocation now based on waste tonnages, whereas previously it was a 50/50 split. This results in a far higher proportion being allocated to DWM.
- Landfill costs \$425,000
- Transfer preparation and loading \$314,000
- Green waste loading and transportation \$220,000
- Weighbridge \$212,000
- Transfer station \$202,000
- Wardell tip rehabilitation \$50,000
- Baling and recycling \$42,000

Capital Expenditure

- Nominal allowance of \$100,000 recurrent, along with the \$3.682m for capping in 2025/26.

A copy of the LTFP for LRM is included as Attachment 1 to this report.

Fees and Charges

The draft 2019/20 charges relating to LRM are included as Attachment 2 to this report.

Waste management charges are generally proposed to increase by approximately 1.7% and some charges have been reduced or left unchanged.

Maintaining charges to a low level is considered appropriate, in view of Council trying to minimise price increases to encourage use of the waste facility and discourage illegal dumping. There is also some elasticity in pricing of these waste charges, whereby a decrease in charges could have the impact of increased revenues.

This principle is applied on the basis that the LRM is operating reasonably well and Council has given a commitment to minimise increases in fees and charges, in view of the ordinary rate special rate variation.

We have lost some businesses from the landfill site due to the price at the gate and the pricing structure proposed is aimed at maintaining market share and possibly even have some former major customers returning.

In respect to the annual waste collection charges, i.e. business and industrial collections, it is proposed to increase those charges by 2.7%.

The 2.7% is based on the IPART determination for NSW rate pegging for 2019/20. IPART base this figure on cost increases for councils and on that basis it is reasonable for Council to apply this to our essential operations that are impacted by such costs.

Categories for which charges have been reduced or left unchanged are discussed in the following section.

Mixed Putrescible Waste

The two waste categories for this waste stream have been reduced to ensure market competitiveness and to reflect operational certainty given changes to legislation did not transpire.

The category for Domestic (transfer station) rate has been reduced by 2.6% to \$230 per tonne.

The category for Commercial (non-transfer station) rate has been reduced by 5.38% to \$260 per tonne.

100% Sorted Scrap Metal

The per tonne fee for this category has been retained at \$30 per tonne.

This change covers handling costs and ensures market competitiveness, whilst reflecting significant market changes in the cost of material.

Mixed and Bulky Waste

The two waste categories for this waste stream have been reduced to ensure market competitiveness and to reflect the operational certainty given changes to legislation did not transpire.

4.9 Waste Operations - Long Term Financial Plan

The category for Domestic (transfer station) rate has been reduced by 2.6% to \$230 per tonne.

The category for Commercial (non-transfer station) rate has been reduced by 5.38% to \$260 per tonne.

Asbestos Waste

Asbestos sample test kits remain available at no charge. The fee for Household Asbestos Disposal Kits has been retained at \$30 to encourage residents to appropriately dispose of asbestos waste by subsidising the cost of these kits.

Tyres

The truck tyre fee has been increased by 1.7%, however all other tyre category fees were retained to maintain market competitiveness.

Refrigerators / Air Conditioners

The fee per item has been increased to \$47.50. This covers the cost of degassing and additional processing of this material. It is then treated as scrap metal.

Domestic Waste Management (DWM)

DWM is, in comparison to LRM, a smaller and more predictable operation. The business must pay wages and provide collection vehicles for residential mixed and recycled kerbside collections, plus meet contract payments for the kerbside collection of residential green waste.

A guaranteed income stream is available in the form of the annual charge and this charge can be adjusted at Council's discretion, subject to certain requirements of the Local Government Act.

DWM owns the waste collection vehicles with the useful life of each vehicle approximately five to six years. The business must generate sufficient cash to replace these trucks.

The plant program anticipates that five trucks require replacement in 2019/20, at an approximate net cost of \$420,000 each.

This means that DWM requires, on average, an annual transfer to reserve of \$420,000 to provide for vehicle replacement based on an estimated life of five to six years for each vehicle.

The next table shows the recent financial results for DWM.

4.9 Waste Operations - Long Term Financial Plan

Table Three - Actual and Forecast Results for DWM

Item	2016/17 Actual \$000	2017/18 Actual \$000	2018/19 Estimate \$000
Operating Revenues	6,308	6,532	6,806
Operating Expenses	6,007	6,098	6,761
Operating Result - Surplus / (Deficit)	301	434	45
Less Depreciation	177	177	180
Cash Operating Result - Surplus / Deficit)	478	611	225
Less Loan Principal Repaid	0	0	0
Less Capital Expenditure	0	0	0
Cash Increase / (Decrease)	478	611	254
Reserve Balance	1,863	2,474	2,699

The current forecast for 2018/19 is a cash surplus \$225,000. This increase to reserves helps to fund the planned truck replacement program.

Financial Model

DWM is in a sound financial position with no debt owing and reserves are anticipated to be approximately \$2.7 million at the end of the current financial year. The purchase of five replacement trucks is scheduled for 2019/20, at an estimated cost of \$2.1 million.

The next table outlines the latest financial plan for DWM based on a 2.7% price increase, being the State Government rate peg for 2019/20 and 2.5%, being an assumed rate peg, for all subsequent years.

Table Five: DWM Long Term Financial Plan

Description	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29
Operating Revenues	6,806	6,950	7,083	7,271	7,466	7,665	7,870	8,080	8,282	8,418	8,715
Operating Expenses	6,761	6,742	7,008	7,182	7,359	7,540	7,724	7,914	8,108	8,306	8,510
Operating Result	45	208	75	89	107	125	146	166	173	111	204
Add Back Deprec	180	225	350	357	364	372	379	387	394	402	410
Cash Surplus	225	433	425	446	471	497	525	553	568	514	615
Capital Income	0	0	0	0	0	0	0	0	0	0	0
Loan Principal	0	0	0	0	0	0	0	0	0	0	0
Capital Expenditure	0	2,100	0	0	0	0	0	0	2,500	0	0
Net Reserve M'ment	225	(1,667)	425	446	471	497	525	553	(1,933)	514	615
Total Reserves	2,699	1,032	1,457	1,904	2,375	2,871	3,396	3,949	2,016	2,530	3,144

The plan predicts that the cash surplus will range between \$420,000 and \$550,000 over the ten year period. This is generally sufficient to meet known liabilities and planned vehicle replacements. The main threat to this scenario is changes to LRM operations that will impact gate fees and DWM.

The DWM assumptions in the financial plan are:

- Charges to increase by 2.7%
- Waste streams will remain similar to the current year

4.9 Waste Operations - Long Term Financial Plan

- Capital outlays limited to (an average of) one replacement vehicle per year
- No external loans

The main features of the 2019/20 plan include:

- Annual charge income of \$7.0 million
- Gate fees paid to LRM \$1.9 million
- Green waste collection and gate fees \$1.3 million
- Overhead and administration expenses \$1.2 million. As per the LRM a higher proportion of staff salaries and oncosts has been allocated to DWM. A recurrent promotion and education budget has also been included.

A copy of the LTFP for DWM is included as Attachment 3 to this report.

Annual Charges

The draft 2019/20 charges for DWM are included in Attachment 2 to this report.

Charges for waste collection services are proposed to increase by 2.7%, which is equivalent to a rate peg increase.

Legal / Resource / Financial Implications

Council needs to consider carefully the financial implications of any proposed changes in waste charges and the need to meet appropriate legislative and environmental standards.

Consultation

The proposed waste charges will be subject to community consultation through the exhibition of the draft Operational Plan.

Options

Council has the option of endorsing the proposed charges or examining further alternatives. The recommendation is to exhibit the proposed fees and charges as per the contents of this report.

RECOMMENDATION

That Council endorses the inclusion of the LRM and DWM long term financial plans and draft fees and charges, as attached to this report, in the draft 2019/20 Delivery Program and Operational Plan for public exhibition.

Attachment(s)

1. LRM Long Term Financial Plan
2. Draft Fees and Charges
3. DWM Long Term Financial Plan

LANDFILL AND RESOURCE MANAGEMENT																
ACTUAL			LEDGER ACCOUNT	BUDGET ITEMS	ESTIMATED											
2015/16	2016/17	2017/18			2018/19	2019/20	%	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
OPERATING REVENUES																
Fees and Charges																
515,600	539,100	564,700	22280	Annual Charges - Commercial Properties	578,000	600,000	4	615,000	631,000	647,000	664,000	681,000	698,000	716,000	734,000	752,000
1,267,600	1,276,800	0		Annual Charges - Residential Properties	0	0	0	0	0	0	0	0	0	0	0	0
789,400	581,900	636,100	22283	Fees - Self Haul Mixed Waste	672,000	610,000	(9)	625,000	641,000	657,000	673,000	690,000	707,000	725,000	743,000	762,000
714,900	636,800	627,300	22283	Fees - Self Haul Inert	700,000	700,000	0	718,000	736,000	754,000	773,000	792,000	812,000	832,000	853,000	874,000
326,200	124,800	82,000	22284	Contributions and Grants	82,000	84,000	2	86,000	88,000	90,000	92,000	94,000	96,000	98,000	100,000	103,000
106,100	107,700	81,500	22281	Interest On Investments	135,000	14,000	(90)	22,000	33,000	44,000	56,000	69,000	83,000	8,000	21,000	34,000
124,700	83,300	112,100	22281	Sundry Fees	63,000	86,000	37	88,000	90,000	92,000	94,000	96,000	98,000	100,000	102,000	104,000
3,844,500	3,350,400	2,103,700		Total Operating Revenues	2,230,000	2,094,000	(6)	2,154,000	2,219,000	2,284,000	2,352,000	2,422,000	2,494,000	2,479,000	2,553,000	2,629,000
OPERATING EXPENSES																
Waste Administration																
430,500	589,700	475,700	32340	Administration	428,700	224,000	(48)	228,000	232,000	236,000	240,000	244,000	248,000	253,000	258,000	263,000
555,000	644,400	531,000	32340	Internal Overheads	531,000	544,000	2	558,000	572,000	586,000	601,000	616,000	631,000	647,000	663,000	680,000
154,000	56,000	6,200	32340	Interest on Loans	0	0	0	0	0	0	0	0	0	0	0	0
Waste - Internal Fees and Charges																
(957,400)	(1,000,200)	(983,200)	22283	Fees - Council Recyclables (DWM)	(1,231,000)	(1,000,000)	(19)	(1,025,000)	(1,051,000)	(1,077,000)	(1,104,000)	(1,132,000)	(1,160,000)	(1,189,000)	(1,219,000)	(1,249,000)
(465,700)	(466,400)	(431,000)	22283	Fees - Self Haul Council (Works)	(452,000)	(510,000)	13	(523,000)	(536,000)	(549,000)	(563,000)	(577,000)	(591,000)	(606,000)	(621,000)	(637,000)
(1,831,900)	(1,865,600)	(1,907,000)	22283	Fees - Self Haul Council (DWM)	(2,171,000)	(1,900,000)	(12)	(1,948,000)	(1,997,000)	(2,047,000)	(2,098,000)	(2,150,000)	(2,204,000)	(2,259,000)	(2,315,000)	(2,373,000)
Waste Received																
172,600	181,200	189,300	32342	Weighbridge Operation	206,000	212,000	3	217,000	222,000	228,000	234,000	240,000	246,000	252,000	258,000	264,000
199,700	190,200	202,800	32342	Transfer Station Operations	196,000	202,000	3	207,000	212,000	217,000	222,000	228,000	234,000	240,000	246,000	252,000
Waste Collection and Recycling																
191,800	196,600	214,000	32344	Collection Kerbside	202,000	267,000	32	219,000	225,000	231,000	237,000	243,000	249,000	255,000	261,000	267,000
91,200	97,700	87,000	32344	Collection Other	96,000	95,000	(1)	97,000	99,000	101,000	103,000	105,000	108,000	111,000	114,000	117,000
61,500	71,400	87,100	32345	Waste Bailing Facility and Recycling	70,000	42,000	(40)	43,000	44,000	45,000	46,000	47,000	48,000	49,000	50,000	51,000
Waste Disposal																
960,100	712,300	521,000	32348	Landfill Operations	740,300	645,000	(13)	659,000	673,000	688,000	703,000	718,000	733,000	748,000	764,000	780,000
857,500	868,500	902,000	32348	Transfer - Mixed Waste	1,050,000	1,070,000	2	1,097,000	1,124,000	1,152,000	1,181,000	1,211,000	1,241,000	1,272,000	1,304,000	1,337,000
316,000	490,900	343,700	32348	Transfer - Inert Waste	465,000	485,000	4	497,000	509,000	522,000	535,000	548,000	562,000	576,000	590,000	605,000
137,200	141,100	262,000	32348	Transfer - Recyclables	795,000	810,000	2	830,000	851,000	872,000	894,000	916,000	939,000	962,000	986,000	1,011,000
120,000	127,400	124,200	32348	Transfer Preparation - Mixed Waste	145,000	150,000	3	154,000	158,000	162,000	166,000	170,000	174,000	178,000	182,000	187,000
63,600	78,200	72,400	32348	Transfer Preparation - Inert Waste	80,000	82,000	3	84,000	86,000	88,000	90,000	92,000	94,000	96,000	98,000	100,000
54,300	72,900	57,500	32348	Transfer Preparation - Recyclables	80,000	82,000	3	84,000	86,000	88,000	90,000	92,000	94,000	96,000	98,000	100,000
375,200	94,300	107,800	32348	State Government Levy	223,000	100,000	(55)	103,000	106,000	109,000	112,000	115,000	118,000	121,000	124,000	127,000
(85,600)	20,900	27,800	32348	Investigations, Leachate and Remediation	33,000	80,000	142	31,000	32,000	33,000	34,000	35,000	36,000	37,000	38,000	39,000
791,700	0	0	32348	Other	0	0	0	0	0	0	0	0	0	0	0	0
Non-Cash Expenses																
1,071,900	898,300	419,400	32340	Depreciation	600,000	430,000	(28)	438,600	447,400	456,400	465,600	475,000	484,500	494,200	504,100	514,200
53,200	40,500	51,400	32340	Unwinding Remediation PV	0	0	0	0	0	0	0	0	0	0	0	0
122,400	122,400	134,300	32340	Remediation Depreciation	140,000	142,800	2	145,700	148,700	151,700	154,800	157,900	161,100	164,400	167,700	171,100
3,438,800	2,362,700	1,475,400		Total Operating Expenses	2,227,000	2,252,800	1	2,196,300	2,243,100	2,293,100	2,343,400	2,393,900	2,445,600	2,497,600	2,550,800	2,606,300
405,700	987,700	628,300		Operating Result - Surplus / (Deficit)	3,000	(158,800)	(5,393)	(42,300)	(24,100)	(9,100)	8,600	28,100	48,400	(18,600)	2,200	22,700
1,892,900	1,061,200	605,100		Add Back Depreciation	740,000	572,800	(23)	584,300	596,100	608,100	620,400	632,900	645,600	658,600	671,800	685,300
2,288,600	2,048,900	1,233,400		Cash Result - Surplus / (Deficit)	743,000	414,000	(44)	542,000	572,000	599,000	629,000	661,000	694,000	640,000	674,000	708,000
Capital Movements																
1,205,600	1,111,500	182,200		Less Loan Principal Repayments	0	0	0	0	0	0	0	0	0	0	0	0
2,065,900	1,003,000	1,097,100		Less Transfer to Reserves	776,000	414,000	(47)	542,000	572,000	599,000	629,000	661,000	694,000	640,000	674,000	708,000
1,459,400	65,600	355,600		Add Transfer from Reserves	450,000	100,000	(78)	103,000	106,000	110,000	114,000	119,000	3,682,000	129,000	134,000	139,000
0	0	0		Add Capital Income Applied	0	0	0	0	0	0	0	0	0	0	0	0
476,500	0	309,700		Less Capital Expenditure	417,000	100,000	(76)	103,000	106,000	110,000	114,000	119,000	3,682,000	129,000	134,000	139,000
0	0	0		Cash Result after Capital Movements	0	0	0	0	0	0	0	0	0	0	0	0

4.9 Waste Operations - Long Term Financial Plan

Ballina Shire Council – 2019/20 Fees and Charges

EXTRACT OF WASTE FEES AND CHARGES

Fee Name	Pricing Policy	2018/19	GST Y/N	2019/20	GL Code
Waste Management					
Waste Management Fees & Charges					
100% Sorted Household Recyclables					
<i>(Paper, cardboard, glass/plastic bottles, steel/aluminium cans) Minimum weight charge 20kg.</i>					
Domestic (transfer station) - weighed \$/tonne	B	\$94	Y	\$96	22283.6820.101
Commercial (non-transfer station) - weighed \$/tonne	B	\$246	Y	\$250	22283.6820.101
Mixed Putrescible Waste					
<i>(Mixed domestic and commercial putrescible waste - no liquids) Minimum weight charge 20kg.</i>					
Domestic (transfer station) - weighed \$/tonne	B	\$236	Y	\$230	22283.6820.101
Commercial (non-transfer station) - weighed \$/tonne	B	\$274	Y	\$260	22283.6820.101
100% Green Waste					
<i>(Grass clippings, garden waste, tree loppings <300mm diameter, no soil and no treated timber) Any green waste mixed with other material will be charged non sorted mixed waste fee. Minimum weight charge 20kg.</i>					
Sorted - weighed \$/tonne	B	\$73	Y	\$74	22283.6820.101
Sorted Wood, Trees or Tree Stumps					
<i>(Tree stumps diameter >300mm thick includes mixed with green waste, no soil and no treated timber) Any green waste mixed with other material will be charged non sorted mixed waste fee. Minimum weight charge 20kg.</i>					
Sorted - weighed \$/tonne	B	\$113	Y	\$114	22283.6820.101
100% Sorted Scrap Metal					
<i>(Includes car bodies and white goods) Minimum weight charge 20kg.</i>					
Sorted - weighed \$/tonne	B	\$30	Y	\$30	22283.6820.101
Mixed and Bulky Waste					
<i>(Mixed domestic and commercial waste - no liquids, includes mixed builders and bulky waste. Penalties will be imposed for materials containing asbestos) Minimum weight charge 20kg.</i>					
Sorted - weighed \$/tonne	B	\$236	Y	\$230	22283.6820.101
Unsorted - weighed \$/tonne	B	\$274	Y	\$260	22283.6823.101
100% Sorted Brick and Concrete					
<i>(Clean concrete, bricks and rock, no soil. Penalties will be imposed for material containing asbestos) Minimum weight charge 20kg.</i>					
Sorted - weighed \$/tonne	B	\$174	Y	\$177	22283.6820.101
100% Sorted Roof Tiles and Ceramics					
<i>(Clean, loose tiles only, no bathroom tiles with backing board. Penalties will be imposed for material containing asbestos) Minimum weight charge 20kg.</i>					
Sorted - weighed \$/tonne	B	\$174	Y	\$177	22283.6820.101
Virgin Excavated Natural Material (VENM)					
<i>(Must be pre-booked at least 24 hours in advance and have all certification and test results) Minimum weight charge 20kg.</i>					
All vehicles - weighed \$/tonne	B	POA	Y	POA	22283.6820.101
Soil (not contaminated or VENM)					
<i>(Must be pre-booked at least 24 hours in advance and have testing results to comply with the Waste Guidelines. Soil only. No boulders, tree stumps) Minimum weight charge 20kg.</i>					
All vehicles - weighed \$/tonne	B	\$103	Y	\$104	22283.6820.101
Contaminated Soil					
<i>(Soil with no testing results that hasn't been pre-booked. Soil mixed with other material. Penalties will be imposed for material containing asbestos) Minimum weight charge 20kg.</i>					
All vehicles - weighed \$/tonne	B	\$272	Y	\$276	22283.6820.101

4.9 Waste Operations - Long Term Financial Plan

Ballina Shire Council – 2019/20 Fees and Charges

EXTRACT OF WASTE FEES AND CHARGES

Fee Name	Pricing Policy	2018/19	GST Y/N	2019/20	GL Code
Wheelie Bin Sales					
<i>Commercial Waste Services sell new and secondhand mixed waste (red lid) and recycling (yellow lid) bins. Sales also include parts such as lids, wheels and axles. The sale of bins is a commercial service. Prices are reviewed as market rates and cost of goods vary. The price to purchase bins or parts may be obtained by contacting the Waste Services Section of Council.</i>					
Specific Waste Charge					
Asbestos Waste					
<i>The Householders Asbestos Disposal Scheme seeks to improve work health and safety for the safe removal and disposal of bonded asbestos. Ballina Shire Council is subsidising the cost of the kits which will be made available at the Waste Centre.</i>					
Household asbestos sample test kit	B	No charge	Y	No charge	
Household Asbestos Disposal Kits	C	\$30	Y	\$30	22281.6781.101
Tyres					
Car, motor bike (/tyre)	B	\$12	Y	\$12	22283.6820.101
4 x 4 Light truck (/tyre)	B	\$15	Y	\$15	22283.6820.101
Truck (/tyre)	B	\$39	Y	\$40	22283.6820.101
Car, motor bike (/tyre with rim)	B	\$14	Y	\$14	22283.6820.101
4 x 4 Light truck (/tyre with rim)	B	\$17	Y	\$17	22283.6820.101
Truck (/tyre with rim)	B	\$41	Y	\$41	22283.6820.101
Other (/tyre)	B	POA	Y	POA	
Refrigerators/Air Conditioners					
(No degas certificate) (/item)	B	\$47	Y	\$47.50	22283.6820.101
Dead Animals					
<i>Minimum weight charge 20kg.</i>					
Dead animal(s) - weighed \$/tonne	B	\$272	Y	\$276	22283.6820.101
Missed Bin Collection Charge					
Fee charged for instances where the customer has not presented their bin for collection and subsequently ask for the bin to be collected	B	POA	Y	POA	22283.6820.101
Special Event or Special Services Charge					
<i>Price available upon application to the Waste Management Centre. Prices reviewed as market rates and operating costs change.</i>					
Special Event or Special Services Charge	B	POA	Y	POA	22283.6820.101
Weighbridge Certificate - For Registration Purposes Only					
<i>Single weighing requiring certificate (includes account customers). Please note - this facility is not a public weighbridge.</i>					
Weighbridge Certificate	B	\$36	Y	\$37	22283.6820.101
Mulch					
Large quantities of mulch - price reviewed to meet demand and operational needs	C	POA	Y	POA	
Crushed concrete sale per tonne					
Crushed concrete sale per tonne	B	POA	Y	POA	

4.9 Waste Operations - Long Term Financial Plan

Ballina Shire Council – 2019/20 Fees and Charges

EXTRACT OF WASTE FEES AND CHARGES

Fee Name	Pricing Policy	2018/19	GST Y/N	2019/20	GL Code
Waste Management Negotiated Fees					
<i>Waste Services is a commercial enterprise and Council does reserve the right to negotiate with individual persons or organisations where there is a commercial benefit to Council eg specific fees may be negotiated for bulk sales of waste product.</i>					
Waste Management Collection Services					
Domestic Waste Collection Charges - Urban (Section 496 of the Local Government Act)					
<i>Wheelie Bin Collection Service - Charges per property, per self contained occupancy, per annum. Charges relevant for mixed waste and organics bins up to 240 litres capacity and recycling bins up to 360 litres capacity.</i>					
Urban Properties - Service provides collection of one mixed bin per fortnight, one recycling bin per fortnight and one organics bin per week	B	\$383	N	\$393	22290.0100.040
Vacant Land - Per rateable property where the collection service is available but not utilised	B	\$42	N	\$43	22290.7208.040
Domestic Waste Collection Charges - Rural (Section 496 of the Local Government Act)					
<i>Wheelie Bin Collection Service - Charges per property, per self contained occupancy, per annum. Charges relevant for mixed waste bins up to 240 litres capacity and recycling bins up to 360 litres capacity.</i>					
Rural Properties - Service provides collection of one mixed waste bin per week and one recycling bin per fortnight	B	\$334	N	\$343	22290.0100.040
Additional Domestic Waste Collection Services (Section 496 of the Local Government Act)					
Additional Domestic Recycling Collection Charge - Urban and Rural - One recycling bin per fortnight	B	\$115	N	\$118	22290.0100.040
Additional Domestic Organics Collection Charge - Urban - One organics bin per week	B	\$228	N	\$234	22290.0100.040
Additional Mixed Waste Collection Charge - Urban - One mixed waste bin per fortnight	B	\$115	N	\$118	22290.0100.040
Additional Mixed Waste Collection Charge - Rural - One mixed waste bin per week	B	\$228	N	\$234	22290.0100.040
Non-Domestic Collection Charges - Business, Commercial, Industrial Properties (Section 501 of the Local Government Act)					
<i>Optional service provided to non-domestic customers upon request. Per collection service, per annum. Charges relevant for mixed waste and organic bins up to 240 litres capacity and recycling bins up to 360 litres capacity.</i>					
Non-Domestic Waste Collection - One mixed waste bin collection per week	A	\$356	N	\$366	22280.6745.041
Non-Domestic Recycling Collection - One recycling bin collection per fortnight	A	\$176	N	\$181	22280.6745.041
Non-Domestic Organics Collection - One organics bin collection per week	A	\$311	N	\$319	22280.6745.041
Wheelie Bin Sales					
<i>Commercial Waste Services sell new and secondhand mixed waste and recycling bins. Sales also include parts such as lids, wheels and axes. The sale of bins is a commercial service. Prices are reviewed as market rates and cost of goods vary. The price to purchase bins or parts may be obtained by contacting the Waste Services Section of Council.</i>					

DOMESTIC WASTE MANAGEMENT																
ACTUAL			LEDGER ACCOUNT	BUDGET ITEMS	ESTIMATED											
2015/16	2016/17	2017/18			2018/19	2019/20	%	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
OPERATING REVENUES																
6,134,600	6,360,800	6,571,100	22290	Domestic Waste Mgmt Annual Charges	6,795,000	6,978,500	3	7,153,000	7,331,800	7,515,100	7,703,000	7,895,600	8,093,000	8,295,300	8,502,700	8,715,300
(276,500)	(273,000)	(257,900)	22290	Pensioner Abandonments	(254,000)	(256,000)	1	(258,000)	(260,000)	(262,000)	(264,000)	(266,000)	(268,000)	(270,000)	(272,000)	(274,000)
21,700	22,300	18,900	22290	Vacant Property Annual Charges	19,000	19,500	3	20,000	20,500	21,000	21,500	22,000	22,600	23,200	23,800	24,400
152,100	150,200	141,800	22291/22292	Grants and Subsidies	184,000	141,000	(23)	142,000	143,000	144,000	145,000	146,000	147,000	148,000	149,000	150,000
47,600	47,800	57,800	22292	Interest on Investments	62,000	67,000	8	26,000	36,000	48,000	59,000	72,000	85,000	85,000	14,000	99,000
0	0	0	22292	Gain / (Loss) on Disposal of Assets	0	0	0	0	0	0	0	0	0	0	0	0
6,079,500	6,308,100	6,531,800			6,806,000	6,950,000	2	7,083,000	7,271,300	7,466,100	7,664,500	7,869,600	8,079,600	8,281,500	8,417,500	8,714,700
OPERATING EXPENSES																
Administration																
204,900	206,100	190,300	32360	Salaries and Oncosts and Assoc Exps	315,000	467,000	48	478,000	489,000	500,000	512,000	524,000	536,000	548,000	561,000	574,000
38,100	38,200	39,000	32360	North East Waste Membership	40,000	41,000	3	42,000	43,000	44,000	45,000	46,000	47,000	48,000	49,000	50,000
630,000	637,000	688,000	32360	Indirect Expenses - Overheads	704,000	722,000	3	740,000	759,000	778,000	797,000	817,000	837,000	858,000	879,000	901,000
(618,900)	(640,200)	(700,100)	22292	Waste Trucks - Internal Charges	(644,000)	(660,000)	2	(677,000)	(694,000)	(711,000)	(729,000)	(747,000)	(766,000)	(785,000)	(805,000)	(825,000)
2,900	17,500	4,700	32361	Promotion and Education	3,000	95,000	3,067	76,000	78,000	80,000	82,000	84,000	86,000	88,000	90,000	92,000
Debt Servicing																
8,000	0	0	32361	Interest on Loans	0	0	0	0	0	0	0	0	0	0	0	0
Collection																
514,700	517,100	619,000	32364	Collection Kerbside - Mixed Waste	615,000	630,000	2	646,000	662,000	679,000	696,000	713,000	731,000	750,000	769,000	788,000
1,244,400	1,231,700	1,273,800	32364	Collection Kerbside - Organics	1,190,000	1,300,000	9	1,333,000	1,366,000	1,400,000	1,435,000	1,471,000	1,508,000	1,546,000	1,585,000	1,625,000
1,832,300	1,865,600	1,907,000	32364	Collection Kerbside - Disposal Fees	2,171,000	1,900,000	(12)	1,948,000	1,997,000	2,047,000	2,098,000	2,150,000	2,204,000	2,259,000	2,315,000	2,373,000
497,700	518,800	405,300	32364	Collection Kerbside - Recycling	402,000	451,000	12	462,000	474,000	486,000	498,000	510,000	523,000	536,000	549,000	563,000
960,800	1,002,700	983,200	32364	Collection Kerbside - Recycling Disposal	1,231,000	1,000,000	(19)	1,025,000	1,051,000	1,077,000	1,104,000	1,132,000	1,160,000	1,189,000	1,219,000	1,249,000
48,800	51,400	53,200	32364	Collection Kerbside - Bin Maintenance	113,000	120,000	6	123,000	126,000	129,000	132,000	135,000	138,000	141,000	144,000	147,000
375,900	383,700	457,600	32364	Waste Trucks - Operating Expenses	440,600	451,000	2	462,000	474,000	486,000	498,000	510,000	523,000	536,000	549,000	563,000
Non-Cash Expenses																
177,200	177,200	177,200	32360	Depreciation	180,000	225,000	25	350,000	357,000	364,200	371,500	379,000	386,600	394,400	402,300	410,400
5,916,800	6,006,800	6,098,200		Total Operating Expenses	6,760,600	6,742,000	(0)	7,008,000	7,182,000	7,359,200	7,539,500	7,724,000	7,913,600	8,108,400	8,306,300	8,510,400
162,700	301,300	433,600		Operating Result - Surplus / (Deficit)	45,400	208,000	358	75,000	89,300	106,900	125,000	145,600	166,000	173,100	111,200	204,300
177,200	177,200	177,200		Add Back Depreciation	180,000	225,000	25	350,000	357,000	364,200	371,500	379,000	386,600	394,400	402,300	410,400
339,900	478,500	610,800		Cash Result - Surplus / (Deficit)	225,400	433,000	92	425,000	446,300	471,100	496,500	524,600	552,600	567,500	513,500	614,700
Capital Movements																
162,600	0	0		Less Loan Principal Repayments	0	0	0	0	0	0	0	0	0	0	0	0
339,900	478,500	610,800		Less Transfer to Reserves	225,400	433,000	92	425,000	446,300	471,100	496,500	524,600	552,600	567,500	513,500	614,700
541,900	0	0		Add Transfer from Reserves	0	2,100,000	100	0	0	0	0	0	0	2,500,000	0	0
0	0	0		Add Capital Income Applied	0	0	0	0	0	0	0	0	0	0	0	0
379,300	0	0		Less Capital Expenditure	0	2,100,000	100	0	0	0	0	0	0	2,500,000	0	0
0	0	0		Cash Result after Capital Movements	0	0	0	0	0	0	0	0	0	0	0	0

4.10 Water Operations - Long Term Financial Plan

4.10 Water Operations - Long Term Financial Plan

Delivery Program Financial Services

Objective To review the long term financial plan for Council's water operations.

Background

Water operations form a significant part of Council's overall turnover at approximately 12% of operating revenues. In recent years the business has achieved operating surpluses and modelling had indicated that Council's water charge price increases approximating CPI could be maintained.

The purchase of bulk water from Rous County Council (RCC) represents 60% of operating expenses, excluding depreciation, which means Council is very susceptible to changes in that expense. RCC is in the process of reviewing their Long Term Financial Plan (LTFP) and they are proposing bulk water annual price increases from 4% to 7% for the next eight years.

This will adversely impact Council's financial modelling resulting in significant increases in our charges to customers during that eight year period. Eight years of 7% increases represents a compounded increase of 72% and from Council's perspective we should be asking Rous to reduce their operating expenses, as that level of increase is excessive.

The report that follows provides an overview of the latest update of the LTFP and outlines the impacts of the changes in the costs to bulk water.

Key Issues

- Financial performance and sustainability

Information

The following table shows actual results for the previous two financial years together with the current year's estimated result to 30 June.

Table One: Water Financial Performance

Description	2016/17 Actual \$000	2017/18 Actual \$000	2018/19 Estimate \$000
Operating Revenues	12,410	12,601	12,707
Operating Expenses (including depreciation)	11,120	11,121	11,243
Operating Result - Surplus / (Deficit)	1,290	1,481	1,464
Excluding Depreciation and Loss on Sale	1,400	1,494	1,408
Cash Operating Result – Surplus	2,689	2,975	2,872
Less Loan Principal Repaid	0	0	0
Less Capital Expenditure	1,132	2,001	3,528
Add Capital Income	469	1,075	600
Cash Increase / (Decrease)	2,026	2,049	(56)
Fund Infrastructure Movements / Leave Balances	3,287	(296)	0
Reserve Balances	15,891	17,644	17,588

4.10 Water Operations - Long Term Financial Plan

The business has shown reasonable operating surpluses in recent years, both before and after depreciation.

The attachments to this report are the latest review of the LTFP for the ten year period from 2019/20 to 2028/29.

Attachment 1 is the forecast Income Statement for Water Operations based on the format as per Council's Annual Financial Statements.

Attachment 2 is the same information, based on the main operating revenues and expense categories for the business, along with a summary of capital movements.

Attachment 3 is the capital expenditure program for the ten year period.

In respect to operating revenues, the primary income source for water is the water consumption charge. This can be a variable income source, which is touched on later in this report. For 2018/19, water consumption income is trending towards a forecast of \$7.3 million (2017/18 actual was \$7.4 million).

For 2019/20 the forecast consumption income has been estimated at \$7.5 million, representing an overall increase of 2.7%.

The other large income source is the annual access charges. For 2018/19, water access charges are trending towards a forecast of \$3.9 million.

For 2019/20, the forecast access charge income has been estimated at \$4.0 million, also representing an overall increase of 2.7%.

For 2019/20 the forecast operating expenses, excluding depreciation, has been estimated to increase by 4.5% in comparison to the current 2018/19 forecast.

The contribution to Rous County Council represents nearly 40% of the total increase to forecast operating expenses. Rous Water has confirmed a price per kilolitre increase of 4.0% will be applied for 2019/20.

Due to the methodology used by Rous to apportion cost between the constituent councils, based on the proportion of consumption for the previous year ending February, the impact on total bulk water costs for Ballina Shire Council for the 2019/20 year will only be 2.8%, as Ballina Shire Council's percentage of total Rous consumption has declined. The calculation provided by Rous is as follows.

2017/18 Consumption for 2018/19			2018/19 Consumption for 2019/20					
Kilolitres	Proportion	Cost @	Supply Area	Kilolitres	Consumption	Proportion	Cost @	% Increase
	Total	\$1.6059			Trend			
	Sales	Cents / Kl			(Decrease) over	Sales	c/kl	(Decrease) over
					previous Year			previous Year
3,190,705	28.76%	\$5,124,100	Lismore City Council	3,263,993	2.30%	29.15%	\$5,402,400	5.43%
2,729,781	24.60%	\$4,383,900	Byron Council	2,623,960	-3.88%	23.44%	\$4,343,100	-0.93%
642,652	5.79%	\$1,032,100	Richmond Valley Council	710,739	10.59%	6.35%	\$1,176,400	13.98%
3,701,081	33.36%	\$5,943,700	Ballina Council	3,690,695	-0.28%	32.97%	\$6,108,700	2.78%
		\$16,483,800					\$17,030,600	
830,692	7.49%	\$1,334,000	RW Retail	906,203	9.09%	8.09%	\$1,499,900	12.44%
11,094,911	100.00%	\$17,817,800	TOTAL	11,195,590	0.91%	100.00%	\$18,530,500	4.00%

4.10 Water Operations - Long Term Financial Plan

The cost of bulk water for Ballina Shire Council for 2019/20 is set at \$6,108,700, representing an increase of \$165,000, or 2.78%, from the 2018/19 costs.

As a consequence of the various movements in operating revenues and operating expenses, the overall cash operating result for 2019/20 is forecast to be lower than the 2018/19 result (a decrease of \$561,700 from a \$2,872,000 surplus to a \$2,220,400 surplus).

The capital works program is a key driver in the LTFP and a large component of the works relate to population growth. The timing of these works can vary from the forecast depending on what growth does occur and in what locations.

The model predicts capital works at a moderate level for the next year, followed by several years of higher expenditure, which does cause cash reserves to decline significantly during the forecast period.

Capital income refers to contributions from developers relating to new subdivisions. This income source is difficult to predict. The model assumes \$620,000 from this source (increasing by approximately CPI each year) however this figure can be considerably higher or lower in any given year.

In many respects the current financial performance and position of the business is satisfactory. A modest operating surplus is being achieved, the asset network is in relatively good condition, there is no debt and current cash reserves are sufficient to meet the immediate needs of the business.

A concern going forward is the proposed Rous bulk water charge increases, as these would necessitate the passing on of such increases to the end user.

The largest income source is water consumption, which typically generates around 60% of total operating revenues. It is also the most variable given that the weather can materially affect consumption patterns and is the biggest risk to accurate modelling.

Council's water consumption income, as compared to price increases, over the last five financial years is as follows:

Table Two: Water Consumption Income Compared to Price

Year	Income (\$)	Income % Change	Increase in Price
2018/19	7,350,500 (1)	(2.5)	2.3%
2017/18	7,538,600	(3.0)	2.0%
2016/17	7,771,200	16.8	2.8%
2015/16	6,654,300	3.5	3.0%
2014/15	6,429,000	(1.8)	6.0%

(1) estimated

There is a limited correlation between increases to price and increases (or decreases) to income received.

The financial modelling is still based on consumption income increasing in accordance with price as this remains as a good an indicator as any.

4.10 Water Operations - Long Term Financial Plan

Given that it is likely that income received will vary up or down from the forecast it is important that the business maintains sufficient cash reserves as a buffer to meet lean times and financial shocks.

The financial model, which is summarised as follows, looks to maintain a fairly consistent operating cash surplus whilst reserves decline. There are sufficient reserves on hand to allow a gradual approach to this strategy, such that reserves tend to decrease for the majority of the ten year model. Importantly no borrowings are anticipated.

The attachment to this report provides the complete model.

Table Three: Water Financial Model

Description	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29
Operating Revenues	12,707	12,587	12,956	13,283	13,629	13,983	14,394	14,828	15,327	15,747	16,174
Operating Expenses	11,243	11,867	12,118	12,527	12,920	13,387	13,778	14,228	14,599	14,938	15,306
Operating Result	1,464	720	839	756	709	596	617	600	728	809	868
Add Back Deprec	1,408	1,500	1,530	1,561	1,592	1,624	1,656	1,690	1,723	1,758	1,793
Cash Surplus	2,872	2,220	2,369	2,317	2,301	2,220	2,273	2,290	2,451	2,567	2,661
Capital Income	600	620	640	660	680	700	720	740	760	780	800
Loan Principal	0	0	0	0	0	0	0	0	0	0	0
Capital Expenditure	3,528	3,676	6,753	6,369	6,682	4,199	3,879	1,242	1,290	1,503	1,364
Net Reserve M'ment	(56)	(836)	(3,744)	(3,393)	(3,701)	(1,279)	(886)	1,788	1,921	1,844	2,097
Total Reserves	17,588	16,752	13,008	9,615	5,915	4,636	3,750	5,538	7,459	9,303	11,400

The model has been formulated based on an increase to the access charge income and consumption income of 2.7% in 2019/20.

The figure of 2.7% for the income increases have been applied for 2019/20 as IPART has determined that percentage as the rate peg limit. Even though the water, wastewater and waste operations of Council are not subject to rate pegging, IPART has based the 2.7% on cost indexation for local government, and it is reasonable to apply that percentage for increases in other Council charges.

The model includes 3.5% per annum increases to consumption charges for the period of 2020/21 to 2026/27, to offset the modelled Rous increases of 4% per annum, and 2.5% (the assumed peg rate) thereafter.

If the actual consumptions charges imposed by Rous vary from this, especially upward to 7%, future modelling and future pricing will need to take this into account.

Access charges for future years have been modelled at 2.5%.

The forecast total access charge income for 2019/20 has been estimated at \$4.0 million, representing an overall increase of 2.7%.

The forecast total consumption income for 2019/20 has been estimated at \$7.5 million, representing an overall increase of 2.7%.

4.10 Water Operations - Long Term Financial Plan

Assumptions Applied

- Estimated income from the access charge is \$4.0 million.
- Estimated income from consumption is \$7.5 million
- Rous Water contribution to increase to \$6.1 million
- Developer contributions are forecast at \$620,000
- Capital expenditure of \$3.8 million

Fees and Charges

A later report to this meeting will detail the proposed charges for 2019/20 for consideration and resolution by Council.

Legal / Resource / Financial Implications

As outlined in the information section of this report.

Consultation

The draft LTFP will be subject to formal exhibition.

Options

Council has the option of endorsing the proposed LTFP or examining alternatives.

The recommendation is to exhibit the LTFP, as per the contents of this report.

RECOMMENDATION

That Council endorses the long term financial plan, as per the attachments to this report, for the water operations.

Attachment(s)

1. Income Statement
2. Water Operations
3. Capital Expenditure

WATER OPERATIONS - INCOME STATEMENT (2017/18 to 2028/29)													
ACTUAL 2017/18	ITEM	ESTIMATED											
		2018/19	2019/20	%	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	OPERATING RESULTS												
	Operating Activities												
3,489,900	Annual Charges	3,609,000	3,712,500	3	3,810,300	3,911,000	4,013,700	4,120,100	4,228,500	4,339,900	4,454,300	4,571,700	4,691,100
7,538,600	User Charges and Fees	7,350,500	7,549,100	3	7,813,700	8,086,300	8,369,900	8,662,500	8,965,100	9,278,800	9,603,500	9,844,200	10,089,900
435,900	Interest and Investment Revenues	468,300	329,800	(30)	314,100	243,900	180,200	110,900	86,900	70,300	103,800	139,800	174,400
785,600	Other Revenues	824,400	850,200	3	871,800	893,900	916,500	939,700	963,400	987,800	1,012,800	1,038,300	1,064,500
333,000	Grants and Contributions for Operating Purposes	454,700	145,500	(68)	146,500	147,700	148,900	149,700	150,500	151,400	152,200	153,000	153,800
2,942,300	Grants and Contributions for Capital Purposes	2,467,200	2,487,200	1	2,507,200	2,527,200	2,547,200	2,567,200	2,587,200	2,607,200	2,627,200	2,647,200	2,667,200
	Other Income:												
18,300	Net Gain from Disposal of Assets	0	0	0	0	0	0	0	0	0	0	0	0
15,543,600	Total Income from Continuing Operations	15,174,100	15,074,300	(1)	15,463,600	15,810,000	16,176,400	16,550,100	16,981,600	17,435,400	17,953,800	18,394,200	18,840,900
	Operating Expenses												
1,980,000	Employee Benefits and On-costs	2,041,000	2,104,000	3	2,169,000	2,236,000	2,305,000	2,377,000	2,451,000	2,527,000	2,605,000	2,686,000	2,769,000
0	Borrowing Costs	0	0	0	0	0	0	0	0	0	0	0	0
1,346,400	Materials and Contracts	1,413,200	1,667,600	18	1,699,500	1,731,900	1,765,100	1,797,700	1,830,800	1,864,200	1,898,600	1,932,800	1,968,000
1,482,100	Depreciation and Amortisation	1,408,000	1,500,000	7	1,530,000	1,560,600	1,591,900	1,623,800	1,656,300	1,689,500	1,723,300	1,757,800	1,793,000
6,300,800	Other Expenses	6,380,600	6,595,200	3	6,719,200	6,998,400	7,257,900	7,588,100	7,839,500	8,147,500	8,371,700	8,561,300	8,776,100
11,700	Net Loss from Disposal of Assets	0	0	0	0	0	0	0	0	0	0	0	0
11,121,000	Total Expenses from Continuing Operations	11,242,800	11,866,800	6	12,117,700	12,526,900	12,919,900	13,386,600	13,777,600	14,228,200	14,598,600	14,937,900	15,306,100
4,422,600	Net Operating Result for the Year	3,931,300	3,207,500	(18)	3,345,900	3,283,100	3,256,500	3,163,500	3,204,000	3,207,200	3,355,200	3,456,300	3,534,800
1,480,300	Net Operating Result Before Capital Income	1,464,100	720,300	(51)	838,700	755,900	709,300	596,300	616,800	600,000	728,000	809,100	867,600

WATER OPERATIONS																
ACTUAL			LEDGER ACCOUNT	BUDGET ITEMS	ESTIMATED											
2015/16	2016/17	2017/18			2018/19	2019/20	%	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
OPERATING REVENUES																
3,226,000	3,371,900	3,489,900	10000	Annual Charges	3,609,000	3,712,500	3	3,810,300	3,911,000	4,013,700	4,120,100	4,228,500	4,339,900	4,454,300	4,571,700	4,691,100
6,654,300	7,771,200	7,538,600	10010	User Charges	7,350,500	7,549,100	3	7,813,700	8,086,300	8,369,900	8,662,500	8,965,100	9,278,800	9,603,500	9,844,200	10,089,900
796,400	762,900	785,600	10011	Fees and Fines	824,400	850,200	3	871,800	893,900	916,500	939,700	963,400	987,800	1,012,800	1,038,300	1,064,500
157,400	159,900	333,000	10003	Operating Grants	454,700	145,500	(88)	146,500	147,700	148,900	149,700	150,500	151,400	152,200	153,000	153,800
339,000	343,900	435,900	10004	Interest	468,300	329,800	(30)	314,100	243,900	180,200	110,900	86,900	70,300	103,800	139,800	174,400
26,000	0	18,300	10012	Gain on Disposal of Plant and Equipment	0	0	0	0	0	0	0	0	0	0	0	0
11,199,100	12,409,800	12,601,300		Total Operating Revenues	12,706,900	12,587,100	(1)	12,956,400	13,282,800	13,629,200	13,982,900	14,394,400	14,828,200	15,326,600	15,747,000	16,173,700
OPERATING EXPENSES																
Direct Expenses																
355,600	356,700	407,600	50000/50005	Engineering Management	500,900	575,700	15	590,300	605,200	620,600	636,300	652,400	668,800	685,700	703,100	720,900
415,700	450,000	323,900	50005	Administration and Customer Service	355,600	421,400	19	391,800	417,500	413,400	469,600	435,900	447,500	479,500	471,900	484,500
150,000	294,800	49,700	50005	Contributions to Works	132,900	134,000	1	45,100	46,300	47,500	48,700	50,000	51,300	52,600	54,000	55,400
10,700	11,300	12,300	50008	Miscellaneous	12,300	12,700	3	13,100	13,500	13,900	14,300	14,700	15,100	15,500	15,900	16,300
5,703,100	5,886,500	5,977,700	50100	Purchase of Water	5,943,700	6,108,700	3	6,353,100	6,607,300	6,871,600	7,146,500	7,432,400	7,729,700	7,923,000	8,121,100	8,324,200
10,700	11,600	6,000	50101	Pumping Stations - Operations	10,000	10,900	9	11,800	12,700	13,600	14,500	15,400	16,300	17,200	18,200	19,200
34,400	37,600	37,300	50102	Pumping Stations - Energy Costs	44,200	58,600	33	60,700	62,900	65,100	67,300	69,500	71,800	74,100	76,400	78,800
55,700	66,800	55,400	50105/50106	Reservoirs - Operations and Maintenance	72,000	75,000	4	76,900	79,000	81,100	83,200	85,400	87,600	89,900	92,300	94,700
111,800	134,900	160,300	50107	Water Treatment Plants - Operations	157,500	161,700	3	166,000	170,300	174,800	179,500	184,200	189,000	194,000	199,000	204,200
30,600	42,000	20,200	50107	Water Treatment Plants - Maintenance	31,100	32,000	3	32,900	33,800	34,800	35,800	36,800	37,800	38,800	39,900	41,000
83,200	49,300	55,900	50109	Mains - Operations	55,000	72,000	31	73,900	76,000	78,100	80,300	82,500	84,800	87,100	89,500	91,900
364,500	397,400	409,400	50110	Mains - Maintenance	429,200	480,000	12	492,000	504,400	517,200	530,200	543,600	557,300	571,400	585,700	600,400
345,100	376,400	387,200	50111	Water Connections - Maintenance	320,000	350,000	9	358,800	367,800	377,000	386,500	396,200	406,200	416,400	426,900	437,600
247,000	223,900	250,000	50112	Water Quality Testing, Reading and Other	241,200	269,000	12	276,000	283,100	290,500	297,900	305,700	313,300	321,300	329,600	338,300
67,900	62,500	92,300	50113	Telemetry and Plant Maintenance	95,300	135,400	42	138,900	142,400	146,100	149,900	153,700	157,700	161,700	165,800	170,100
1,301,000	1,319,000	1,382,000	50005	Indirect Expenses - Overheads Overheads Distributed	1,433,900	1,469,700	2	1,506,400	1,544,100	1,582,700	1,622,300	1,662,900	1,704,500	1,747,100	1,790,800	1,835,600
0	0	0	50010	Debt Servicing Interest On Loans	0	0	0	0	0	0	0	0	0	0	0	0
1,498,900	1,460,600	1,482,100	50112	Non-cash Expenses Depreciation	1,408,000	1,500,000	7	1,530,000	1,560,600	1,591,900	1,623,800	1,656,300	1,689,500	1,723,300	1,757,800	1,793,000
64,000	0	11,700	50112	Loss on Disposal of Infrastructure	0	0	0	0	0	0	0	0	0	0	0	0
10,849,900	11,181,300	11,121,000		Total Operating Expenses	11,242,800	11,866,800	6	12,117,700	12,526,900	12,919,900	13,386,600	13,777,600	14,228,200	14,598,600	14,937,900	15,306,100
349,200	1,228,500	1,480,300		Operating Result - Surplus / (Deficit)	1,464,100	720,300	(51)	838,700	755,900	709,300	596,300	616,800	600,000	728,000	809,100	867,600
1,498,900	1,460,600	1,482,100		Add Back Depreciation	1,408,000	1,500,000	7	1,530,000	1,560,600	1,591,900	1,623,800	1,656,300	1,689,500	1,723,300	1,757,800	1,793,000
64,000	0	11,700		Add Back Loss on Infrastructure Disposal	0	0	0	0	0	0	0	0	0	0	0	0
1,912,100	2,689,100	2,974,100		Cash Result - Surplus / (Deficit)	2,872,100	2,220,300	(23)	2,368,700	2,316,500	2,301,200	2,220,100	2,273,100	2,289,500	2,451,300	2,566,900	2,660,600
Capital Movements																
0	0	0		Less Loan Principal Repayments	0	0		0	0	0	0	0	0	0	0	0
637,500	1,932,900	1,063,600		Less Transfer to Reserves	70,000	0		0	0	(32,100)	0	788,100	1,013,700	1,127,300	1,029,600	2,626,600
0	0	0		Add Transfer from Reserves	0	1,339,700		2,561,300	420,500	0	979,000	0	0	0	0	0
186,400	409,300	124,700		Add Capital Income Applied	760,000	150,000		1,857,000	3,666,000	4,382,500	1,033,500	2,428,000	0	0	0	1,364,000
1,427,000	1,131,500	2,001,200		Less Capital Expenditure	3,528,100	3,676,000		6,753,000	6,369,000	6,681,800	4,198,600	3,879,000	1,241,800	1,290,000	1,503,300	1,364,000
34,000	34,000	34,000		Cash Result after Capital Movements	34,000	34,000	0	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000

4.10 Water Operations - Long Term Financial Plan

WATER - CAPITAL EXPENDITURE																												
Asset Description											Funding Source 2019/20				Funding Source 2020/21				Funding Source 2021/22				Funding Source 2022/23					
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Grants	Sect 64	Loans	Reserves	Grants	Sect 64	Loans	Reserves	Grants	Sect 64	Loans	Reserves	Grants	Sect 64	Loans	Reserves		
Main Renewals																												
Main Renewal - Recurrent	655,000	675,000	695,000	723,000	752,000	782,000	813,000	846,000	880,000	915,000				655,000				675,000				695,000				723,000		
Alstonville Valve Replacements	60,000													60,000				0				0				0		
Water Reservoirs																												
Reservoirs - Ross Lane		500,000		3,211,000										0	500,000			0				0		3,211,000		0		
Reservoirs - Pacific Pines	150,000		1,077,000								150,000			0				0	1,077,000			0		0		0		
Reservoirs - Access Upgrades	325,000													325,000				0				0		0		0		
Miscellaneous																												
Telemetry	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000				9,000				9,000				9,000				9,000		
Ethernet Telemetry Upgrade	50,000													50,000				0				0				0		
Smart Water Meter Network	10,000													10,000				0				0				0		
Easement Clearing - Part V Approvals	20,000													20,000				0				0				0		
Water Pump and Bore Stations																												
Pump Stns - Russellton Booster					446,000									0				0				0		0		0		
Trunk Mains																												
Wardell Mains						282,000								0				0				0		0		0		
North Ballina Reticulation Mains			712,000											0				0				712,000		0		0		
North Ballina Distribution Mains		2,078,000		2,343,000										0	1,039,000			1,039,000				0	1,171,500			1,171,500		
Pine Avenue Distribution Mains			2,589,000											0				0	2,589,000			0		0		0		
Ballina Island Distribution Mains					1,175,000									0				0				0		0		0		
Lennox Head Mains					1,274,000									0				0				0		0		0		
CURA B Distribution Main		330,000												0				330,000				0		0		0		
Russellton Reticulation Mains		160,000												0	80,000			80,000				0		0		0		
West Ballina Bypass Distn Main						2,428,000								0				0				0		0		0		
Lennox Palms Dist and Reticulation			388,000											0				0				388,000		0		0		
Pacific Pine Distribution Main		238,000												0	238,000			0				0		0		0		
PRV at Water Wheels	150,000													150,000				0				0		0		0		
Water Treatment Plant																												
Marom Creek WTP - Upgrade	1,730,000	2,350,000	540,000											1,730,000				2,350,000				540,000				0		
Marom Creek WTP - Renewals	27,000	28,000	29,000	30,000	31,000	32,000	33,000	34,000	35,000	36,000				27,000				28,000				29,000				30,000		
Plant and Equipment																												
Vehicle and Plant Replacement		87,000	23,000	45,800	178,600		26,800	27,000	190,300	0				0				87,000				23,000				45,800		
Water Capital - Service Connection																												
Water Meter - New <20mm	320,000	233,000	240,000	250,000	260,000	270,000	281,000	292,000	304,000	316,000				320,000				233,000				240,000				250,000		
Water Meter - New > 20mm	50,000													50,000				0				0				0		
Water Meter - Replacement	110,000	65,000	67,000	70,000	73,000	76,000	79,000	82,000	85,000	88,000				110,000				65,000				67,000				70,000		
Water Meter - Conversion of Meters	10,000													10,000				0				0				0		
Total Capital Expenditure	3,676,000	6,753,000	6,369,000	6,681,800	4,198,600	3,879,000	1,241,800	1,290,000	1,503,300	1,364,000	0	150,000	0	3,526,000	0	1,857,000	0	4,896,000	0	3,666,000	0	2,703,000	0	4,382,500	0	2,299,300		

4.11 Water Pricing Structure

4.11 Water Pricing Structure

Delivery Program Financial Services

Objective To confirm the preferred pricing structure for the water operations.

Background

At the March 2018 Finance Committee meeting Council considered a report titled "Water Pricing Structure – Two Step Consumption Charge Review". The recommendation for the report was as follows:

1. *That Council supports the removal of the two-step pricing structure for water consumption, by adopting a staged approach whereby the current 50% premium will be reduced to nil over a period of five years (i.e. 10% reduction each year – 40%, 30%, 20%, 10%).*
2. *That Council continue to monitor the balance of water income received from annual charges and consumption charges with the long term objective being to achieve 75% or more of the total income from these two sources from consumption charges, as per the State Government's best practice guidelines.*
3. *That Council endorses this pricing approach for the preparation of the water pricing for the exhibition of the 2018/19 Operational Plan.*

The recommendation from the Finance Committee meeting, which was adopted at the April 2018 Ordinary meeting, was as follows:

1. *That Council investigate the Brisbane City Council tariff model.*
2. *That Council continue to monitor the balance of water income received from annual charges and consumption charges with the long term objective being to achieve 75% or more of the total income from these two sources from consumption charges, as per the State Government's best practice guidelines.*

Additionally, at the March 2018 Finance Committee meeting Council also considered a report titled "Water Pricing Structure – Access Charge Review". The recommendation from the Finance Committee meeting, which was adopted at the April 2018 Ordinary meeting, was as follows:

1. *That Council implements a phased implementation of the new access charge starting at \$204 for the first tenement and \$102 thereafter for all properties impacted as per Attachment 2 to this report.*
2. *That Council maintains and makes the water access charges as per the 2017/18 access charges, subject to point one above.*
3. *That, in principle, the objective of Council is to get to 100% in 2019/20.*

This report responds to these resolutions.

4.11 Water Pricing Structure

Key Issues

- Equity of our water billing structure and impact on customers

Information

The information in this report has been structured as follows:

- Brisbane City Council tariff model
- Ballina comparison to other NSW Councils
- Review of Annual and Consumption Charges
- Access Charges for Residential Multiple Occupancies
- Review of Two Step Consumption Charge.

A. Brisbane City Council tariff model

Brisbane City Council is not a water utility in its own right but rather part of the Queensland Urban Utilities (QUU) which supplies water to five service regions across south eastern Queensland.

The supply regions are Brisbane City Council, Ipswich City Council (city plus surrounding urban and rural areas) and three rural/regional councils of Lockyer Valley Regional Council, Scenic Rim Regional Council and Somerset Regional Council.

Water consumption and water access charges for these supply regions are influenced by infrastructure and population densities.

Although each supply region has the same Tier 1 or Step 1 rate per kilolitre, the Tier 2 or Step 2 rate per kilolitre and water access charges between residential and non-residential properties are different for each supply region.

Table 1, as follows, details water consumption charges for each of the QUU five supply regions with analysis commentary provided following the table.

Water access charges have also been included as they are referred to later in this report.

Table 1 – Queensland Urban Utilities

Tier structure per quarter			Residential					Non-Residential				
QUU regions	supply	SBWP	Tier 1 - up to 74KL	Total Tier 1	Tier 2 - over 74KL	Total Tier 2	Water Access Charge	Tier 1 - up to 74KL	Total Tier 1	Tier 2 - over 74KL	Total Tier 2	Water Access Charge
Brisbane Council	City	2.915	0.768	3.683	1.489	4.404	216.48 ²	0.768	3.683	1.609	4.524	235.08 ²
Ipswich Council	City	2.915	0.933	3.848	1.489	4.404	322.44 ³	0.933	3.848	1.9800	4.895	396.12 ³
Lockyer Regional Council	Valley	2.915	0.562	3.477	1.489	4.404	322.44 ⁴	0.562	3.477	1.282	4.197	458.16 ⁶
Scenic Regional Council	Rim	2.915	0.933	3.848	1.489	4.404	322.44 ³	0.933	3.848	1.333	4.248	396.12 ⁷
Somerset Regional Council		2.915	0.562	3.477	1.246	4.161	322.44 ⁵	0.562	3.477	0.899	3.814	343.92 ⁵

4.11 Water Pricing Structure

1. State Bulk Water Price (SBWP) is the charge covering the cost of the treated water purchased from the State Government.
2. Minimum charge per assessment
3. 25mm connection or less then based on meter size
4. Per assessment/per lot
5. Per connection
6. First tenement (full pressure)
7. 20mm connection then based on meter size

A major influence on the price of water for QUU is the State Bulk Water Price (SBWP) which is the charge covering the cost of the treated water purchased from the Queensland State Government. The SBWP for the 2018/19 year is \$2.915 per kilolitre.

Adding the QUU tier rate structure to the SBWP shows the minimum Tier 1 (74KL per quarter) rate of \$3.477 per kilolitre and the highest Tier 2 rate of \$4.895 per kilolitre for Non-Residential consumers.

In comparison Ballina Shire Council charges water consumption at \$2.23 for the first 350 kilolitres per annum and \$3.35 thereafter. This means the Ballina Step 2 rate per kilolitre is cheaper than the QUU lowest Tier 1 rate per kilolitre.

The QUU stepped structure is 74 kilolitres per quarter. This means that if 60 kilolitres is used in any quarter, the 14 kilolitres difference is not carried forward to the following quarter. This would disadvantage users that use less water in the cooler months and more in the warmer months.

Ballina has a stepped structure for water consumption charges for consumption over 350 kilolitres per annum. This means that fluctuating water consumption over the course of the year does not penalise a user unless they exceed 350 kilolitres.

Table 2 provides a comparison of total water charges between Council and Brisbane City Council.

Table 2 - 2018/19 Charges Ballina and Brisbane

Council	Customer Type	Consumption KL	Rate per KL (\$)	Water Consumption Charges (\$)	Water Access Charge (\$)	Total Charges (\$)
Ballina	Residential	180	2.23	401.40	204.00	605.40
Brisbane	Residential	180	3.683	662.94	216.48	879.42
Ballina	Residential	360	2.23 then >350KL 3.35	814.00	204.00	1,018.00
Brisbane	Residential	360	3.683 then >296KL 4.404	1,372.02	216.48	1,588.50
Ballina	Non-Residential	100	2.23	223.00	204.00	427.00
Brisbane	Non-Residential	100	3.683	368.30	235.08	603.38
Ballina	Non-Residential	500	2.23 then >350KL 3.35	1,283.00	204.00	1,487.00
Brisbane	Non-Residential	500	3.683 then >296KL 4.524	2,013.06	235.08	2,248.14

4.11 Water Pricing Structure

Brisbane charges are considerably higher than Ballina primarily due to the Brisbane per kilolitre charge being much higher

B. Comparison of Ballina to other NSW Councils

Table 3 provides a comparison of water charges with other water utilities for the 2018/19 year.

Table 3 - 2018/19 Water Charges Comparison

Water Utility	Water Access Charge (\$)	Step 1 (KL)	Step 1 rate per KL (\$)	Step 2 (KL)	Step 2 rate per KL (\$)
Ballina Shire Council	204	up to 350	2.23	>350	3.35
Byron Shire Council	182	up to 450	2.51	>450	3.77
Clarence Valley Council	120	up to 450	2.45	>450	3.66
Coffs Harbour City Council	145	under 1KL p/d (365)	2.93	>1KL p/d (365)	4.40
Lismore City Council	275	flat rate	3.74	n/a	n/a
Port Macquarie-Hastings Council	205	up to 270	2.86	> 270	5.72
Richmond Valley Council	153	up to 200	2.33	>200	3.55
Tweed Shire Council	174	under 0.8219KL p/d (300)	2.96	> 0.8219KL p/d (300)	4.44

Ballina has the lowest water consumption rate per kilolitre for both Step 1 and Step 2, however has the third highest water access charge.

The trend for a number of other councils is to have a lower water access charge and a higher water consumption charge, which would help to comply with the State Government's best practice guidelines regarding 75% of the total income being derived from consumption.

C. Review of Annual Charges Income vs Consumption Income

One of the best practice guidelines is to receive at least 75 percent of total income for access and consumption charges from water consumption. Table 4 provides a comparison for Ballina for 2017/18.

Table 4 - 2017/18 - Consumption and Access Charge Income

Customer Type	Water Access Charges (\$)	% of Total	Water Consumption Charges (\$)	% of Total	Total Charges (\$)
Residential	3,048,399	36%	5,365,992	64%	8,414,391
Non-Residential	726,428	27%	1,971,653	73%	2,698,081
Total	3,774,828	34%	7,337,645	66%	11,112,472
Target % / Amount (\$)	2,778,118	25%	8,334,354	75%	11,112,472
Variation	(996,710)	(9%)	996,710	9%	

34% of income is derived from water access charges and 66% from water consumption charges. This result is similar to the previous two years.

To meet best practice guidelines, Council should steadily move towards an income ratio of 75% from consumption charges and 25% from access charge income, which could possibly be undertaken by freezing or reducing the access charges and increasing the consumption charges by a higher percentage.

D. Access Charges for Residential Multiple Occupancies

Of the surrounding or similar councils, Coffs Harbour, Richmond Valley and Port Macquarie charge residential water access charges per tenement.

Ballina implemented the first stage of charging for multiple tenements in 2018/19, with the second and subsequent tenancies charged at 50% of the water access charge.

Council also resolved, in principle, to move to 100% of the access charge in 2019/20.

There are 839 occupancies (330 properties) affected by the proposed 50% increase to the water access charge.

The additional income generated, should Council implement the increase to 100%, is estimated to be approximately \$86,000 for 2019/20.

The draft Long Term Financial Plan for water operations, as per a separate report in this agenda, assumes that Council will be increasing charges by 2.7%, based on the IPART determination for rate income, for 2019/20.

In recognition that a change to the pricing of residential multiple occupancies will generate additional income, the recommendation is that annual access charges (currently \$204 for a 20mm meter) be retained at the 2018/19 charge, thereby offsetting this increase in full.

If Council does not endorse the charging of equivalent tenements to 100%, the alternative recommendation would be to apply the 2.7% increase to all access charges to keep pace with CPI.

E. Review of Two Step Consumption Charge

The arguments in favour of a switch to a single per kilolitre rate, as outlined in the March 2018 report "Water Pricing – Two Step Consumption Charge Review", are:

- *A single rate per kilolitre is more equitable*
 - *Council buys water in bulk from Rous County Council at a single rate per kiloliter*
 - *Higher users such as schools, clubs, nursing homes, caravan parks etc are subsidising the lower water users.*
 - *Under our current billing structure, properties such as residential flats that have a single meter, but multiple occupancies, are billed for most of their water consumption at the higher rate, even though, on an individual basis, they may be low water users.*

4.11 Water Pricing Structure

- Caravan and mobile home parks are currently charged for the majority of water consumed at the higher rate, however, under the relevant Residential Park legislation, the park owner can only seek reimbursement from tenants of the park at the lower rate.
- Other water utilities apply a single rate
 - Major water utilities such as Sydney Water and Gold Coast City levy water consumption charges at a single rate per kilolitre. Brisbane City use an increased tariff system however, the difference between the step rates is only small. Lismore City levy water consumption charges at a single rate per kilolitre.
- A single rate per kilolitre is consistent with IPART best practice billing
 - In 2009/10 Sydney Water (services 4.3 million people), moved from a two tier based charging structure to a single rate per kilolitre. This change was adopted following a review of their pricing by the Independent Pricing and Regulatory Tribunal (IPART). In recommending this change, IPART stated that recent rain, desalination and increased recycling have eased concerns over water scarcity, reducing the need for the pricing signal provided by the two-tier system.
- A consistent single charge per kilolitre still provides a pricing signal
 - In 2000/01 our water consumption charges were \$0.70/kL and \$0.95/kL for the higher step. In 2016/17 they are \$2.14 and \$3.22 respectively. This now represents a 50 percent increase on top of the lower rate.
 - A concern is that the cost difference between the step rates is becoming extreme with the second step rate now more than \$1 per kilolitre higher than the first step rate. This cost difference will continue to increase.
- Simplifies water bills for our customers and our staff
 - A single rate per kilolitre provides for a much simpler and justifiable water billing system. This also creates a water account that is easier to read and easier to compare cost to water consumption.
 - It removes any complexities for customers that tenant their property and have tenants reimburse them for water consumption costs. This is especially the case if tenancy changes during a year and previous tenants have already exceeded the water allowance for the first step.
 - It simplifies our internal administration and creates efficiencies for water billing modelling.
- A single rate per kilolitre will be consistent with our pricing for recycled water
- Customer education and awareness for water demand management has reduced the need for a two step rate
 - Significant customer water saving education has increased customer's awareness of the importance to minimise their water consumption to save water and therefore save money. The water saving message has worked and as a result, it is considered that a single rate per kilolitre is a sufficient pricing signal to encourage water conservation.

Even though there are many good reasons as to why a flat rate should be introduced, it is interesting to note that, as per Table 3, only Lismore City Council has introduced such a structure in this region.

4.11 Water Pricing Structure

With a two-step charging structure high water users subsidise the lower water users through the extra income being generated.

Generally high water users are a result of the industry they are operating in and they have little control in reducing consumption.

The following table provides examples of high water users within the Shire.

Table 5 – High Water Users

Description	Annual Consumption (KL)
Public Swimming Pool	4,000 to 5,500
Major Club	10,000
Motel	500 to 2,500
Concrete Batching Plant	1,500 to 6,000
Shopping Centre	3,000 to 13,500
Residential Aged Care Facility / Retirement Village	up to 26,000
School	2,000 to 8,000
Hotel	1,300 to 3,000
Hospital	9,000
Residential Village	5,400 to 19,000
Surf Life Saving Club	500 to 1,500

If Council is interested in removing the Step 2 tariff there is a range of strategies that could be implemented to achieve that outcome. The following calculations are based on a residential property with a 20mm meter.

Scenario One

The next table provides an analysis of charges for various consumption ranges if the existing water pricing structure was retained for both consumption and annual charges; i.e.

- 2.7% increase to Step 1 consumption charge
- 2.7% increase to Step 2 consumption charge
- 2.7% increase to Access Charges.

The Step 1 rate would be \$2.29 with the Step 2 rate being \$3.44.

**Table 6 – Charges Comparison - 2.7% Increase
(existing structure retained)**

Kilolitres	2018/19			2019/20			Difference (\$)	%
	Consumption Charge (\$)	Access Charge (\$)	Total (\$)	Consumption Charge (\$)	Access Charge (\$)	Total (\$)		
10	22.30	204.00	226.30	22.90	210.00	232.90	6.60	2.9
50	111.50	204.00	315.50	114.50	210.00	324.50	9.00	2.9
100	223.00	204.00	427.00	229.00	210.00	439.00	12.00	2.8
150	334.50	204.00	538.50	343.50	210.00	553.50	15.00	2.8
200	446.00	204.00	650.00	458.00	210.00	668.00	18.00	2.8
250	557.50	204.00	761.50	572.50	210.00	782.50	21.00	2.8
300	669.00	204.00	873.00	687.00	210.00	897.00	24.00	2.7
400	948.00	204.00	1,152.00	973.50	210.00	1,183.50	31.50	2.7
500	1,283.00	204.00	1,487.00	1,317.50	210.00	1,527.50	40.50	2.7
800	2,288.00	204.00	2,492.00	2,349.50	210.00	2,559.50	67.50	2.7
1,000	2,958.00	204.00	3,162.00	3,037.50	210.00	3,247.50	85.50	2.7

4.11 Water Pricing Structure

The average residential consumption is between 150 to 200 kilolitres per annum.

Scenario Two

The next table provides an analysis of charges for various consumption ranges if the Step 2 pricing premium was reduced to 40% from 50%.

The Step 1 rate has been increased above CPI to achieve the same level of total consumption income; i.e.

- 5.4% increase to Step 1 consumption charge
- 1.8% decrease to Step 2 consumption charge
- 2.7% increase to Access Charges.

Under this scenario the Step 1 rate would be \$2.35 and the Step 2 rate \$3.29.

Table 7 – Charges Comparison - Transitional Change in Step Pricing

Kilolitres	2018/19			2019/20			Difference (\$)	%
	Consumption Charge (\$)	Access Charge (\$)	Total (\$)	Consumption Charge (\$)	Access Charge (\$)	Total (\$)		
10	22.30	204.00	226.30	23.50	210.00	233.50	7.20	3.2
50	111.50	204.00	315.50	117.50	210.00	327.50	12.00	3.8
100	223.00	204.00	427.00	235.00	210.00	445.00	18.00	4.2
150	334.50	204.00	538.50	352.50	210.00	562.50	24.00	4.5
200	446.00	204.00	650.00	470.00	210.00	680.00	30.00	4.6
250	557.50	204.00	761.50	587.50	210.00	797.50	36.00	4.7
300	669.00	204.00	873.00	705.00	210.00	915.00	42.00	4.8
400	948.00	204.00	1,152.00	987.00	210.00	1,197.00	45.00	3.9
500	1,283.00	204.00	1,487.00	1,316.00	210.00	1,526.00	39.00	2.6
800	2,288.00	204.00	2,492.00	2,303.00	210.00	2,513.00	21.00	0.8
1,000	2,958.00	204.00	3,162.00	2,961.00	210.00	3,171.00	9.00	0.3

Scenario Three

Another option is to retain the existing access charge, as outlined earlier in this report, and reduce the Step 2 premium to 40%.

The Step 1 is again increased above CPI to offset the foregone consumption income; i.e.

- 5.4% increase to Step 1 consumption charge
- 1.8% decrease to Step 2 consumption charge
- 0% increase to Access Charges as it is assumed the residential multiple tenement charges have increased to 100% of the annual charge.

The Step 1 rate would be \$2.35 with the Step 2 rate being \$3.29.

4.11 Water Pricing Structure

**Table 8 – Charges Comparison - Transitional Change in Step Pricing
(no increase in access charge)**

Kilolitres	2018/19			2019/20			Difference (\$)	%
	Consumption Charge (\$)	Access Charge (\$)	Total (\$)	Consumption Charge (\$)	Access Charge (\$)	Total (\$)		
10	22.30	204.00	226.30	23.50	204.00	227.50	1.20	0.5
50	111.50	204.00	315.50	117.50	204.00	321.50	6.00	1.9
100	223.00	204.00	427.00	235.00	204.00	439.00	12.00	2.8
117	260.91	204.00	464.91	274.95	204.00	478.95	14.04	3.0
150	334.50	204.00	538.50	352.50	204.00	556.50	18.00	3.3
200	446.00	204.00	650.00	470.00	204.00	674.00	24.00	3.7
250	557.50	204.00	761.50	587.50	204.00	791.50	30.00	3.9
300	669.00	204.00	873.00	705.00	204.00	909.00	36.00	4.1
400	948.00	204.00	1,152.00	987.00	204.00	1,191.00	39.00	3.4
500	1,283.00	204.00	1,487.00	1,316.00	204.00	1,520.00	33.00	2.2
800	2,288.00	204.00	2,492.00	2,303.00	204.00	2,507.00	15.00	0.6
1,000	2,958.00	204.00	3,162.00	2,961.00	204.00	3,165.00	3.00	0.1

The idea of the transition from a 50% premium for Step 2 to 40% is that, over a number of years, Council could steadily reduce that premium to 0%.

Not increasing the access charge for 2019/20 provides one opportunity to achieve this, albeit a large number of customers in the 150 to 200 kilolitres consumption range would have a total bill increase of 3% to 3.7%.

The difficulty with any reduction in the Step 2 premium is that approximately \$1.9m is generated through that charge based on the 50% premium.

If the premium is totally eliminated approximately \$630,000 is foregone, remembering that the consumption would still be charged at the Step 1 rate.

Reducing the premium from 50% to 40% represents income foregone of approximately \$126,000 per annum.

The water operation is in a financially sound position and it could potentially manage one or two reductions from 50% to 40% to 30%, without higher increases in the Step 1 rate, however any further reductions would need to be offset by other increases.

Legal / Resource / Financial Implications

The financial implications are dependent on the charging structure adopted.

Consultation

Council wrote to all owners of residential multi occupancy properties as part of the 2018/19 public exhibition process.

4.11 Water Pricing Structure

Changes to the water pricing structure would be placed on public exhibition as part of the draft 2019/20 Operational Plan.

Options

In respect to the access charges the options relate to applying the standard 2.7% increase, or a lower percentage, and either applying or not applying the 100% access charge for equivalent tenements.

The preferred recommendation is to finalise the transition for equivalent tenements and at the same time not apply any CPI to all standard access charges. This then means the change is revenue neutral.

In respect to the Step 2 consumption charge there are a myriad of options available.

At this stage the preference is to determine whether there is Council support for a change, and if there is, the preferred pricing approach can be reported back to the April 2019 Finance Committee meeting.

The recommendations that follow support this approach.

RECOMMENDATIONS

1. That in respect to water access charges for 2019/20, Council confirms the implementation of the second phase of the access charge being applied in full to multi tenement properties.
2. The draft water access charges for the exhibition of the draft 2019/20 Operational Plan are to remain the same as the 2018/19 charges, to recognise that Council will generate additional income though the change in point one.
- 3A. That for the exhibition of the draft 2019/20 Operational Plan, Council retain the existing consumption charging structure, based on a 50% premium to Step 1 for any consumption over 350 kilolitres per annum, based on a 2.7% increase.

OR

- 3B. That Council supports, in principle, the removal of the two-step pricing structure for water consumption, by adopting a staged approach whereby the current 50% premium will be reduced to nil over a period of years (i.e. 10% reduction – 40%, 30%, 20%, 10%). That Council receive a report to the April 2019 Finance Committee outlining the preferred approach to implementing and funding this change in pricing structure.
4. That Council continue to monitor the balance of water income received from annual charges and consumption charges with the long term objective being to achieve 75% or more of the total income from these two sources from consumption charges, as per the State Government's best practice guidelines.

Attachment(s) – Nil