Notice of Finance Committee Meeting

Notice is hereby given that a Finance Committee Meeting will be held in the **Ballina Shire Council Chambers**, Cnr Cherry & Tamar Streets, Ballina on **Thursday 17 February 2011 commencing at 4.00 pm**

Business

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

Paul Hickey
General Manager

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1. Apologies

An apology was received from Cr Cadwallader.

2. Declarations of Interest

3. Deputations

4. Committee Reports

4.1 Water Charges - 2011/12

File Reference	2011/2012 Integrated Planning and Reporting
CSP Linkage	Transparent and accountable governance
Delivery Program	Financial Management
Objective	To examine the level of increase in water charges required for 2011/12.

Background

Council's water operations have accumulated reserves of approximately $10 million (as at 30 June 2010) and currently have loans totalling $14,000.

The major issue for this business is that it must contend with capital works of approximately $9 million over the next four years however the on-going operating result typically runs close to break-even, on a cash basis, and a loss once depreciation is included.

The financial circumstances for this business have not altered to any great extent over the last few years. The reality is that it has been very difficult to improve the financial position whilst ever Rous Water Council continues to pass on 15% increases for bulk water, as has occurred for the past four years and this is expected to continue for 2011/12.

The Rous price increases may be justified but the politically reality for Ballina Shire is that we are continuing to exhaust the tolerance of the community in regard to price increases to simply maintain the status quo.

In summary the major financial factors for consideration for 2011/12 are:

- A tariff structure that is weighted such that the majority of income is derived from water consumption rather than a fixed charge. This means the primary income source is liable to large fluctuations depending on weather, pricing strategies and population growth. Also, as price has increased, per person consumption has decreased. This strategy is consistent with State Government guidelines.

- Purchase of bulk water from Rous Water has been increasing by amounts well in excess of CPI. It was an agreed strategy with Rous that the required contribution would increase by 15% for five years ceasing in 2011/12.

  This amount can still vary depending on Ballina's consumption in comparison to other constituent councils.

  Table one shows our recent contributions plus those forecast.

Table One - Rous County Council Charge for Bulk Water

Item	2008/09 Actual	2009/10 Actual	2010/11 Estimate	2011/12 Estimate
Charge	3,285,000	3,680,000	4,260,000	4,900,000
$ Increase	336,000	395,000	580,000	640,000
% increase	11%	12%	16%	15%
% of total exp	54%	56%	55%	59%

The percentage of total expense line highlights the significance of the Rous contribution to the total operations of the business. Annual charges generate approximately $6.5 million per annum which means that going forward we need to increase our annual charge revenue by approximately 10% to match the Rous increase. Once CPI is added increases of 12% to 15% are needed to retain the status quo.

- Maintenance and operation expenses have jumped substantially in recent years and forward forecasts assume an increase in line with CPI.

It is essential that the business continues to make, at least, a cash operating surplus (i.e. depreciation is excluded). This can be achieved by raising income or reducing outgoings or a combination of both. The purpose of this report is to examine options to achieve a satisfactory operating position in light of future capital works.

Key Issues

- Pricing Structure
- Affordability

Information

Table two provides a summary of the operating result for recent years together with the current year's estimate. The table reinforces the point that the operating result can vary substantially.

Table Two - Water Supply Operating Results

Item	2007/08 Actual ($'000)	2008/09 Actual ($'000)	2009/10 Actual ($'000)	2010/11 Estimate ($'000)
Operating Revenues	6,035	6,385	7,404	7,723
Operating Expenses	5,165	6,122	6,612	7,726
Surplus / (Deficit)	**870**	**263**	**792**	**(3)**
Include Depreciation	1,870	2,004	2,132	2,050
Surplus / (Deficit)	**(1,000)**	**(1,741)**	**(1,340)**	**(2,053)**

The current budget is predicting an operating loss, exclusive of depreciation of $3,000, and this has been heavily influenced by low water consumption in the first half of the year. Records show that water consumed in the first six months of 2010/11 financial is less than consumption for the same period for at least the last five years. No doubt the extended wet weather and tariff increases have played a part in this outcome.

The figures in table two assume that adjustments recommended as part of the December quarterly financial review are approved, as they include a reduction of $300,000 to forecast consumption income. This quarterly review is scheduled to be reported to the February Ordinary meeting.

The proposed budget adjustments highlight the difficulties of budgeting for this business and the need to maintain substantial reserves as a buffer against 'budget variations'.

Forward Financial Plan

The forward financial plan for the business has been updated to reflect all known factors and the cash forecast for the period 2011/12 to 2020/21, along with a budget summary for the period 2011/12 to 2014/15 are included as attachments to this report.

The forward modelling has been based on the following key assumptions:

- increases to annual charges of 15% in 2011/12 and 8% in 2012/13
- the last of Rous increases of 15% occurs in 2011/12 and after this time the contribution will increase by 3%
- the capital works program will be approximately $9 million over the next four years
- the model does not incorporate grant funding
- Section 64 plans are being reviewed and a step up in section 64 income is assumed in 2011/12
- A reasonable balance is maintained in the refurbishment reserve. This is considered necessary due to the vagaries of the income stream.

A summary of that information is show in table three.

Table Three - Estimated Operating Results (2011/12 to 2014/15)

Item	**2011/12 $000**	**2012/13 $000**	**2013/14 $000**	**2014/15 $000**
Operating Revenue	8,207	8,842	8,958	9,356
Operating Expense	8,204	8,447	8,689	8,953
Surplus (excl depreciation)	**3**	**395**	**268**	**403**
Less Loan Principal	4	4	0	0
Add Capital Income	4,687	1,094	273	233
Less Capital Expense	5,307	1,628	1,425	553
Less Dividends	34	34	35	36
Cash Surplus / (Deficit)	**(654)**	**(177)**	**(919)**	**47**
Section 64 Reserve Balances	**2,217**	**2,041**	**1,122**	**1,170**
Water Reserve Balances	**2,172**	**1,490**	**1,641**	**1,844**

It can be seen in 2011/12 the forecast is for a break even cash result despite a 15% increase to annual charges. The forecast operating performance gradually improves in 2014/15.

Capital income represents contributions from section 64 reserves. The forecast looks to fund operations and future capital works without the benefit of external borrowings.

Reserves graduate down from $9 million to $3 million over the four years however in that time approximately $9 million in capital works has been expended without the need for borrowings.

It may be that Council decides, from a strategic sense that it would like to elevate the balance of reserves on hand. This can be achieved with relatively modest increases once the Rous 15% per annum increase ceases.

Operating Expenses 2011/12

In the modelling, operating expenses for 2011/12 are forecast to increase by 3%, excluding the Rous contribution where the increase is estimated at 15%.

Summarised below are the main expenditure items within the forecast.

- Mains water supply operations and meter installations are forecast to be $903,000 which assumes that the heightened level of maintenance that has arisen in recent years will continue, albeit the rate of increase has fallen to match CPI.

- Engineering and technical costs are estimated to be $72,500. This section of the budget provides for various technical assessments including plans, studies and reviews. The budget assumes a reasonably quiet year.

- Administration and customer service costs ($399,000) include staff leaves, meter reading, payroll tax and water testing services.

- As noted previously the estimated cost for bulk water is $4.9 million.

Operating Income 2011/12

Income sources other than annual charges are forecast to be reasonably consistent with the previous year and a 3% adjustment has been made. The decision for Council is how much to increase the annual fixed and variable water charges. Fixed and variable charges make up 87% of total income and are therefore integral to the Fund. As stated above this report and the accompanying financial model is premised on a 15% increase for 2011/12

In respect to our existing charges a comparison with neighbouring local government authorities is shown in the following table. The figures indicate that all councils are thereabouts and presumably we are all struggling with the Rous increases.

Table Four – Comparison of Water Charges 2010/11

	Ballina	Lismore	Byron	Richmond Valley
Access	$142	$145	$121	$114
Consumption per kilolitre	$1.52 to 350kl $2.28 350kl +	$2.15	$1.80 to 450kl $2.70 450kl +	$1.63 to 200kl $2.45 200kl +

A summary of the main operating income sources in the financial plan attached are as follows.

- Annual availability charges are estimated to generate $2.5 million and consumption charges are estimated to be $4.7 million.

- Interest on untied cash reserves is estimated to be $144,000 whilst interest on section 64 cash reserves is estimated to be $370,000. It is anticipated that interest income from funds invested will reduce as capital expense consumes the available reserves.

Structure of the 2010/11 Water Supply Charges

In recent years Council has been following the guidelines promoted by the Department of Energy Utilities and Sustainability (DEUS) in respect to water charges.

Two targets set by DEUS are:

- of the income raised by charges levied on residential consumers, 75% is to be derived from the consumption charge. At this stage approximately 60% of income is derived from consumption. Despite the fact that the preferred percentages have not quite been achieved it is proposed that both the availability and access charges be increased by 15% as Council is within a reasonable threshold of the apportionment recommended by DUES.

- the charge for consumption over 350kl should be at least 50% greater for residential properties than the charge under 350kl. This target was achieved on a stepped basis over previous financial years and it is proposed that the targeted differential be maintained.

Council does not have to follow the DEUS guidelines. The main incentive to follow the guidelines was to be eligible to take a non compulsory dividend. However given the tenuous operating position of the business a non compulsory dividend has not been possible.

If Council accepted a 15% increase is appropriate the recommended pricing for 2011/12 will be as follows.

Table Five - Draft Water Supply Charges

Charge Type	2010/11 Charge ($)	2011/12	% Increase
Water Access Charge 20mm meter (1)	142	163	15
Water Consumption under 350kl	1.52	1.75	15
Water Consumption over 350kl	2.28	2.62	15
Vacant Land Charge	142	163	15

(1) Access charges vary depending on meter size. The figures shown above reflect a 20mm meter which is the typical residential size meter. The proposal is to increase all access charges by 15%.

This structure sets a tariff for consumption over 350 kilolitres that is 50% more than the tariff under 350kl. To achieve this outcome the tariff for consumption over 350kl is recommended to be $2.62 per kilolitre.

Council should be aware that business properties are likely to be heavily impacted. In some industries water consumption will be high regardless of conservation measures. Council may therefore wish to reduce the magnitude of this change.

Examples of the impact of these changes on accounts at different consumptions are shown below.

Table Six - Account Examples 2010/11 and 2011/12

Meter Size	Kilolitres	2010/11 Total Charge ($)	2011/12 Total Charge ($)	% Increase
20mm	100	294	338	15
	200	446	513	15
	300	598	688	15
	400	712	819	15
	500	940	1,081	15
32mm	300	818	941	15
	500	1,236	1,422	15
	1,000	2,376	2,732	15
50mm	300	1,341	1,543	15
	500	1,759	2,024	15
	1,000	2,899	3,334	15

Sustainability Considerations

- **Environment**
  Capital works for water infrastructure are all aimed at providing improved environmental outcomes for the community.

- **Social**
  Council needs to consider the social impact of any increase in charges.

- **Economic**
  The cost of critical utilities such as water and sewer is an important cost for business.

Legal / Resource / Financial Implications

Council needs to consider carefully the financial implications of deferring any increase in water charges.

Consultation

The proposed water charges will be subject to community consultation through the exhibition of the draft Delivery Plan.

Options

Council can amend the water charges to a figure of our choosing although the water business needs to remain viable. The recommended approach for 2011/12, as outlined in this report, is to increase both annual and consumption charges by 15% to meet the Rous Water increase and to ensure adequate funds are available for the forward capital works program.

It is important to also acknowledge that many residents are struggling to meet on-going increases for utilities such as water, sewer, electricity etc. As a monopoly provider Council needs to ensure it is working as efficiently as possible to minimise costs and without direct competition this is often difficult to measure. Another option that Council may well wish to consider is to limit some of the increases in our operating expense budgets to allow the magnitude of the increase to be reduced to less than 15% (i.e. 14% or 13%). Even though this may not seem significant the overall compounding of our increases for water, sewer, waste, rates etc is significant and a smaller increase may assist consumers for 2011/12, which hopefully see the last major increase from Rous Water for a reasonable period of time.

This option has not been canvassed in this report, however further analysis can be undertaken for the March 2011 Finance Committee if required by Council.

RECOMMENDATION

1. That Council, based on the current financial information available, endorses the inclusion of the following water charging structure in the draft 2011/12 Delivery Plan.

Charge Type	2010/11 Charge ($)	2011/12	% Increase
Water Access Charge 20mm meter (1)	142	163	15
Water Consumption under 350kl	1.52	1.75	15
Water Consumption over 350kl	2.28	2.62	15
Vacant Land Charge	142	163	15

Attachment(s)

1. Water Operations Cash Forecast (2010/11 to 2020/21)
2. Water Operations (Budget Summary)
3. Capital Works - Water Operations

Water Operations - Cash Forecast (2010/11 to 2020/21)

ESTIMATE	ITEMS	ESTIMATED										
2010/11		2011/12	%	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	OPERATING RESULTS											
7,722,800	Operating Revenues	8,207,000	6	8,841,500	8,957,500	9,355,700	9,696,700	9,929,700	10,243,700	10,564,500	10,898,700	11,243,300
7,726,400	Less Operating Expenses	8,203,500	6	8,446,800	8,688,800	8,952,200	9,223,200	9,502,800	9,790,800	10,087,600	10,393,200	10,708,200
(3,600)	**Operating Result before Capital Amounts**	3,500	(197)	394,700	268,700	403,500	473,500	426,900	452,900	476,900	505,500	535,100
	Add Capital Grants and Contributions											
0	Capital Grants and Contributions	0	0	0	0	0	0	0	0	0	0	0
360,000	Section 64 Contributions Collected	400,000	11	412,000	424,400	437,200	450,400	464,000	478,000	492,400	507,200	522,500
	Add Non-operating Funds Employed											
0	Loan Funds Used	0	0	0	0	0	0	0	0	0	0	0
	Subtract Funds Deployed for Non-operating Purposes											
(1,254,000)	Capital Works	(5,307,000)	323	(1,627,500)	(1,425,300)	(553,300)	(2,751,600)	(300,100)	(408,900)	(307,900)	(317,200)	(326,800)
(3,400)	Repayment of Principal on Loans	(3,500)	3	(3,800)	0	0	0	0	0	0	0	0
(53,400)	Section 64 (Unexpended) / Reserves Expended	4,287,000	(8,128)	682,400	(150,900)	(203,800)	1,319,300	(469,800)	(397,900)	(534,200)	(565,000)	(597,300)
(34,000)	Dividends	(34,000)	0	(34,000)	(35,100)	(38,200)	(37,300)	(38,500)	(39,700)	(40,900)	(42,200)	(43,500)
(988,400)	**Cash Surplus / (Deficit)**	(654,000)	(34)	(176,200)	(918,200)	47,400	(545,700)	82,500	84,400	86,300	88,300	89,900
	Equity Movements											
(988,400)	Total Movement in Reserves - Increase / (Decrease)	(654,000)	(34)	(176,200)	(918,200)	47,400	(545,700)	82,500	84,400	86,300	88,300	89,900
	Equity Balances											
2,871,600	Restricted Reserves	2,217,600		2,041,400	1,123,200	1,170,600	624,900	707,400	791,800	878,100	966,400	1,056,300
6,459,200	Section 64 Contributions	2,172,200		1,489,800	1,640,700	1,844,500	525,200	995,000	1,392,900	1,927,100	2,492,100	3,089,400
9,330,800	Total	4,389,800		3,531,200	2,763,900	3,015,100	1,150,100	1,702,400	2,184,700	2,805,200	3,458,500	4,145,700

WATER OPERATIONS

ACTUAL 2008/09	ACTUAL 2009/10	ESTIMATE 2010/11	LEDGER ACCOUNT	BUDGET ITEMS	ESTIMATED 2011/12	%	2012/13	2013/14	2014/15
				OPERATING REVENUES					
1,585,188	1,806,150	2,138,400		Annual Charges	2,461,000	15	2,672,900	2,812,800	2,959,900
3,678,619	4,614,753	4,501,400		User Charges	4,705,500	5	5,080,700	5,334,300	5,600,600
147,353	145,677	197,000		Operating Grants	167,000	(15)	172,100	177,300	182,700
88,818	212,063	256,600		Regulatory Fees and Fines	217,000	(15)	223,600	230,400	237,400
214,686	93,446	136,000		Other Revenues	142,500	5	147,200	152,000	156,900
669,972	531,616	493,400		Interest	514,000	4	545,000	250,700	218,200
6,384,636	**7,403,705**	**7,722,800**		**Total Operating Revenues**	**8,207,000**	**6**	**8,841,500**	**8,957,500**	**9,355,700**
				OPERATING EXPENSES					
				Direct Expenses					
168,090	200,702	220,700		Engineering Management	227,500	3	234,600	242,000	249,500
442,135	352,470	484,100		Administration and Customer Service	399,500	(17)	412,300	425,600	439,000
92,091	72,201	224,600		Engineering and Technical	72,500	(68)	74,700	77,100	79,500
3,285,100	3,679,947	4,260,500		Purchase of Water	4,899,500	15	5,046,600	5,198,100	5,354,100
26,153	31,446	36,200		Energy Costs	33,000	(9)	33,400	34,800	36,400
95,548	67,514	81,300		Groundwater Bores	85,000	5	87,800	90,700	93,700
82,099	64,191	62,400		Reservoirs	64,500	3	66,500	68,500	70,600
42,913	69,192	72,000		Water Treatment Plants	74,000	3	76,300	78,700	81,200
597,708	312,671	362,300		Water Supply Mains	366,000	1	377,100	388,500	400,200
453,006	833,859	874,400		Water Supply Operations	903,000	3	926,300	940,400	969,200
8,647	18,574	25,800		Telemetery Operations	26,500	3	27,300	28,200	29,100
8,805	7,330	8,800		Miscellaneous	9,000	2	9,300	9,600	9,900
4,580	1,570	5,700		Conservation Promotion	6,000	5	6,200	6,400	6,600
				Indirect Expenses - Overheads					
815,004	900,000	1,007,000		Overheads Distributed	1,037,000	3 (100)	1,068,200	1,100,200	1,133,200
				Debt Servicing					
820	787	600		Interest On Loans	500	(17)	200	0	0
				Non-cash Expenses					
2,004,396	2,131,878	2,049,700		Depreciation	2,100,000	2	2,163,000	2,227,900	2,294,800
8,126,897	**8,744,312**	**9,776,100**		**Total Operating Expenses**	**10,303,500**	**5**	**10,609,800**	**10,916,700**	**11,247,000**
(1,742,261)	(1,340,607)	(2,053,300)		*Operating Result - Surplus / (Deficit)*	(2,096,500)	2	(1,768,300)	(1,959,200)	(1,891,300)
2,004,396	2,131,878	2,049,700		*Add Back Depreciation*	2,100,000		2,163,000	2,227,900	2,294,800
262,135	**791,271**	(3,600)		***Cash Result - Surplus / (Deficit)***	**3,500**	(197)	**394,700**	**268,700**	**403,500**
				Capital Movements					
2,967	3,166	3,400		Less Loan Principal Repayments	3,500		3,800	0	0
358,373	615,255	360,000		Less Transfer to Reserves	370,000		175,600	46,500	94,000
359,455	0	988,400		Add Transfer from Reserves	654,000		178,200	918,200	0
112,800	253,000	666,600		Add Capital Income	5,057,000		1,270,000	320,000	280,000
344,030	391,850	1,254,000		Less Capital Expenditure	5,307,000		1,627,500	1,425,300	553,300
31,000	**34,000**	**34,000**		***Cash Result after Capital Movements***	**34,000**	**0**	**34,000**	**35,100**	**36,200**

CAPITAL WORKS - WATER OPERATIONS

Asset Description	S64	Expenditure Summary					Funding Source 2010/11				Funding Sources 2011/12				Funding Sources 2012/13				Funding Sources 2013/14				Funding Sources 2014/15			
	%	2010/11	2011/12	2012/13	2013/14	2014/15	Grants	Sect 64	Loans	Reserves	Grants	Sect 64	Loans	Reserves	Grants	Sect 64	Loans	Reserves	Grants	Sect 64	Loans	Reserves	Grants	Sect 64	Loans	Reserves
Water Storage																										
Service Reservoirs - Ballina Heights Reservoir	100		1,750,000							0		1,750,000		0				0				0				0
Service Reservoirs - Pacific Pines Reservoir	100		2,317,000							0		2,317,000		0				0				0				0
Service Reservoirs - Ross Lane Reservoir	100									0				0				0				0				0
Water Pump & Bore Stations																										
Water Pumping Stations - Ballina Heights HLZ Booster	100	70,000						70,000		0				0				0				0				0
Water Pumping Stations - North Creek Rd HLZ Booster	100									0				0				0				0				0
Water Pumping Stations - North Lennox HLZ Booster	79									0				0				0				0				0
Water Pumping Stations - Basalt Court Booster	0	180,000						180,000		0				0				0				0				0
Water Pumping Stations - Pacific Pines HLZ Booster	100	110,000						55,000		55,000				0				0				0				0
Water Trunk Mains - Extension																										
Water Mains - WD05 Angels Beach - Stage 1	100					80,000				0				0				0				0		80,000		0
Water Mains WD19 Angels Beach - Stage 2	100					140,000				0				0				0				0		140,000		0
Water Main WD01 Ballina Hts Trunk	100				220,000					0				0				0				220,000		0		0
Water Main WD02 Ballina Hts Distribution	100				80,000					0				0				0		40,000		40,000		0		0
Water Mains WM01 Res Supply	100		990,000							0		990,000		0				0				0				0
North Ballina WD13 Pressure Zone Distribution Area 1	100									0				0				0				0				0
North Ballina WD30 Pressure Zone Distribution Area 2	100	600						600		0				0				0				0				0
North Ballina WD37 Trunk Main Area 1	100									0				0				0				0				0
Water Mains WD08 Pacific Pines - Stage 1 (DN300)	100				300,000					0				0				0				300,000		0		0
Water Mains WD07 Pacific Pines - Stage 1 (DN375)	100				100,000					0				0				0		50,000		50,000		0		0
Water Mains WD06 Pacific Pines - Reservoir Supply Main	100				70,000					0				0				0		35,000		35,000		0		0
Water Mains WD09 Pacific Pines - PZ Distribution Stage 1	100	0								0				0				0				0				0
Water Mains WD28 Pacific Pines - PZ Distribution Stage 2	100				150,000					0				0				0		75,000		75,000		0		0
West Ballina WM06 Pressure Zone Distribution - Area 1	100									0				0				0				0				0
Wollongbar Boosted WD17 Pressure Zone - Area 1	100	130,000						130,000		0				0				0				0				0
Wollongbar Boosted WD18 Pressure Zone - Area 2	100	210,000						210,000		0				0				0				0				0
Wollongbar Boosted - WD45 Pressure Zone - Area 1	100									0				0				0				0				0
Water Trunk Mains - Augmentation																										
Ballina Island WD23 Main parallel to Missingham Bridge	100			130,000						0				0		130,000		0		0		0				0
Ballina Island WD23 Boring Parallel to Missingham Bridge	100			380,000						0				0		380,000		0		0		0				0
Ballina Island WD22 PZ Distribution for Coastal Growth	100			150,000						0				0		150,000		0		0		0				0
Ballina Island WD33 PZ Distribution for Coastal Growth	100			160,000						0				0		160,000		0		0		0				0
Water Mains WD43 Basalt Court - Distribution Main Upgrade	100			40,000						0				0		40,000		0		0		0				0
Water Mains - WD31 HLZ Distribution	28				70,000					0				0				0		35,000		35,000		0		0
Water Mains - WD41 HLZ Distribution	28					60,000				0				0				0				0		60,000		0
Lennox Head WD26 Distribution Main Upgrade (DN300 mm)	100			240,000						0				0		140,000		100,000				0				0
Lennox Head WD27 Distribution Main Upgrade (DN200 mm)	100	0								0		0		0				0				0				0
North Ballina WD36 Distribution Main Upgrade	100	34,400		140,000				21,000		13,400				0		140,000		0		0		0				0
North Ballina WD36 Distribution Main Fishery Ck Crossing	24			130,000						0				0		130,000		0		0		0				0
North Ballina - WM07 New Highway Main	100									0				0				0				0				0
Wollongbar Boosted -WD40 Distribution Main Upgrade	100				170,000					0				0				0		85,000		85,000		0		0
Water Mains - East Ballina - Reticulation Duplication	100									0				0				0				0				0
Miscellaneous																										
Vehicle Replacement	0	50,000	50,000	51,500	53,100	54,700				50,000				50,000				51,500				53,100				54,700
Water Mains Renewal Program	0	375,000	200,000	206,000	212,200	218,600				375,000				200,000				206,000				212,200				218,600
Telemetry Installation	0	79,000								79,000				0				0				0				0
Generator	0	15,000								15,000				0												
Total Capital Works		**1,254,000**	**5,307,000**	**1,627,500**	**1,425,300**	**553,300**	**0**	**666,600**	**0**	**587,400**	**0**	**5,057,000**	**0**	**250,000**	**0**	**1,270,000**	**0**	**357,500**	**0**	**320,000**	**0**	**1,105,300**	**0**	**280,000**	**0**	**273,300**

4.2 Waste Charges - 2011/12

File Reference	Integrated Planning and Reporting – 2011/12
Sustainability Plan	Transparent and accountable governance
Management Plan	Financial Management
Objective	To examine the level of increase in waste charges required for 2011/12 in light of new green waste services and financial trends to December 2010.

Background

Waste Services comprises two separate programs being Commercial Waste and Domestic Waste (DWM). Commercial is responsible for the waste management facility plus the collection of kerbside commercial waste and DWM is responsible for the collection of kerbside residential waste.

It is actually a requirement of the Local Government Act that councils must split off their DWM services to ensure that the income and expenses are accounted for separately.

Council has recently resolved to provide a green waste collection service and a tender has been accepted to collect this waste and deliver it to the waste management centre. The costs associated with the tender for collection will be payable by DWM, as the service will only apply to domestic properties, and the processing and disposal of the waste is a matter for commercial waste.

In general terms Commercial Waste is struggling with debt levels and the State Government waste levy. Loans have been taken up to close the old cell, open new cells and purchase the baler. Together with existing loans the total loan commitment, at its peak, was in the order of $12 million. Some five years later the capital balance outstanding is in the order of $6.6 million (end of the 2010/11 financial year).

The State Government waste levy is a levy per tonne for all waste placed into our landfill. The levy increases by $10 per tonne, plus CPI, for 7 years and has already assumed a significant role in the finances of Commercial Waste.

DWM is, in comparison to Commercial, a smaller and more predictable operation. Beyond meeting operational costs the business must provide for new collection vehicles. An assured 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.

This report now examines the operations of both activities.

Key Issues

- Affordability
- Long term aims and objectives

Information

Commercial Waste

Current Financial Information

When the new cells were constructed it was estimated that they would have a ten year life span. Accordingly loans taken out were structured over ten years. This relatively short time frame magnified the impact of the loan repayments.

In response to the high debt level, prices have increased significantly and Ballina Council has the highest gate charges in the region. In 2009/10 Council adopted a strategic approach with regard to pricing, where it was agreed that the tariff for waste deposited by DWM would be higher than gate fees for self haul users.

The rationale for this approach includes the argument that the reason Council is involved in waste disposal is because it must provide a domestic service to local residents. Otherwise Council may not be involved in the service at all.

Therefore if a higher charge is necessary to keep the service viable, then so be it.

DWM waste is a captive market and Council can increase price without affecting demand. Therefore an increased tariff generates a relatively assured level of revenue.

This is not the case with self haul (customers delivering waste to the landfill) where residential and commercial customers were objecting strongly to the gate prices and their rapid escalation over a relatively short period. The amount of tonnage coming from this area became variable with commercial operators using other landfill sites, when feasible.

Table one highlights the tonnage charges for the last three years and differentiates between charges levied on DWM and self haul. It can be seen that the self haul charge is approximately 75% of the DWM charge.

Table One - Charges Per Tonne

Description	2008/08	2009/10	2010/11
DWM recycled / tonne	132	179	200
Self haul recycled/tonne	Free	132	148
DWM mixed waste / tonne	147	198	222
Self haul mixed waste / tonne	147	151	169

The charge was increased substantially in 2010/11 to help pay for waste transportation costs and / or the on-going increases in the State Government levy.

Council will recall that at the commencement of the current financial year the mid term strategy was to transport waste across the border because this avoided the NSW waste levy and an additional cost of $580,000 was anticipated. Comparatively this was a cheaper option than consuming the available space in our landfill.

Based on trending to 31 December 2010 income from the internal gate fee levied on DWM is well in excess of forecast. This trend is still being investigated but it appears to have been caused by higher tonnages than anticipated.

It is also the case that the QLD government has, as from 1 July 2011, introduced a similar levy to NSW that removes the financial incentive to transport the waste. Hence the forecast transportation expense of $580,000 will not occur. Hence Commercial Waste is likely to make a large surplus whilst DWM is trending towards a loss.

This matter is reported in detail the December Quarterly Financial Review and the recommendation is that for the 6 months from 1 January to 30 June 2011 the internal charge to DWM be reduced by 15%. This strategy is forecast to result in DWM achieving an approximately break even cash position whilst Commercial Waste is still forecast to increase the reserve by some $700,000.

Table two shows the recent financial results for Commercial Waste together with the forecast for 2010/11 as at 31 December 2010.

Table Two - Commercial Waste Operating Results

Description	**2006/07 Actual ($'000**	**2007/08 Actual ($'000)**	**2008/09 Actual ($'000)**	**2009/10 Actual ($'000)**	**2010/11 Estimate ($'000)**
Operating Revenues	3,570	4,632	4,727	5,902	6,742
Operating Expenses	4,432	5,330	5,222	5,842	5,626
Surplus / (Deficit))	**(862)**	**(689)**	**(495)**	**60**	**1,116**
Less Dep/remediation	410	935	1,410	1,525	935
Surplus / (Deficit)	**(452)**	**237**	**915)**	**1,585**	**2,050**
Loan Principal / Capital	285	841	1,004	1,076	1,353
Cash Result	**(737)**	**(604)**	**(89)**	**509**	**697**

NB: The 2010/11 forecast assumes a 15% reduction to the DWM gate fee for the second 6 months of this financial year.

The table indicates that the operating result has been progressively improving. The 2009/10 result was a cash surplus and the same is forecast for 2010/11. Some very difficult decisions have been made but a non viable essential service is now returning to a cash surplus.

Forward Financial Plan

As stated there is no longer intent to transport mixed waste across the border. This results in a significant reduction to expenses however it also means that available land fill space has a much shorter life span.

It is important that the current cells are able to provide sufficient revenue to pay for existing loans and also costs to remediate the site once landfilling is complete. Loan repayments are in the order of $1.7 million per annum and this will continue until 2016/17 (6 years hence), although some loans do fall away over the years and repayments reduce. It is estimated that remediation expenses will be in the order of $2 million.

It is also estimated that the cells will last for another 5 to 6 years based on current trends and allowing for green waste to go offsite.

At the end of the current financial year it is estimated that Commercial Waste will have $1.1 million in reserve which means that we are well on track to achieving the immediate financial objectives for the current cells. This does afford Council the opportunity to consider strategies for the future.

Council will need to provide for landfill space in the longer term. No doubt this will require considerable capital expenditure, whether it is to create new cells on the current site, acquire a new site and develop it, or transport the waste to another organisation's site. Also Council must, at some time, pay to remediate former landfill sites in Ballina, Lennox Head and Wardell.

It is debatable as to whether Council should look to extract sufficient funds from users of the current cells to assist with longer term waste management. To date the forward financial plan has not contemplated funding future sites or remediation of former tip sites over the life of the current cells. This is partly because the financial situation has been so dire that extraneous expenses could not be contemplated.

At this stage it is proposed that there be a continuation of accumulating funds into the Commercial Waste reserve given that we need at least $2 million for remediation of the current site and possibly more if the cells do not last for six years.

Also Council must provide for the remediation of former sites which is a legacy that current and future generations must accept curtesy of changing environmental standards.

A current financial plan has been prepared and a copy of that plan has been included as an attachment to this report.

Some of the issues for consideration are:

- The DECC levy is set to increase by $10 plus CPI to approximately $32 dollars per tonne. It is estimated that this will amount to $760,000 which is $160,000 more than 2010/11. It has been assumed that 5,000 tonnes that was formerly being landfilled as green waste will now be exported off site.

- The DECC levy refund is a capped figure and does not bear any resemblance to the amount Council pays for the levy. However for the first two years of the levy Council was receiving a reimbursement of 50% of deemed domestic waste tonnage (NB deemed not actual). From year three the reimbursement drops to 25% of the deemed domestic waste tonnage going to the landfill.

- Commercial waste will pay transport/treatment expenses for waste collected as part of the new green waste service. This is a new cost and it is estimated at $400,000.

  It is assumed that DWM will pay Commercial Waste the same rate per tonne to accept the green waste as mixed waste. This is because the green waste will contain putrescible waste from the kitchen and is therefore contaminated in comparison to other green waste deposits.

  Further it is assumed that the gross quantity of waste coming in the gate will not diminish but will remain reasonably consistent with the current financial year to date.

- The high cost of fees is causing managers of Council jobs to avoid the tip where possible. This has lead to a reduced income forecast from Council jobs.

- The cost to transport recyclates and demolition waste over the border is anticipated to increase by 16% given the introduction of the QLD waste levy.

- It is proposed that the gate fee for DWM be kept at the same rate as the commencement of the current financial year; i.e. no increase from the rate at the beginning of the year but no continuation of the 15% decrease that applies for the second half of this year as will be recommended in the December Quarterly Financial Review.

  It is considered that the rate cannot be reduced at this time because of the additional costs faced by Commercial Waste in regard to the DECC levy and treatment of green waste collections. As stated the situation will be monitored, and if necessary reported to Council for adjustment to achieve an equitable outcome between the two services.

- Gate fees for self haul are proposed to increase by 3% which serves to reduce the gap between DWM charges and self haul whilst keeping the increase to an absolute minimum. This does mean that Council will actually lose ground in comparison to the forecast increase in expense which is estimated to rise by 9% from the December review to 2011/12 estimates.

  However prices have increased substantially in recent years and a $200,000 increase to reserves is anticipated based on the 3% increase. Whilst not the ideal approach financially, it is seen as an opportunity to provide some relief to landfill customers.

  The forecast for gate fees has assumed that the introduction of the green waste service will have little impact on total gate fees. Whilst there is likely to be some reduction in self hauled green waste it is anticipated that in terms of total gate revenue it will be minimal as residents will still need to bring their larger trimmings etc to the landfill.

- Council has resolved to discontinue the bulk waste service to commercial properties. Hence both income and expense relating to this activity has been eliminated.

- The cells will be full by 2016/17 and remediation will take place in 2017/18 at a cost of $2 million. Loans will be all but completed in 2016/17.

- Minimal capital expenditure is included with just $20,000 annually apart from the remediation year.

A new service has been added to the mix (green waste collection) and just how this will affect the dynamics between Commercial Waste and DWM remains to be seen.

It has also proven difficult to accurately estimate the quantity of waste that the DWM trucks will bring to the gate each month and the new service will elevate this margin for error.

The bottom line is that the issues discussed in this report will continue to be fine tuned over the coming weeks and months and it is quite possible that changes will occur. The current financial plan is seen as a comprehensive starting point and a copy of that plan is included as the first attachment to this report.

Table three provides a summary of that financial plan for the next four years.

Table Three - Estimated Operating Results (2011/12 to 2014/15) ($'000)

Item	**2011/12**	**2012/13**	**2013/14**	**2014/15**
Operating Revenues	6,557	6,820	7,084	7,349
Operating Expenses	6,617	6,979	7,377	7,800
Surplus / (Deficit))	**(60)**	**(159)**	**(293)**	**(451)**
Less Depn/remediation	1,511	1,556	1,603	1,651
Surplus / (Deficit)	**1,451**	**1,397**	**1,310**	**1,200**
Loan Principal	1,233	1,030	1,104	1,195
Capital	20	20	20	20
Cash Result	**198**	**347**	**186**	**108**
Reserve Balance	**1,365**	**1,712**	**1,898**	**2,006**

The plan predicts a gradual accumulation of reserves to meet remediation expenses and by 2016/17 that will be in the order of $2 to $2.5 million. Points to note are that at this stage the plan includes very little capital works and there is no provision for remediation of former landfill sites.

This is seen as a bare minimum forecast and therefore it does present risks if there is a budget shock such as the landfill closing one year early. However the assumptions are for prices to increase at just 3% so this is an area that can be revisited as the plan is fine tuned.

A summary of the primary income streams and expenditure forecasts included in the financial plan for 2010/11 are as follows.

Income 2011/12

- Recyclables from DWM $900,000. Represents the gate fee paid by DWM to bring the fortnightly collection to the waste centre

- Mixed waste DWM $2,650,000. Gate fee paid by DWM to bring the weekly collection to the waste centre
- Disposal fee Council $350,000. Gate fee paid by Council to deposit waste for all general activities
- Commercial disposal fees $1,280,000. Gate fee paid by customers to deposit waste
- DECC levy reimbursement s estimated at $114,000

Expenses 2010/11

- Administration $642,000. Includes overheads from staff not directly working at the centre of $436,000
- Weighbridge $178,000. Relates to staff wages at the weighbridge
- Transfer stations $153,000. Management and clearing of transfer bins
- Collection $252,000. Includes commercial wastes share of collection costs for commercial wheelie bins and commercial recycle bins
- Baling maintenance $158,000. Maintenance and operating costs of the baler
- Transport of recyclates $350,000. Transport and gate fees to transport recyclables off site
- Bailing, placement and cover $1,747,000. Refers to the treatment of mixed waste from baling to placement in the cell and covering of the cell. Includes the DECC levy
- Green waste relocation $400,000. Transport and gate fees to transport green waste collection off site
- Demolition (C & D) transport costs $460,000. Payment to contractors to transport construction and demolition waste to external sites
- Treatment of green waste $240,000
- Loan repayments $1.7 million

Fees and Charges

The proposal is to increase all commercial waste charges by 3% for 2011/12 as compared to the current year. The only exceptions to this are the DWM gate fees which will remain the same as the charge was at the start of 2010/11. Also annual charges raised for commercial collection will increase by 5%. This charge is driven by the collection costs of DWM and must remain comparative to other DWM charges.

Table Four- Commercial Waste Charges

Charge Type	2010/11 Charge $	Proposed 2011/12 Charge $	% Increase
Commercial Mixed waste (annual)	255	268	5
Commercial Recycling (annual)	126	132	5
DWM Gate Fee Mixed Waste	222/tonne	222/tonne	0
DWM Gate Fee Recyclates	200/tonne	200/tonne	0
Remaining Gate Fees *	Various	Various + 3%	3

* All these fees will be subject to a report on the Council's total fees and charges to the March Finance Committee meeting.

This fee structure does not provide for a commercial green waste collection fee. This is because it is not proposed to offer the service at the commencement of the contract. It is intended to bed down the domestic collection service prior to making it available to commercial customers, assuming there is a demand for the service.

Domestic Waste

The major costs confronted by the business are collection (vehicles picking up the kerbside bins) and disposal (costs to deposit waste at the waste facility) and contractor charges to collect the green waste.

The next table shows the recent financial results for DWM.

Table Five - Operating Results recent years ($'000)

Item	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 Estimated
Operating Revenues	4,238	4,737	5,175	5,713
Operating Expenses	4,410	4,267	5,085	5,870
Surplus/Deficit	**(172)**	**470**	**90**	**(157)**
Less Depreciation	255	245	245	260
Surplus deficit	**83**	**715**	**335**	**103**
Loan Capital	183	195	110	118
Capital Expense				900
Cash result	**(100)**	**520**	**225**	**(915)**

The table indicates that the financial position of DWM has been deteriorating over the last few years. This is primarily due to the increased costs that Commercial Waste has passed on to DWM. Table one shows that these costs have increased by 51% over two years.

In 2010/11 the revised forecast at December is an operating surplus (excluding depreciation) of $103,000. This surplus is inclusive of the proposed 15% reduction to gate fees for the second half of the current year and it is still not sufficient to pay the loan capital repayment of $118,000.

In rough terms DWM needs to increase reserves by approximately $300,000 per annum to pay for new collection vehicles. Based on the 2010/11 December forecast we will fall well short of this target.

The 2010/11 forecast includes capital expense of $900,000. This is to purchase three new collection vehicles at an estimated cost of $300,000 per vehicle. At the beginning of this financial year DWM had a cash reserve of $981,000 which just sufficient to purchase the trucks and fund the forecast cash loss in 2010/11.

Forward Financial Plan

The second attachment to this report provides a forward financial plan for DWM. As with Commercial Waste, it assumes that there will be a new green waste collection service.

Points of consideration in that plan include:

- The green waste collection service will cost approximately $620,000 per annum and a further $65,000 to roll out. The waste collected will be deposited at the Waste Centre at the same tonnage rate as mixed waste.

- The urban mixed waste collection cost will reduce from approximately $370,000 to $200,000 as the service is changing from weekly to fortnightly. This removes the need for one collection vehicle.

- It has been assumed that most mixed waste services will be replicated by a green waste service.

A summary of the financial plan is shown in table six. The figures assume an increase to the annual charge of 5% for rural and commercial users and 17.6% for urban residential users. Details of the fee increase for urban residential follow in the fees section of this report.

Table Six - Estimated Operating Results (2011/12 to 2014/15)('$000)

Item	2011/12 Estimated Result	2012/13 Estimated Result	2013/14 Estimated Result	2014/15 Estimated Result
Operating Revenues	6,526	8,389	7,167	7,512
Operating Expenses	6,607	6,738	6,931	7,204
Surplus/Deficit	**(81)**	**101**	**236**	**308**
Less Depreciation	260	268	276	284
Surplus deficit	**179**	**369**	**512**	**592**
Loan Capital	126	134	143	153
Capital Expense	0	300	309	318
Cash result	**53**	**(65)**	**60**	**121**
Reserve Balance	**121**	**56**	**116**	**237**

As stated earlier the current reserve will be consumed acquiring new vehicles, which is the purpose for which the reserve was intended. A marginal cash result over the next few years should be acceptable given that further new vehicles are not required for a couple of years.

The forecast increase for the three years after 2011/12 is 5%. However as with Commercial Waste this financial model is a work in progress and needs to be monitored as new information becomes available.

Annual Charges

Currently urban and rural domestic waste collection services are the same and an annual charge of $306 is levied. The introduction of a green waste collection service for urban customers changes the relativities.

The services provided to rural residential and commercial waste collection customers will remain unchanged from 2010/11 and it proposed to increase these charges by 5%. The increase is slightly more than a CPI adjustment but this reflects the rising costs to deposit waste at the waste centre, particularly due to the State Government waste levy. In fact it is testimony to the strong position of the finances that the increase is only 5%.

As discussed urban waste services will alter and the impact of these changes on the annual charge is detailed below.

- The cost of the new green waste service is $46.80 per annum which is the contractors agreed rate.
- Roll out costs of this service amount to $5 per annum. This assumes some 13,000 services meeting a cost of $65,000.
- Expense to provide the urban mixed waste collection will fall by say $170,000 given a bi weekly collection. Again assuming 13,000 services this amounts to $13 per service.

The current annual charge is $306 which needs to be increased by 5% for cost of living increases, amounting to $321 pa. This figure then needs to be adjusted for the items described above which results in an annual charge of $360 per annum.

Hence the increase for urban residential users is from $306 to $360 which equates to 17.6%.

One of the major benefits of the green waste service is the extension in the life of the landfill. However as Council has numerous fixed costs such as loan repayments there is limited direct saving in operating costs from this extension. In reality what it is doing is deferring the time frame for when further larger price increases will be needed to finance the expansion in the current landfill or acquisition of a new site.

Based on the assumptions outlined the following table details the proposed 2011/12 charges as compared to 2010/11.

Table Seven- Domestic Waste Charges

Charge Type	2010/11 Charge $	Proposed 2011/12 Charge $	% Increase
DWM - Rural	306	321	5
DWM –Rural (no collection)	250	263	5
DWM - Urban	306	360	17.6
Additional Domestic Recycling	124	130	5
DWM – Vacant Land	30	32	5

Sustainability Considerations

- **Environment**
  Appropriate waste management practices have significant environmental benefits for the community.

- **Social**
  Council needs to consider the social impact of any increase in charges.

- **Economic**
  Waste charges can impact on business operations.

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 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 reality is that the recommended charging structures for waste represent a relaxation of the rapid price escalation strategy that has been in place over recent years. This is recommended because of the financial performance of Commercial Waste over the last 18 months.

It is slightly risky to take the foot off the pedal however given the position of Commercial Waste and DWM it is considered reasonable.

Unfortunately there is a significant increase in the DWM annual charge, however this change reflects the reality of Council resolving to provide an additional green waste service.

RECOMMENDATION

1. That Council, based on the current financial information available, endorses the inclusion of the following Commercial Waste charging structure in the draft 2011/12 Operational Plan.

Charge Type	2010/11 Charge $	Proposed 2011/12 Charge $	% Increase
Commercial Mixed waste (annual)	255	268	5
Commercial recycling (annual)	126	132	5
DWM Gate fee mixed waste	222/tonne	222/tonne	0
DWM Gate fee recyclates	200/tonne	200/tinne	0
All other Gate fees	Various	Various+ 3%	3

2. That Council, based on the current financial information available, endorses the inclusion of the following Domestic Waste charging structure in the draft 2011/12 Operational Plan.

Charge Type	2010/11 Charge $	Proposed 2011/12 Charge $	% Increase
DWM - Rural	306	321	5
DWM –Rural (no collection)	250	263	5
DWM - Urban	306	360	17.6
Additional Domestic Recycling	124	130	5
DWM – Vacant Land	30	32	5

Attachment(s)

1. Financial Plan - Waste Management - Commercial
2. Financial Plan - Waste Management - Domestic

COMMERCIAL WASTE

ACTUAL 2008/09	ACTUAL 2009/10	ESTIMATE 2010/11	LEDGER ACCOUNT	BUDGET ITEMS	ESTIMATED 2011/12	%	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
				OPERATING REVENUES											
				Fees and Charges											
310,342	350,595	390,600	22280	Annual Charges	401,000	3	420,100	440,100	461,100	475,000	489,400	504,100	519,300	534,900	551,000
447,955	475,460	384,900	22281	Bulk Waste Collection	0	(100)	0	0	0	0	0	0	0	0	0
0	97,289	333,500	22284	Contributions	114,000	(66)	156,600	201,600	249,200	299,500	308,500	317,800	327,400	337,300	347,500
654,371	808,904	980,200	22282	Waste Recycling - Fees	1,065,000	9	1,097,000	1,129,900	1,182,900	1,218,500	1,255,100	1,292,800	1,331,700	1,371,700	1,412,900
3,248,435	4,095,658	4,568,100	22283	Waste Disposal - Fees	4,850,000	6	4,995,500	5,145,400	5,402,700	5,564,800	5,731,700	5,903,700	6,080,800	6,263,200	6,451,200
66,496	74,118	84,700	22281	Sundry Fees	127,000	50	144,600	152,400	160,300	188,200	194,200	169,300	174,500	179,700	186,000
4,727,599	**5,902,024**	**6,742,000**			**6,557,000**	**(3)**	**6,813,800**	**7,069,400**	**7,456,200**	**7,746,000**	**7,978,900**	**8,187,700**	**8,433,700**	**8,686,800**	**8,948,600**
				OPERATING EXPENSES											
				Waste Administration											
208,112	220,054	240,800	32340	Administration	205,000	(15)	211,900	219,000	226,300	233,700	241,400	249,200	257,500	265,900	272,400
357,000	357,000	424,000	32340	Internal Overheads	437,000	3	450,100	463,600	477,500	491,800	506,600	521,800	537,500	553,600	570,200
				Debt Servicing											
30,772	23,840	16,400	32340	Interest on Loans - Waste Administration	8,500	(48)	0	0	0	0	0	0	0	0	0
				Waste Receival											
173,304	183,777	172,300	32342	Weighbridge	178,500	4	184,100	189,800	195,700	201,700	208,100	214,600	221,300	228,100	235,100
139,610	136,653	153,400	32342	Transfer Stations	153,000	(0)	157,800	162,700	167,800	172,900	178,200	183,600	189,300	195,100	201,100
				Waste Collection											
108,955	97,091	119,500	32344	Collection Kerbside	127,000	6	131,000	135,100	139,300	143,600	148,100	152,700	157,500	162,400	167,400
180,469	228,463	246,800	32344	Collection Other	59,500	(76)	61,500	63,600	65,700	67,900	70,100	72,400	74,800	77,200	79,700
60,431	87,319	62,400	32344	Collection Recycling	66,000	6	68,100	70,300	72,500	74,800	77,100	79,500	82,000	84,600	87,300
				Waste Recycling											
405,234	528,544	475,700	32345	Material Recovery Facility	508,500	7	524,200	540,400	557,100	574,300	592,000	610,100	628,900	648,300	668,200
				Debt Servicing											
37,610	29,139	20,100	32340	Interest on Loans - Recycling	10,500	(48)	0	0	0	0	0	0	0	0	0
				Waste Disposal											
351,165	258,059	325,400	32348	Solid Waste Landfill	327,500	1	337,800	348,500	359,400	370,600	382,200	394,100	406,400	419,000	432,200
599,872	728,878	619,200	32348	Waste Bale, Placement, Cover, Transport	660,000	7	679,800	700,200	721,300	743,000	765,300	788,300	812,000	836,400	861,500
0	314,879	598,800	32348	DECC Levy	760,000	27	1,043,700	1,343,800	1,660,900	1,995,800	2,055,700	2,117,400	2,181,000	2,246,500	2,313,900
		0	32348	Waste Transport	400,000		412,000	424,400	437,200	450,400	464,000	478,000	492,400	507,200	522,500
7,487	35	4,200	32348	Dry Inert Landfill	5,000	19	5,200	5,400	5,600	5,800	6,000	6,200	6,400	6,600	6,800
12,501	11,771	16,700	32348	Deposit	16,500	(1)	17,300	18,100	18,900	19,700	20,600	21,500	22,400	23,300	24,200
2,021	40,936	12,700	32348	Special Rubbish Clean-ups	13,000	2	13,500	14,000	14,500	15,000	15,500	16,000	16,500	17,000	17,600
160,858	171,915	233,300	32348	Green Waste	240,500	3	247,800	255,300	263,100	271,100	279,300	287,800	296,600	305,700	315,000
118,672	38,307	25,400	32348	Landfill Closures, Leachate and Remediation	26,500	4	27,400	28,300	29,200	30,100	31,100	32,100	33,200	34,300	35,500
216,960	272,520	397,200	32348	Waste Transport - Construction and Demolition	460,000	16	473,800	488,100	502,800	517,900	533,500	549,600	566,100	583,100	600,600
				Debt Servicing											
641,198	587,976	526,800	32340	Interest on Loans - Landfill	444,000	(16)	375,800	303,200	234,100	148,400	59,200	12,200	0	0	0
				Non-Cash Expenses											
1,575,969	1,525,245	935,000	32340	Depreciation	1,511,000	62	1,556,400	1,603,200	1,651,400	1,701,100	1,752,200	1,804,900	1,859,300	1,915,300	1,972,900
5,388,200	**5,842,401**	**5,626,100**		**Total Operating Expenses**	**6,617,500** 5,106,500	**18**	**6,979,200**	**7,377,000**	**7,800,300**	**8,229,600**	**8,386,200**	**8,592,000**	**8,841,100**	**9,109,600**	**9,384,100**
(660,601)	**59,623**	**1,115,900**		***Operating Result - Surplus / (Deficit)***	**(60,500)**	**(105)**	**(165,400)**	**(307,600)**	**(344,100)**	**(483,600)**	**(407,300)**	**(404,300)**	**(407,400)**	**(422,800)**	**(435,500)**
1,575,969	1,525,245	935,000		*Add Back Depreciation*	1,511,000		1,556,400	1,603,200	1,651,400	1,701,100	1,752,200	1,804,900	1,859,300	1,915,300	1,972,900
915,368	**1,584,868**	**2,050,900**		***Cash Result - Surplus / (Deficit)***	**1,450,500**	**(29)**	**1,391,000**	**1,295,600**	**1,307,300**	**1,217,500**	**1,344,900**	**1,400,600**	**1,451,900**	**1,492,500**	**1,537,400**
				Capital Movements											
1,004,468	1,076,499	1,154,100		Less Loan Principal Repayments	1,232,500		1,030,800	1,103,600	1,195,000	1,280,800	892,700	119,200	0	0	0
1,405,000	513,700	896,800		Less Transfer to Reserves	218,000		360,200	192,000	112,300	(63,300)	452,200	1,281,400	1,451,900	1,492,500	1,537,400
89,100	0	199,000		Add Transfer from Reserves	20,000		20,000	20,000	20,000	0	0	2,000,000	0	0	0
1,405,000	0	0		Add Capital Income	0		0	0	0	0	0	0	0	0	0
0	0	199,000		Less Capital Expenditure	20,000		20,000	20,000	20,000	0	0	2,000,000	0	0	0
0	**(5,331)**	**0**		***Cash Result after Capital Movements***	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

DOMESTIC WASTE

ACTUAL 2008/09	ACTUAL 2009/10	ESTIMATE 2010/11	LEDGER ACCOUNT	BUDGET ITEMS	ESTIMATED 2011/12	%	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
				OPERATING REVENUES											
4,124,731	4,580,021	5,072,500	22290	Domestic Waste Management Charges	5,870,000	16	6,163,500	6,471,700	6,795,300	6,999,200	7,209,200	7,425,500	7,648,300	7,877,800	8,114,200
(250,333)	(270,139)	(283,500)	22290	Pensioner Abandonments	(325,000)	15	(334,800)	(344,900)	(355,400)	(366,200)	(377,300)	(388,700)	(400,500)	(412,600)	(425,100)
13,001	13,969	15,700	22290	Vacant Property Charges	16,000	2	16,500	17,000	17,600	18,200	18,800	19,400	20,000	20,600	21,300
683,031	664,151	701,900	22292	Plant Charges	775,000	10	798,300	822,300	847,000	872,500	898,700	925,700	953,500	982,200	1,011,700
137,684	148,576	156,500	22291	Pensioner Subsidy	180,000	15	185,400	191,000	196,800	202,800	208,900	215,200	221,700	228,400	235,300
28,549	38,546	50,000	22292	Interest on Investments	10,000	(80)	10,000	10,300	10,700	11,100	11,500	11,900	12,300	12,700	13,100
4,736,663	**5,175,124**	**5,713,100**			**6,526,000**	**14**	**6,838,900**	**7,167,400**	**7,512,000**	**7,737,600**	**7,969,800**	**8,209,000**	**8,455,300**	**8,709,100**	**8,970,500**
				OPERATING EXPENSES											
				Administration											
75,465	78,119	130,200	32360	Administration	89,500	(31)	91,900	94,700	97,600	100,600	103,600	106,700	110,000	113,400	114,100
38,264	37,766	74,300	32360	NEWF	40,000	(46)	41,200	42,500	43,800	45,200	46,600	48,000	49,500	51,000	52,600
14,118	0	0	32360	Cont to Landfill Closure	0	0	0	0	0	0	0	0	0	0	0
339,996	348,996	385,000	32360	Indirect Expenses - Overheads	396,500	3	408,400	420,700	433,300	446,300	459,700	473,500	487,700	502,300	517,400
2,229	79,661	66,000	32361	Promotion	11,000	(83)	11,400	11,800	12,200	12,600	13,200	13,800	14,400	15,000	15,600
				Debt Servicing											
71,126	60,110	52,800	32361	Interest on Loans	45,000	(15)	36,500	27,800	18,200	8,000	0	0	0	0	0
				Collection											
2,227,152	2,875,660	3,271,800	32364	Collection Kerbside	4,029,500	23	4,093,300	4,216,300	4,399,400	4,531,700	4,668,000	4,808,300	4,952,900	5,101,700	5,255,000
858,567	991,870	1,207,000	32364	Collection Recycling	1,299,000	8	1,338,100	1,378,400	1,439,000	1,482,300	1,526,900	1,572,800	1,620,200	1,669,100	1,719,400
394,826	367,442	422,900	32364	Vehicle Costs	436,000	3	449,100	462,600	476,500	490,800	505,600	520,800	536,500	552,600	569,200
				Non-Cash Expenses											
245,194	245,194	260,000	32360	Depreciation	260,000	0	267,800	275,900	284,200	292,800	301,600	310,700	320,100	329,800	339,700
4,266,937	**5,084,818**	**5,870,000**		**Total Operating Expenses**	**6,606,500**	**13**	**6,737,700**	**6,930,700**	**7,204,200**	**7,410,300**	**7,625,200**	**7,854,600**	**8,091,300**	**8,334,900**	**8,583,000**
469,726	**90,306**	**(156,900)**		***Operating Result - Surplus / (Deficit)***	**(80,500)**	**(49)**	**101,200**	**236,700**	**307,800**	**327,300**	**344,600**	**354,400**	**364,000**	**374,200**	**387,500**
245,194	245,194	260,000		*Add Back Depreciation*	260,000		267,800	275,900	284,200	292,800	301,600	310,700	320,100	329,800	339,700
714,920	**335,500**	**103,100**		***Cash Result - Surplus / (Deficit)***	**179,500**	**74**	**369,000**	**512,600**	**592,000**	**620,100**	**646,200**	**665,100**	**684,100**	**704,000**	**727,200**
				Capital Movements											
194,720	110,500	117,900		Less Loan Principal Repayments	125,500		134,100	142,800	152,500	162,600	0	0	0	0	0
520,200	225,000	0		Less Transfer to Reserves	54,000		234,900	369,800	439,500	457,500	646,200	665,100	684,100	704,000	727,200
0	0	914,800		Add Transfer from Reserves	0		300,000	309,000	318,300	327,800	337,600	347,700	358,100	368,800	379,900
0	0	0		Add Capital Income	0		0	0	0	0	0	0	0	0	0
0	0	900,000		Less Capital Expenditure	0		300,000	309,000	318,300	327,800	337,600	347,700	358,100	368,800	379,900
0	**0**	**0**		***Cash Result after Capital Movements***	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

4.3 Sewer Charges - 2011/12

File Reference	Integrated Planning and Reporting – 2011/12
Sustainability Plan	Transparent and accountable governance
Delivery Plan	Financial Management
Objective	To endorse a preferred financial strategy for Council's sewer operations for 2011/12 onwards.

Background

A workshop was held in November 2010 to consider, amongst other things, the financial model for Council's sewer operations, with particular reference to the major capital works program that is about to commence. At the workshop updated information was presented on the financial position of Council's sewer operations, the proposed capital works program, along with options for funding the capital works. This report now formalises the discussions held at the November workshop.

Key Issues

- Capital works program
- Funding options for the capital works
- Current financial position, recent and forecast operating performance

Information

The dominating influence for the sewer operations is the intent to spend approximately $79 million over the next three years to upgrade the sewer system. To finance this outlay it is estimated that Council will need to borrow a further $63 million dollars. Council has already borrowed $9.8 million from the Federal Government in June 2010, interest free over 10 years, to finance sewer fund capital works.

If we assume that the borrowings are taken out over 20 years at 8% this will amount to loan repayments of approximately $7.3 million per year.

The performance of Council's sewer operations in recent years is shown in the following table.

Table One: Sewer Fund Operational Result Excluding Depreciation

Item	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 Estimated
Operating Surplus	$ 2.3million	$1.6million	$1.8million*	$2.1million

* Excludes adjustment for unwinding of interest benefit on interest free loan as, similar to depreciation, it is a non cash adjustment.

The current cash operating surplus is in the order of $2 million and to date this has included very little loan repayments. A surplus of $7.4 million is required just to meet anticipated loan repayments without provision for additional capital works and depreciation. Hence the cash surplus must be increased by over $5 million over the next few years.

As Council is aware the sewer operations has experienced significant increases to operational expenses over recent years which have dramatically affected the financial operating result. Hence despite the fact that Council has progressively increased annual charges in the order of 10% for several years in preparation for the anticipated future borrowing costs, the operating performance has declined from the 2007/08 position.

This is a key issue for the financial model and table two shows operating expenses in recent years.

Table Two: Sewer Fund Operational Expense Excluding Depreciation

Item	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 Estimated
Operating Expense	$6million	$7million	$7.7million*	$8.3million

Financial modelling for sewer is clearly difficult to predict when operating expenses are increasing at such dramatic rates. Advice from the operational staff is that expenses will not continue to rise at rates in excess of 10% and that costs have now levelled. Hence modelling does not include a scenario where expenses continue to increase at rates in excess of inflation.

As at 1 July 2010 Council had reserves on hand of approximately $17 million. The majority of these funds are due to the loan taken up on 30 June 2010 of $9.8 million. In terms of the financial model the issue is what is an appropriate level of cash reserves to be held on hand?

Based on advice from 'LG Solutions', a local government accounting specialist, Council's level of available working capital should be in the order of:

- 5% of gross expenditure (excluding wages/depreciation) plus
- 2% of gross income (excluding annual charges and grants) plus
- Amount equal to the value of debtors and other current assets that will not convert to cash over the short to medium term.

This is the recommended formula to calculate the minimum amount of working capital that should be on hand to meet budgetary 'shocks'. If this guideline is applied to sewer it means that a minimum cash reserve in the order of $2.5 million should be maintained.

This calculation is based on the 2011/12 financial year, which is forecast to have the highest level of capital expenditure. Typically one would expect sewer to only require $1 million in reserve.

Scenarios

At the December workshop Council considered a number of scenarios that have varied implications for charging structures, funds borrowed and borrowing costs.

The workshop considered models with optimistic and pessimistic section 64 contributions, a model where operating expenses reduced by 10% for one year thence increased by 3%, models where the capital works program was deferred to varying degrees and models where the reserves on hand were spent quickly or gradually reduced.

It is not proposed to review each of these scenarios as part of this report because variables such as section 64 income could be debated endlessly, deferral of works was not favoured and it is not likely that operating expenses will fall in the immediate future.

There was general agreement that reserves should be reduced gradually which enables the annual charge to be increased at lesser percentages.

For the purposes of this report it is proposed to present two scenarios where

a) reserves are applied early in the program; and
b) a gradual reduction in reserves

just to recap the two main options considered.

Each of the scenarios have some common assumptions which include consumer price index of 3%, a constant growth in assessments of 1% and section 64 income increasing by 3% from the current historical average.

Scenario One: Immediate Application Of Reserves

As previously stated, at the commencement of the financial year reserves on hand amounted to $17.4 million. Scenario one applies the majority of these reserves in the first two years with the main outcomes shown in table three below.

Table Three: Scenario One Outcomes - Immediate Application of Reserves

Year	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	Total
% Increase Annual Charge	15	20	20	12	3	3	3	3	3	**82**
Annual Reserve Charge ($)	550	660	790	880	910	940	970	1,000	1,030	**N/A**
Funds Borrowed ($M)	2.5	41.1	15	0	0	0	0	0	0	**58.6**
Debt Repaid ($M)	1.2	1.25	5.4	7	7	7	7	7	7	**129.2***
Reserve Balances ($M)	1.5	2.9	2.7	2.7	3.5	2.8	4.3	6.4	9	**N/A**

*Total refers to total debt over the life of the loans, not just for the years shown in the table. Also includes the $9.8 million borrowed in 2009/10.

This scenario requires increases of 20% to annual charges over the next two years followed by one year at 12% and thereafter CPI. This strategy looks to minimise total borrowings and therefore debt repaid.

The reserve balance tends to inflate towards the end of the model however the later years of the model have minimal capital works as the focus is on the next three years.

Table Four: Scenario Two outcomes - Staged Use of Reserves

Year	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	Total
% Increase Annual Charge	15	15	12	12	12	12	3	3	3	**87**
Annual Reserve Charge ($)	550	630	710	800	900	1,010	1,040	1,070	1,100	**N/A**
Funds Borrowed ($M)	12.5	37.6	12.5	0	0	0	0	0	0	**62.6**
Debt Repaid ($M)	1.2	2.3	6.1	7.4	7.4	7.4	7.4	7.4	7.4	**137.4***
Reserve Balances ($M)	11.5	8	3.6	1.7	1.6	1.3	3.4	6.1	9.3	**N/A**

*Total refers to total debt over the life of the loans, not just for the years shown in the table. Also includes the $9.8 million borrowed in 2009/10.

Scenario two is more expensive than scenario one in terms of borrowing costs and the annual charge gradually becomes higher than scenario one. However by holding reserves for an extra few years it allows the annual charge to be increased at a more acceptable rate that will limit the impact on the ratepayer.

At the December workshop there was a consensus that scenario two was the preferred option and this report recommends this strategy. A summary of this financial model is included as an attachment.

Strengths and Threats

Any financial forecasting is only as good as the information available at the time and the modelling will be subject to change as new information comes to light.

This information is important as the tender for approximately $45 million of the capital works is now before Council. The advice from Council staff is that the tender figures are commensurate with the estimates applied in the financial which has added extra support to the forecasts provided.

In terms of other variables within the model it is considered that the level of forecast section 64 income is conservative and there is a reasonable possibility that actual income will be higher than forecast.

Operating expenses have been discussed and the model assumes a 3% increase, which, based on recent trends, may be considered optimistic.

Conclusion

For some time Council's sewer operations have enjoyed a position in the lifecycle of the infrastructure that has been relatively inexpensive. We have very little in the way of loans and expenditure on maintenance has, according to operational staff, been on the lean side. This has resulted in a comparatively low charge being levied on the customer.

Council is now embarking on a very expensive upgrade of some of the major components of the sewer system at the same time as maintenance has been ramped up to clear back logs that have accrued. This means that the charge to the customer must increase substantially and it is matter of going about it in the most affordable way possible.

The financial model described as scenario two offers the best strategy at this point in time and looks to minimise the impost on customers in the near future.

2011/12 Operational Plan Sewer Charges

The next table provides the proposed sewer charges for 2011/12 based on an approximate increase of 15%.

Table Five: 2011/12 Draft Sewer Service Charges

Charge Type	2010/11 Charge $	2011/12 Charge $
Sewer Residential Charge	550	630
Sewer Access Charge for Non Residential (20 mm service) (assume same change for all access charges)	415	475
Sewer Usage Charge for Non Residential	1.40/kl	1.60/kl
Non-Connected Charge Residential/Non Residential	415	475
Minimum Sewer Access Charge Non Residential	415	475

For comparative purposes the next table outlines the 2010/11 annual residential sewer charge of other north coast councils.

Table Six: Annual Residential Sewer Charges 2010/11 Regional Councils

Year	Ballina	Tweed	Lismore	R Valley	Byron
Annual Charge	$550	$568	$607	$840	$903*

* The charge levied by Byron Shire Council includes a rate per kilolitre. The figure of $903 assumes usage of 200kl.

Loan Facility

Council needs to borrow approximately $63 million to finance the capital works program. Borrowing of this magnitude is new to this Council and it is proposed to seek expert assistance to call for expressions of interest and select the best offer for council.

To this end expressions of interest were called in June 2010 seeking suitably qualified persons to assist with the process to establish the loan facility.

Two responses were received and based on price and experience the expression from Integrity Finance Pty. Ltd. was the preferred option. The principal of this organisation, Ms Debbie Organ, performed the same service for Tweed Shire in recent years and came with good references.

Advertising for the expressions has been placed on hold since June 2010 awaiting accurate information in terms of the estimated cost of capital works and the cash flows. It is considered that the information included in the financial model, described as scenario two, is sufficiently accurate to commence the process to establish the loan facility.

Given the amount of money being expended and the three year time frame current thinking is that it will be preferable to establish a draw down facility such that interest only commences once the funds are required. However it is a very difficult market since the global financial crisis with lenders looking to limit exposure, even to blue chip clients such as councils.

The extent of lender caution is highlighted by the fact that one of our near neighbours recently went to tender to upgrade a treatment plant and required $30 million in loan funds. Only one lender was prepared to lend the council the $30 million. This also raises concerns about a lack of real competition in the market.

It is proposed to go to the market in February / March to call for expressions of interest for borrowings of $63 million.

Legal / Resource / Financial Implications

The forward capital works program and financial model has major financial implications for Council as detailed within this report.

Consultation

The Urban Water strategy has been advertised and debated on various occasions over the years. The proposed sewer charges for 2011/12 will be subject to community consultation through the exhibition of the draft Delivery Plan.

Options

The impending capital works program is the primary force in the financial model. Assuming Council has little option but to upgrade the sewer system it is also necessary to borrow the funds to pay for the works and thence raise charges to pay the loans.

The workshop in November 2010 considered deferring some of the program and indeed canvassed whether there were some proposed works that could be avoided. It was concluded that the program needs to be completed.

RECOMMENDATIONS

1. That Council endorse, for on-going planning purposes, the financial model summarised in table four of this report and as attached to this report.

2. That Council endorses the inclusion of the following sewer charging structure in the draft 2011/12 Operational Plan:

Charge Type	2010/11 Charge $	2011/12 Charge $
Sewer Residential Charge	550	630
Sewer Access Charge for Non Residential (20 mm service) (assume same change for all access charges)	415	475
Sewer Usage Charge for Non Residential	1.40/kl	1.60/kl
Non-Connected Charge Residential/Non Residential	415	475
Minimum Sewer Access Charge Non Residential	415	475

3. That Council call for expressions of interest, to establish a loan facility to meet the cost of capital works to upgrade the sewer system.

Attachment(s)

1. Sewer Operations Cash Forecast (2010/11 to 2020/21)
2. Sewer Operations (Budget Summary)
3. Capital Works - Sewer Operations (three pages)

Sewer Operations - Cash Forecast (2010/11 to 2020/21)

ESTIMATE	ITEMS	ESTIMATED										
2010/11		2011/12	%	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	OPERATING RESULTS											
10,404,100	Operating Revenues	11,629,000	12	12,868,600	14,218,300	15,879,100	17,886,600	18,571,500	19,389,800	20,272,900	21,215,600	22,221,600
8,263,700	Less Operating Expenses	9,400,600	14	12,571,200	13,667,200	13,803,600	13,948,000	14,100,500	14,261,900	14,431,700	14,610,800	14,697,000
2,140,400	Operating Result before Capital Amounts	2,228,600	4	297,400	549,100	2,075,500	3,938,600	4,471,000	5,127,900	5,841,200	6,604,800	7,524,600
	Add Capital Grants and Contributions											
0	Capital Grants and Contributions	0	0	0	0	0	0	0	0	0	0	0
700,000	Section 64 Contributions Collected	681,000	(3)	701,500	722,600	744,300	766,700	789,800	813,500	838,000	863,200	889,100
	Add Non-operating Funds Employed											
12,429,100	Loan Funds Used	37,600,000	203	12,500,000	0	0	0	0	0	0	0	0
	Subtract Funds Deployed for Non-operating Purposes											
(20,273,200)	Capital Works	(42,320,000)	109	(15,865,800)	(709,300)	(273,300)	(2,172,600)	(290,100)	(298,900)	(307,900)	(317,200)	(326,900)
(1,185,000)	Repayment of Principal on Loans	(1,255,000)	6	(2,105,000)	(2,493,000)	(2,613,000)	(2,743,000)	(2,873,000)	(3,003,000)	(3,133,000)	(3,263,000)	(2,510,000)
3,950,200	Section 64 (Unexpended) / Reserves Expended	(140,500)	(104)	211,500	(333,300)	(534,300)	234,300	(868,100)	(935,200)	(1,006,500)	(1,082,000)	(1,162,000)
(20,000)	Dividends	(20,000)	0	(20,000)	(20,600)	(21,300)	(22,000)	(22,700)	(23,400)	(24,200)	(25,000)	(25,800)
(2,258,500)	Cash Surplus / (Deficit)	(3,229,000)	43	(4,280,400)	(2,274,500)	(622,100)	2,000	1,206,900	1,680,900	2,207,600	2,780,800	4,389,000
	Equity Movements											
(2,258,500)	Total Movement in Reserves - Increase / (Decrease)	(3,229,000)	43	(4,280,400)	(2,274,500)	(622,100)	2,000	1,206,900	1,680,900	2,207,600	2,780,800	4,389,000
	Equity Balances											
10,218,900	Restricted Reserves	6,989,900		2,709,500	435,000	(187,100)	(185,100)	1,021,800	2,702,700	4,910,300	7,691,100	12,080,100
1,004,300	Section 64 Contributions	1,144,800		933,300	1,266,800	1,800,900	1,566,600	2,434,700	3,366,900	4,376,400	5,458,400	6,620,400

SEWER OPERATIONS

ACTUAL 2008/09	ACTUAL 2009/10	ESTIMATE 2010/11	LEDGER ACCOUNT	BUDGET ITEMS	ESTIMATED 2011/12	%	2012/13	2013/14	2014/15
				OPERATING REVENUES					
6,451,084	7,135,228	8,318,600		Annual Charges	9,662,000	16	10,936,300	12,388,400	14,030,200
691,616	808,758	770,900		User Charges	870,500	13	983,000	1,088,300	1,191,600
147,397	148,632	157,600		Operating Grants	162,500	3	167,400	172,500	177,700
52,863	80,095	74,200		Regulatory Fees and Fines	76,500	3	78,900	81,400	83,900
217,987	285,384	268,600		Other Revenues	276,500	3	284,900	293,800	302,500
1,019,492	4,159,858	814,200		Interest	591,000	(27)	438,100	214,100	103,200
8,580,439	12,628,955	10,404,100		Total Operating Revenues	11,629,000	12	12,868,600	14,216,300	15,879,100
				OPERATING EXPENSES					
				Direct Expenses					
435,869	591,975	569,100		Engineering Management	581,000	2	597,900	616,200	635,000
471,881	431,517	460,300		Administration and Customer Service Costs	475,000	3	490,000	505,200	521,100
354,108	351,837	343,500		Engineering and Technical Costs	313,500	(9)	323,100	332,900	343,100
0	0	0		Purchase of Water	0	0	0	0	0
550,854	643,313	718,500		Energy Costs	679,500	(5)	693,400	707,700	729,300
1,283,047	1,916,270	1,778,000		Pumping Stations	1,776,000	(0)	1,811,800	1,848,400	1,904,300
1,761,094	1,366,678	1,927,000		Reuse Water Facilities	1,924,500	(0)	1,963,300	2,002,800	2,063,200
808,456	821,505	640,000		Mains	857,000	34	874,200	891,700	918,500
10,537	32,561	51,000		Telemetery Operations	62,000	22	63,300	64,600	66,600
12,079	12,961	9,600		Donations	11,000	15	11,400	11,800	12,200
0	0	1,000		Legal Costs	1,000	0	1,100	1,200	1,300
2,000	24,396	105,100		Conservation Promotion	108,000	3	102,100	102,200	105,300
148,909	134,632	206,800		Preparation of Plans and Investigations	138,500	(34)	140,500	144,600	149,400
138,185	169,538	204,200		Other Costs	198,000	(3)	202,300	206,400	212,500
				Indirect Expenses - Overheads					
1,017,996	1,161,000	1,238,000		Overheads Distributed	1,275,500	3	1,313,800	1,353,200	1,393,800
				Debt Servicing					
21,000	21,000	8,600		Interest on Loans	1,000,000	11,528	3,983,000	4,878,000	4,748,000
				Non-cash Expenses					
3,937,033	3,362,390	3,975,800		Depreciation	3,860,000	(3)	3,975,800	4,095,100	4,218,000
10,952,868	11,060,253	12,239,500		Total Operating Expenses	13,260,500	8	15,547,000	17,762,300	18,021,600
(2,372,429)	1,566,702	(1,835,400)		***Operating Result - Surplus / (Deficit)***	(1,631,500)	(11)	(3,678,400)	(3,546,000)	(2,142,500)
3,937,033	3,362,390	3,975,800		*Add Back Depreciation*	3,860,000		3,975,800	4,095,100	4,218,000
1,564,604	4,929,092	2,140,400		***Cash Result - Surplus / (Deficit)***	2,228,500	4	297,400	549,100	2,075,500
				Capital Movements					
0	0	1,186,000		Less Loan Principal Repayments	1,258,000		2,105,000	2,483,000	2,613,000
645,676	14,022,587	300,000		Less Transfer to Reserves	48,000		55,300	44,700	63,300
302,193	0	2,258,500		Add Transfer from Reserves	3,229,000		4,280,400	2,274,500	622,100
3,236,463	15,734,526	17,379,300		Add Capital Income	38,186,500		13,468,300	434,000	273,300
4,437,614	9,621,031	20,273,200		Less Capital Expenditure	42,320,000		15,885,900	709,300	273,300
19,000	20,000	20,000		***Cash Result after Capital Movements***	20,000	0	20,000	20,600	21,300

CAPITAL WORKS - SEWER FUND

Asset Description	S64 %	Expenditure Summary					Funding Source 2010/11				Funding Sources 2011/12				Funding Sources 2012/13				Funding Sources 2013/14				Funding Sources 2014/15			
		2010/11	2011/12	2012/13	2013/14	2014/15	Grants	Sect 64	Loans	Reserves	Grants	Sect 64	Loans	Reserves	Grants	Sect 64	Loans	Reserves	Grants	Sect 64	Loans	Reserves	Grants	Sect 64	Loans	Reserves
Reticulation Sewer Mains Renewal																										
Sewer Mains Renewals (General)	0	200,000	200,000	206,000	212,200	218,600			200,000	0			200,000	0				206,000				212,200		218,600		0
Miscellaneous																										
Telemetry Installation	57	120,000								120,000				0				0				0				0
Telemetry Installation Ballina Heights										0				0				0				0				0
Telemetry Installation Tallowwood Dr										0																
Telemetry Installation Lakefield										0																
Plant Replacement Sewer	0	75,500	50,000	51,500	53,100	54,700				75,500			50,000	0				51,500				53,100		54,700		0
Backlog Sewerage Program										0				0				0				0				0
WRAAP PROGRAM																										
WRAAP - Land Acquisition Preliminaries	100	100,000	50,000	50,000				100,000		0		50,000		0		50,000		0				0				0
WRAAP - Technical Design Review	100	50,000	50,000					50,000		0			50,000	0				0				0				0
WRAAP - Technical Consultancies - GHD																										
WRAAP - RWR Concept Design B	100	150,000	150,000					150,000		0		100,000		50,000				0				0				0
WRAAP - Prepare RWR EIAs	100	100,000		100,000				100,000		0		0		0			100,000	0				0				0
WRAAP - Project Management F	100	24,000						24,000		0		0		0				0				0				0
WRAAP - Implementation Pre-construction	100	188,000	50,000	20,000				188,000		0		50,000		0		20,000		0				0				0
WRAAP - Ballina RWF																										
Ballina RWF - Ultimate Upgrade Incl RWP	75	2,200,000	25,000,000	8,400,000					2,200,000	0			25,000,000	0		200,000	8,200,000	0				0				0
Ballina RWF - Catchment Diversion Works	100		1,523,000	1,000,000						0		23,000	1,500,000	0			1,000,000	0				0				0
Ballina RWF - EIS Ultimate Works	100		115,500	374,000						0		115,500		0		24,000	350,000	0				0				0
Ballina RWF - Design BRF Project Mgmt	100	1,140,000	1,000,000	500,000					1,140,000	0			1,000,000	0		500,000		0				0				0
WRAAP - Lennox Head RWF(7780-000)																										
Lennox Head RWF - Optimisation Upgrade	100	3,776,000	1,800,000						3,776,000	0			1,800,000	0				0				0				0
Lennox Head RWF - Ultimate Upgrade	100		4,500,000							0			4,500,000	0				0				0				0
Project Management DOC																										
Lennox Head RWF - Project Management	100	30,000						30,000		0				0				0				0				0
Ballina RWF - Contract Management	100	485,000	350,000	250,000					485,000	0		150,000	200,000	0			250,000	0				0				0
CVR Distribution System Project Management	100		50,000	50,000						0		50,000		0			50,000	0				0				0
UOS Delivery Design for Irrigation Systems	100	50,000	50,000	50,000				50,000		0		50,000		0			50,000	0				0				0
Dual Water Supply (UDR) Program																										
Construct Dual Retic Res - Ballina Hts	100		1,200,000							0			1,200,000	0				0				0				0
Construct Dual Retic Res - Ross Lane	100									0				0				0				0				0
Construct Dual Retic Res - Basalt Ct	100	1,100,000								1,100,000			0	0				0				0				0
Land Acquisition for Dual Retic Res - Ballina heights	100	1,493,000						493,000		1,000,000				0				0				0				0
Land Acquisition for Dual Retic Res - Ross Lane																										
UOS & UDR Dist Systems Ballina/Lennox	100	500,000	1,000,000	1,200,000					500,000	0							1,200,000	0				0				
WRAAP - Reclaimed Water Re-Use																										
RWR Open Space Irrigation	100		1,000,000	300,000	300,000					0				0			300,000	0		300,000		0				0
RWR Open Space Irrigation - KSP	100	160,000							160,000	0			0	0				0				0				0
RWR Open Space Irrigation - Sk head	100	60,000							60,000	0			0	0				0				0				0
RWR Open Space Irrigation - Saunders & Fripp	100	105,000							105,000	0			0	0				0				0				0
RWR Open Space Irrigation - Chickiba	100	80,000							80,000	0			0	0				0				0				0
RWR Open Space Irrigation - Gap Rd	100	65,000							65,000	0			0	0				0				0				0
RWR Open Space Irrigation - Central System	100	175,000							175,000	0			0	0				0				0				0
RWR Open Space Irrigation - Ballina Heights	100	329,500								329,500																
CVR Irrigation System	100			500,000						0				0			500,000	0				0				0
CVR Trunk Main	100			500,000						0				0			500,000	0				0				0
CVR Land Acquisition	100		2,000,000	2,000,000						0								2,000,000				0				

Sewer Capital Works Carried Forward

CAPITAL WORKS - SEWER FUND (CARRIED FORWARD)

Asset Description		Expenditure Summary					Funding Source 2010/11				Funding Sources 2011/12				Funding Sources 2012/13				Funding Sources 2013/14				Funding Sources 2014/15			
		2010/11	2011/12	2012/13	2013/14	2014/15	Grants	Sect 64	Loans	Reserves	Grants	Sect 64	Loans	Reserves	Grants	Sect 64	Loans	Reserves	Grants	Sect 64	Loans	Reserves	Grants	Sect 64	Loans	Reserves
Inflow & Infiltration Salinity Abatement																										
Inflow & Infiltration Program Contractual Work	100	699,000						699,000		0				0				0				0				0
Inflow & Infiltration Program Project Management	100	5,000						5,000		0				0				0				0				0
Ballina STW - Ballina catchment infiltration	100	623,000						623,000	0	0				0												
Cumbalum (Ballina Heights + Ross Lane)																										
Existing Cumbalum Pump Station - Upgrade										0				0				0				0				0
Existing Cumbalum Pump Station - New gravity										0				0				0				0				0
Lennox Head/Pacific Pines/Skennars Ridge																										
SP3001 - Upgrade Pumps	50	446,900							446,900	0			0	0				0				0				0
SP3001 - Parallel Rising Main	100		267,000							0			260,000	7,000				0				0				0
SP3002 - Emergency Storage	32	85,300							85,300	0			0	0				0				0				0
SP3101 - Emergency Storage	77	102,200						102,200		0				0				0				0				0
SP3101 - Upgrade Pumps	52	113,900						113,900		0			0	0				0				0				0
SP3106 to SP3107 - Gravity Main	100	75,000						75,000		0			0	0				0				0				0
SP3107 - Upgrade Pumps	77	507,000						373,000	134,000	0			0	0				0				0				0
SP3107 - Rising Main	18	0								0			0	0				0				0				0
SP3107 - Emergency Storage	18	227,500						227,500		0			0	0				0				0				0
SP3110 - Parallel Gravity Main - Hutley Dr	100	388,000						388,000		0			0	0				0				0				0
Skennars Ridge Sthn Catchment - Rising main	100	116,200						116,200		0			0	0				0				0				0
Pacific Pines Gravity Main	100		158,000							0			150,000	8,000				0				0				0
Aspect Pump Station	100									0																
Angels Beach																										
Stewart Land Development - New Pump Station										0				0				0				0				0
Stewart Land Development - New Gravity Main										0				0				0				0				0
Stewart Land Development - New Rising Main										0				0				0				0				0
Angels Beach / East Ballina																										
SP2301 - Upgrade Pumps	0	116,200						116,200		0				0				0				0				0
SP2306 - Emergency Storage	0	51,000								51,000				0				0				0				0
SP2309 - Construct Emergency Storage	31	74,700								74,700				0				0				0				0
SP2309 - Upgrade Pumps	52	74,100						38,500	25,500	10,100				0												
Ballina Island/West Ballina										0																
SP 2001 - Polyurea Lining Pump Well	50	29,000						29,000		0				0				0				0				0
SP2001 - Upgrade Pump Motors	100			174,300						0				0		174,300		0				0				0
SP2001 - Rising Main - Rehab over Bridge	0	346,600						346,600		0		0		0				0				0				0
SP2013 - Upgrade Pumps	60	74,100						74,100		0				0												
North Ballina																										
North Ballina Development - New Pump Stat	100									0				0				0				0				0
Diversion of SP2101 to Ballina RWF	100		259,000							0			250,000	9,000				0				0				0
Diversion of Nth Ballina PS to Ballina WWTP	100		174,000										170,000	4,000				0				0				0
New Rising Main Nth Ballina PS to Ballina WWTP	100		685,500										680,000	5,500				0				0				0
Diversion of Ballina Heights to Ballina RWF	100		523,000							0			520,000	3,000				0				0				0
SP2202 - Upgrade Pumps	49	46,500							46,500	0				0				0				0				0
SP2205 - Upgrade Pumps	48	46,500							46,500	0				0				0				0				0
SP2206 - Upgrade Pumps	78	45,200							45,200	0				0				0				0				0
SP2207 - Upgrade Pumps	48	69,700							69,700	0				0				0				0				0
SP2210 - Upgrade Pumps	57	93,000							93,000	0				0				0				0				0
River Oakes - Pump Station	100	108,000							108,000	0				0				0				0				0
River Oakes - Gravity Main	100	88,200							88,200	0			0	0				0				0				0
River Oakes - Rising Main	100	58,000							58,000	0			0	0				0				0				0

Sewer Capital Works Carried Forward

CAPITAL WORKS - SEWER FUND (CARRIED FORWARD)

Asset Description		Expenditure Summary					Funding Source 2010/11				Funding Sources 2011/12				Funding Sources 2012/13				Funding Sources 2013/14				Funding Sources 2014/15			
		2010/11	2011/12	2012/13	2013/14	2014/15	Grants	Sect 64	Loans	Reserves	Grants	Sect 64	Loans	Reserves	Grants	Sect 64	Loans	Reserves	Grants	Sect 64	Loans	Reserves	Grants	Sect 64	Loans	Reserves
Alstonville/Wollongbar																										
SP4002 (Coral St) - Upgrade Pump Station	30	29,000								29,000				0				0				0				0
SP4004 Emergency Storage	50	81,300						50,000		31,300				0				0				0				0
SP4106 - Upgrade Pumps	8	26,800							26,800	0				0				0				0				0
SP4106 - Upgrade Rising Main	100	21,600							21,600	0				0				0				0				0
Wollongbar Expansion Area																										
Gravity Trunk Main A	100	35,000							300	34,700				0				0				0				0
Gravity Trunk Main A2	100	93,000							93,000	0				0				0				0				0
Gravity Trunk Main B	100	30,000							30,000	0				0				0				0				0
Gravity Trunk Main B1	100	190,000							190,000	0				0				0				0				0
Gravity Trunk Main B7	100	46,000							46,000	0				0				0				0				0
Gravity Trunk Main B11	100	76,000							76,000	0				0				0				0				0
Gravity Trunk Main B12	100	43,000							43,000	0				0				0				0				0
Gravity Trunk Main B13	100	22,000							22,000	0				0				0				0				0
Gravity Trunk Main Ramses Street	100	126,000							126,000	0				0				0				0				0
NHS1 Pump Station	100	673,700							673,700	0				0				0				0				0
NHS2 Pump Station	100	480,000							441,900	38,100				0				0				0				0
Preliminaries	100	46,000							46,000	0				0				0				0				0
Contingency	100	150,000							150,000	0				0				0				0				0
Gravity Trunk Main A1	100	56,000						56,000		0				0				0				0				0
Gravity Trunk Main B2	100	19,400						19,400		0				0				0				0				0
Gravity Trunk Main B3	100	40,000						40,000		0				0				0				0				0
Gravity Trunk Main B4	100	11,000						11,000		0				0				0				0				0
Gravity Trunk Main B5	100	20,000						20,000		0				0				0				0				0
WUEA - Underbores	100	100,000						100,000		0				0				0				0				0
Preliminaries	100	11,600						11,600		0				0				0				0				0
Contingency	100	130,000						130,000		0				0				0				0				0
Sewage Pump Station NH S1 - Upgrade Pumps	100				80,000									0				0		80,000		0				0
Preliminaries	100				10,000									0				0				10,000				0
Contingency	100				54,000									0				0		54,000		0				0
PRP 100 Additional Works																										
SP2312 - Pump Capacity Upgrade	0	45,000							45,000	0				0				0				0				0
SP2313 - Storage Capacity Upgrade	0	35,000							35,000	0				0				0				0				0
SP4003 Storage Capacity Upgrade	0	35,000							35,000	0				0				0				0				0
SP2002 - Pump Capacity Upgrade	0	45,000							45,000	0				0				0				0				0
SP2012 - Pump Capacity Upgrade	0	40,000							40,000	0				0				0				0				0
SP2009 - Pump Capacity Upgrade	0	50,000							50,000	0				0				0				0				0
SP4001 - Storage & Pump Upgrade	0		80,000							0			40,000	40,000				0				0				0
SP2311 - Storage Capacity Upgrade	0		35,000							0			30,000	5,000				0				0				0
SP2108 - Storage Capacity Upgrade	0			40,000						0				0				40,000				0				0
SP2105 - Pump Upgrade	0			50,000						0				0				50,000				0				0
SP3102 - Upgrade Pumps	0			25,000						0				0				25,000				0				0
SP3103 - Storage Capacity Upgrade	0			25,000						0				0				25,000				0				0
Total Capital Works		20,273,200	42,320,000	15,865,800	709,300	273,300	0	4,950,200	12,429,100	2,893,900	0	588,500	37,600,000	4,131,500	0	968,300	12,500,000	2,397,500	0	434,000	0	275,300	0	273,300	0	0

4.4 Rating Structure - 2011/2012

File Reference	Integrated Planning and Reporting – 2011/2012
Sustainability Plan	Transparent and accountable governance
Management Plan	Financial Management
Objective	To consider the ordinary rating structure for the 2011/2012 rating year

Background

There are a number of options Council can consider in respect to its overall rating structure. Variables include the use of base charges, rating differentials within and between categories and localities, and minimum rates.

The report that follows outlines the key elements of our current structure and compares the proposed 2011/12 rates to the current year.

Key Issues

- Rating structure components
- Impacts on the ratepayer

Information

In respect to rating structures the onus is on councils to provide a fair and equitable structure. Ultimately it is the elected council that determines what is fair and equitable.

The adopted rating strategies that Ballina Council has followed in recent years to achieve a fair and equitable structure are as follows.

Base Charges

Council has been using base charges as part of our rating structure since 2005/06. This structure comprises two parts:

- Base charge is a fixed amount that is charged to each property, or category of properties (i.e. residential, farmland and business). The base charge assumes that all properties benefit equally in respect of works and services provided by Council. Under the Local Government Act the base charge cannot raise more than 50% of the total rate income in each property category.

- The balance of income is then calculated by multiplying a rate in the dollar by the property land value to determine the annual rate bill. The higher the land value the higher the rate bill.

In summary base charges tend to flatten out the rating structure, as there is an underlying assumption that properties are benefiting equally from council services.

Council has adopted a uniform base charge for all business, residential and farmland properties. The residential base charge derives the maximum 50% which means that, because business and farmland categories have the same dollar value for the base charge as residential, the base charge in business and farmland categories raises less than the maximum 50%.

This occurs because farmland and business categories have a different average rate in the dollar applied to the land value component of the rate calculation than the residential category. Hence the land value is used to calculate greater than 50% of the bill for business and farmland properties which results in higher valued properties accepting a greater share of the rate burden.

There are no changes proposed to the base charging structure in 2011/12, as compared to 2010/11, other than to increase the base charge and rate in the dollar in accordance with the rate increase approved by the Minister in May 2010. This increase is detailed later in this report.

Yield from Business Category to be 20% of the total yield

Due to Ballina having the lowest average rate for the business category of properties for similar sized councils in 2006/07, Council resolved to increase the yield 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 from the business category has reached the desired 20% of the total. The business category in 2011/12 is 19.81% of the total which reflects a growth/decline movement in relation to the total rate base.

2011/12 Rating Structure

As Council is aware, last financial year Council applied for and was approved a special variation to notional rate income over a four year period. In 2010/11 Council received a 6.2% increase and the increases approved over the next three years are as follows.

2011/12	6.1%
2012/13	5.7%
2013/14	6.0%

Table one shows the adopted rating structures for 2009/10 and 2010/11 and Table two details the proposed structure for 2011/12. It is important to note that the figures in table two are draft and may change slightly by the time they are adopted in the 2011/12 Operation. This is because ratepayers may object to current valuations and be successful and there could be variations due to growth in assessment values.

Table One: 2009/10 and 2010/11 Rating structures

Rate Category	2009/10		2010/11	
	Base Charge	Rate in Dollar	Base Charge	Rate in Dollar
Residential	341	0.127892	354	0.132381
Business	341	0.393748	354	0.474244
Farmland	341	0.105426	354	0.110789

The 6.1% increase shown in table two for 2011/12 is the approved increase from the Minister for Local Government. Council may change the structure in terms of base rating etc but the percentage increase to the notional yield is a given.

Table Two: Proposed 2011/12 Rating Structure

Rate Category	6.1% Increase	
	Base Charge	Rate in Dollar
Residential	375	0.140691
Business	375	0.503185
Farmland	375	0.117311

Table three details the income that will be generated per property category, the percentage of revenue each category derives and the likely average rate per category.

Table Three: Proposed 2011/12 Income per Category at 6.1%

	2010/2011			2011/2012		
Rate Category	6.2% increase	% of total	Ave Rate	6.1% increase	% of total	Ave Rate
Residential	10,462,667	71.91	710	11,177,367.83	72.34	752.94
Business	2,902,360	20.00	2,341	3,061,638.52	19.81	2,471.17
Farmland	1,146,842	8.09	1,080	1,213,071.58	7.85	1,145.56
Total	**14,511,869**	**100.00**	**852**	**15,452,077.92**	**100.0**	**901.38**

The next three tables provide examples of the rates payable for a range of land values, based on the residential, business and farmland property categories. These rates payable are compared to 2010/11.

Table Four: Residential Rates Payable in 2011/12

Land Value ($)	Number of Properties	2010/11 Rate	2011/12 Rate at 6.1%	Change from 2010/11 (%)
50,000	273	420	445	6.0%
100,000	1,314	486	516	6.0%
150,000	1,323	553	586	6.1%
200,000	2,845	619	656	6.1%
250,000	3,220	685	727	6.1%
300,000	1,749	751	797	6.1%
400,000	2,151	884	938	6.1%
500,000	798	1,016	1,078	6.2%
600,000	548	1,148	1,219	6.2%
800,000	323	1,413	1,501	6.2%
1,000,000	110	1,678	1,782	6.2%

Table Five: Business Rates Payable in 2011/12

Land Value ($1)	Number of properties	2010/11 rate	2011/12 rate at 6.1%	Change from 2010/11 $
50,000	112	591	627	6.0%
100,000	163	828	878	6.0%
150,000	141	1,065	1,130	6.0%
200,000	152	1,302	1,381	6.1%
250,000	93	1,540	1,633	6.1%
300,000	72	1,777	1,885	6.1%
400,000	118	2,251	2,388	6.1%
500,000	104	2,725	2,891	6.1%
600,000	71	3,199	3,394	6.1%
800,000	72	4,148	4,400	6.1%
1,000,000	30	5,096	5,407	6.1%
1,500,000	48	7,468	7,923	6.1%
2,000,000	29	9,839	10,439	6.1%

Table Six: Farmland Rates Payable in 2011/12

Land Value ($)	Number of properties	2010/11 rate	2011/12 rate at 6.1%	Change from 2010/11 $
50,000	1	409	434	5.9%
100,000	1	465	492	5.9%
150,000	1	520	551	5.9%
200,000	30	576	610	5.9%
250,000	32	631	668	5.9%
300,000	56	686	727	5.9%
400,000	175	797	844	5.9%
500,000	201	908	962	5.9%
600,000	168	1,019	1,079	5.9%
800,000	169	1,240	1,313	5.9%
1,000,000	102	1,462	1,548	5.9%
1,500,000	76	2,016	2,135	5.9%
2,000,000	21	2,570	2,721	5.9%

The next three tables show average rates payable per locality and compares the 2010/11 rates to the proposed 2011/12 rates.

Table Seven: Average Residential Rates Payable per Locality

Locality	Approximate Number of properties	Average 2010/11 Rates Payable ($1)	Average 2011/12 Rates Payable 61% Increase ($)	Change from 2010/11 (%)
Alstonvale	112	743	787	5.9%
Alstonville	2240	612	648	5.9%
Bagotville	19	558	592	5.9%
Ballina	3079	631	667	5.7%
Broken Head	5	789	836	5.9%
Brooklet	62	880	933	5.9%
Coolgardie	34	784	831	5.9%
Cumbalum	427	698	740	5.9%
Dalwood	32	828	877	5.9%
East Ballina	2405	721	764	5.9%
East Wardell	102	589	624	5.9%
Empire Vale	69	711	753	5.9%
Fernleigh	53	761	806	5.9%
Keith Hall	43	703	745	5.9%
Knockrow	48	977	1,035	5.9%
Lennox Head	2542	890	942	5.9%
Lynwood	40	786	833	5.9%
Marom Creek	6	581	616	5.9%
McLeans Ridges	11	961	1,019	5.9%
Meerschaum Vale	89	678	718	5.9%
Newrybar	132	987	1,046	5.9%
Patchs Beach	29	818	867	5.9%
Pearces Creek	21	692	733	5.9%
Pimlico	102	671	710	5.9%
Rous	32	883	936	5.9%
Rous Mill	38	682	723	5.9%
Skennars Head	351	829	878	5.9%
South Ballina	15	663	702	5.9%
Teven	60	736	779	5.9%
Tintenbar	234	815	864	5.9%
Tuckombil	57	778	825	5.9%
Uralba	83	749	793	5.9%
Wardell	264	613	647	5.6%
West Ballina	1124	681	722	5.9%
Wollongbar	882	602	638	5.9%

Table Eight: Average Business Rates Payable per Locality

Locality	Approximate Number of properties	Average 2010/11 Rates Payable ($1)	Average 2011/12 Rates Payable 61% Increase ($)	Change from 2010/11 (%)
Alstonvale	0	0	0	0.0%
Alstonville	210	1,477	1,580	7.0%
Bagotville	1	2,488	2,664	7.1%
Ballina	714	2,375	2,543	7.1%
Broken Head	0	0	0	0.0%
Brooklet	2	1,957	2,095	7.0%
Coolgardie	1	1,473	1,576	7.0%
Cumbalum	3	950	1,014	6.8%
Dalwood	1	2,564	2,746	7.1%
East Ballina	15	5,902	6,326	7.2%
East Wardell	1	1,454	1,555	6.9%
Empire Vale	2	402	428	6.7%
Fernleigh	1	828	884	6.7%
Keith Hall	1	496	528	6.3%
Knockrow	3	1,410	1,508	6.9%
Lennox Head	112	3,005	3,219	7.1%
Lynwood	2	1,144	1,222	6.9%
Marom Creek	0	0	0	0.0%
McLeans Ridges	1	1,231	1,316	6.9%
Meerschaum Vale	5	773	825	6.7%
Newrybar	7	1,143	1,222	6.9%
Patchs Beach	0	0	0	0.0%
Pearces Creek	1	861	919	6.7%
Pimlico	4	1,048	1,119	6.8%
Rous	1	828	884	6.7%
Rous Mill	2	1,032	1,102	6.8%
Skennars Head	5	4,456	4,776	7.2%
South Ballina	4	5,126	5,494	7.2%
Teven	4	3,677	3,940	7.1%
Tintenbar	9	1,080	1,153	6.8%
Tuckombil	0	0	0	0.0%
Uralba	0	0	0	0.0%
Wardell	19	1,511	1,616	7.0%
West Ballina	91	3,044	3,262	7.1%
Wollongbar	17	2,238	2,396	7.1%

Table Nine: Average Farmland Rates Payable per Locality

Locality	Approximate Number of properties	Average 2010/11 Rates Payable ($1)	Average 2011/12 Rates Payable 61% Increase ($)	Change from 2010/11 (%)
Alstonvale	43	976	1,024	4.9%
Alstonville	94	1,193	1,250	4.8%
Bagotville	12	642	676	5.2%
Ballina	8	1,679	1,758	4.7%
Broken Head	6	1,524	1,596	4.7%
Brooklet	43	1,130	1,185	4.8%
Coolgardie	12	876	920	5.0%
Cumbalum	17	954	1,001	4.9%
Dalwood	50	1,072	1,124	4.9%
East Ballina	1	1,850	1,936	4.7%
East Wardell	45	863	906	5.0%
Empire Vale	30	815	856	5.0%
Fernleigh	50	1,039	1,090	4.9%
Keith Hall	17	1,080	1,133	4.9%
Knockrow	31	1,243	1,302	4.8%
Lennox Head	17	2,356	2,464	4.6%
Lynwood	34	1,033	1,083	4.9%
Marom Creek	5	820	861	5.0%
McLeans Ridges	23	1,103	1,157	4.9%
Meerschaum Vale	47	851	893	5.0%
Newrybar	72	1,064	1,115	4.9%
Patchs Beach	2	707	743	5.1%
Pearces Creek	16	973	1,021	4.9%
Pimlico	34	940	987	4.9%
Rous	52	1,162	1,218	4.8%
Rous Mill	38	1,094	1,148	4.9%
Skennars Head	7	4,513	4,715	4.5%
South Ballina	1	3,678	3,843	4.5%
Teven	55	899	944	5.0%
Tintenbar	47	1,043	1,094	4.9%
Tuckombil	46	937	983	4.9%
Uralba	13	1,146	1,201	4.8%
Wardell	31	848	890	5.0%
West Ballina	6	877	920	5.0%
Wollongbar	52	1,180	1,237	4.8%

Ordinary Rate Calculation

The following points summarise the rate calculation process;

1) Calculate the total notional income for 2010/11 and total notional yield allowable for 2011/12 (special variation limits for next year). This is completed by taking the total amount levied for rates in 2010/11, calculating growth from the original levy date to now and then adding the allowable rate pegging limit for 2011/12.

   For example, if the 2010/11 notional income was $17,000,000 and the rate pegging limit is 6.1%, the total allowable ordinary rate income yield for 2010/11 would be $17,000,000 multiplied by 6.1%, equaling $18,037,000.

   In addition to this legislative adjustments are taken into account such as income lost in previous years due to land value objections.

2) For 2011/12 calculate the total business category income as the required percentage of total income as set by Council. In 2011/12 this will be 20%.

3) Take into account growth in assessments and land values 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%).

4) Calculate the base charge amount for the residential category to be marginally less than 50% to conform to legislative requirements. This base charge is then used for the business and farmland categories.

6) Calculate the rate in the dollar for each category.

Sustainability Considerations

- **Environment**
  Revenue from Council's ordinary (or general) rates can be applied to environmental, social and economic outcomes.

- **Social**
  As above

- **Economic**
  As above

Legal / Resource / Financial Implications

It is important that Council adopt the most equitable and fair rating structure it can, within the limitations that exist within the legislation.

Consultation

The rating structure will be placed on exhibition for public comment.

Options

As touched on in the report there a number of options in respect to rating structures, however the key point is that the total rate income yield remains the same, no matter what the structure.

The recommendation that follows endorses the current structure and if Council wishes to consider alternative options they can be examined at this meeting or if they require calculations they may need to be deferred to the March Finance Committee meeting.

RECOMMENDATIONS

1. That Council, for the 2011/12 Draft Operation Plan, include a rating structure based on the following principles:

   a) approximately 50% of the rate income for the residential category of properties being from the base charge
   b) business and farmland categories having the same base charge as the residential base charge amount

   c) a total of 20% income from the rate yield to be sourced from the business category properties.

2. Indicative figures for this rating structure for 2011/12, are as tables two and three within this report and as outlined below:

Table Two: Proposed 2011/12 Rating Structure

Rate Category	6.1% Increase	
	Base Charge	Rate in Dollar
Residential	375	0.140691
Business	375	0.503185
Farmland	375	0.117311

Table Three: Proposed 2011/12 Income per Category at 6.1%

	2010/2011			2011/2012		
Rate Category	6.2% increase	% of total	Ave Rate	6.1% increase	% of total	Ave Rate
Residential	10,462,667	71.91	710	11,177,367.83	72.34	752.94
Business	2,902,360	20.00	2,341	3,061,638.52	19.81	2,471.17
Farmland	1,146,842	8.09	1,080	1,213,071.58	7.85	1,145.56
Total	**14,511,869**	**100.00**	**852**	**15,452,077.92**	**100.0**	**901.38**

Attachment(s)

Nil

4.5 Lennox Head Community Centre - Management

File Reference	Asset Management - Lennox Head Community Centre
CSP Linkage	Responsible and efficient use of resources
Delivery Program	Commercial Services
Objective	To determine an interim management arrangement for the Lennox Head Community Centre.

Background

The Lennox Head Community Centre (LHCC) is due for practical building completion at the end of March. This means that the building should be open for the public by late April / early May.

There are still a number of uncertainties as to what activities will take place in the LHCC and what the level of usage will be. With a number of unknowns it is difficult to determine a long term management arrangement and the purpose of this report is to canvass these issues and determine a preferred way forward.

Key Issues

- Management options
- Financial implications

Information

In examining Council's property assets that are of a similar nature to the LHCC the two main management options are by external contract or by Council staff.

For example the Alstonville Leisure and Entertainment Centre (ALEC) is managed by an external contractor under a five year contract, with the contractor receiving a payment from Council and the contractor retains all the income collected. On the other hand the Ballina Community Services Centre is managed by a Council employee and Council retains all the income collected.

Typically councils, as a general rule, have found it more financially viable to operate centres or services that operate beyond standard working hours (i.e. at night, weekends etc) through an external contractor. This type of contract normally relates to facilities such as swimming pools and caravan parks.

There are many reasons for this, however the main two are:

- The Council award structure does not provide flexibility for the long days and extensive weekend work undertaken; and

- There is often a profit incentive in these types of facilities that cannot be included in a council salary and is more suited to a private contractor that is able to pursue income through entrepreneurial activities.

The initial thinking has been that the LHCC would be tendered out to a private management company, in a similar fashion to the ALEC. Council staff operated the ALEC until approximately 10 years ago and the cost of transferring the management of that centre from Council staff to a private contractor resulted in a substantial saving in operating costs at the time the change was made.

The difficulty Council faces with the LHCC is that there is no operating history for the building. What this means is that there is no financial and usage information to include in a tender specification, which in turn will increase the risk for a person involved in submitting a tender for the contract. Greater risk for a contractor means that there will be greater contingencies (higher prices) built into any tender price submitted to Council.

In order to reduce that risk it would be preferable for Council to include information on how the centre has been operating and to achieve this, we would need to arrange an interim management structure.

One option would be to offer a short term contract to a private management company. There are difficulties with this in that you need to identify a company that will provide the service for an interim period, with the period itself being uncertain and there is still a lack of financial information. This uncertainly again creates contractual issues.

The second option would be to use Council staff (both a mixture of existing and casual staff) to operate the LHCC on an interim basis, until Council had sufficient information available to go to tender. Or possibly, if the staff option proved viable, then the structure could be retained on a permanent basis.

Council is fortunate in that the person recently recruited to manage the Ballina Community Services Centre (BCSC) and the Wardell Community Centre (WCC) (five days per week shared between both centres), has extensive experience in facility management. This means there is an opportunity for Council to use this experience to oversee the initial operation of the LHCC, while at the same time interim staffing arrangements can be put in place for the BCSC and the WCC.

This staff member is now also overseeing the operation of the Richmond Room.

In looking at this option it should be noted that the ALEC management contract has now expired and there may also be opportunities to expand Council management options to this facility as well. The current contractor for the ALEC is on a month to month arrangement until the long term management arrangements for the LHCC are determined. The reason for this is that if Council goes to tender there may be opportunities to obtain economies of scale through one contractor managing both centres.

The LHCC consists of the following facilities:

- Main hall - suitable for certain sports and can hold up to 500 people for events
- Five storage areas off main hall
- Meeting rooms (3) adjoining hall
- Activities / meeting room
- Small multi-purpose area off meeting rooms designed for small classes
- Meeting room above library
- Children's area
- CWA Hall - leased to the CWA (existing building)
- Library - operated by the Richmond Tweed Regional Library
- Administration area
- Kiosk area
- Foyer
- General toilets
- Change rooms and toilets for main hall

In examining operating hours, as a starting point, the following hours are considered necessary to manage the LHCC, BCSC, WCC and Richmond Room on a combined basis.

- BCSC: Staffed approximately 16 - 21 hours per week
- WCC: Staffed approximately 16 hours per week
- Richmond Room: Unstaffed (supervised by Council staff)
- LHCC: Staffed approximately 75 hours per week

The assumption in this is that the hours dedicated to Council's existing facilities do not change.

Due to its longer open hours the LHCC could become the central administration hub for the other part time centres, with a centralised bookings phone line and coordination to encourage user relationships that would increase use across all facilities.

As the Council award structure creates limitations for Council staff to operate centres it is important that we operate as efficiently and as "smart" as we can. In order words, we need to maximise the use of technology, we need to ensure that staff are multi-skilled to handle the range of tasks required for centre management and we need to ensure that the hours staff are employed maximise the operation of the centres.

As a starting point the **staff positions** recommended would be:

Community Facilities Coordinator/Manager

- Based at the LHCC
- Manages the overarching direction and operations of all centres including rosters, resources and maintenance and continuous improvement
- Oversees the day-to-day operations of staff and systems within the centres

- Develops relationships with key stakeholders and assists in the establishment of regular user groups. This will be particularly important during the initial establishment of the LHCC as groups look to establish their use of some spaces (such as the playgroup)
- Works to develop links between new users and existing centres to increase patronage and use
- Operates as a customer service office within the LHCC, or other centres, where required
- By being centralised will be able to operate more effectively (reduced duplication or transportation of resources between centres)

Casual Staff
- On site at each centre to provide assistance to centre users, including room set up for fee paying patrons
- Operate as comprehensive Customer Service Officers that can take bookings and receipt payments and provide local information
- Assess rooms and equipment after a booking to determine if additional fees should be charged
- Also creates option to provide additional training in order to complete Council customer service tasks such as those provided by the counter staff at the Administration Centre
- Can work across a number of centres; eg: mornings Ballina and afternoons at Lennox Head

Cleaners
- As per existing contracts for the BCSC and Richmond Rooms, cleaners would be required to complete end of day cleans on the LHCC amenities and rooms between major users
- This could be undertaken by Council staff or a contractor

Vehicle
- To access the different centres and sites use of a Council vehicle would be recommended

The initial **operating hours** for the **staff** would be:

Community Facilities Co-ordinator

- This is a full time position and in the interim would be undertaken by Council's existing Community Facilities Co-ordinator

Casual Staff

- The level of staffing recommended is as follows:

BCSC Casual:	16 - 21 hours per week
WCC Casual:	16 hours per week
Richmond Room:	Unstaffed
LHCC:	Approximately 50 hours per week, although this will depend on ultimate use levels

Cleaners (additional)

- Casual use at approximately 2 - 4 hours per day for LHCC

- Could include cleaning of library to ensure value for money

Addition of the ALEC

If Council eventually incorporated ALEC into the portfolio of facilities the centre could be managed as per the BCSC, WCC and Richmond Room facilities with LHCC remaining as the central management point.

Wardell Community Centre

The WCC operates using a significant investment of financial and human resources from Council. At present this cost includes rent, utilities, information technology, salaries and more. The actual direct budget provided by Council is $77,000 for this facility per annum and this commitment is currently only servicing two regular user groups and a few casual internet users.

Council staff recommended closure of facility in a previous report to Council and staff are still of the opinion that this is not a sound allocation of our limited financial resources. Even though the purpose of this report is not to canvass this issue the establishment of a combined community facilities unit could also provide an opportunity to review the current operations in Wardell.

Possible work schedule

The next table provides an overview as to how the staffing might be distributed across the centres. The hours provided would be filled by a combination of staff across the course of the week.

Work Schedule - Hours

Staff	Monday		Tuesday		Wednesday		Thursday		Friday		Saturday		Sunday	
	AM	PM	AM	PM	AM	PM	AM	PM	AM	PM	AM	PM	AM	PM
Coord	9-12	12-5	9-12	12-5	9-12	12-5	9-12	12-5	9-12	12-5	-	-	-	-
LHCC	8-12	12-7	8-12	12-7	8-12	12-7	8-12	12-7	8-12	12-7	8-12	12-1	-	-
BCSC	8-12	-	8-12	-	8-12	-	-	-	8-12	-	-	-	-	-
WCC	-	1-4	-	1-4	-	-	-	-	-	1-4	-	-	-	-
RR	**-**	**-**	**-**	**-**	**-**	-	-	-	**-**	**-**	-	-	-	-
Example only and not under consideration as part of this report														
ALEC 1	9-12	12-5	9-12	12-5	9-12	12-5	9-12	12-5	9-12	12-5	-	-	-	-
ALEC 2	-	5-9	-	5-9	-	5-9	-	5-9	-	5-9	8-12	12-1	-	-

Co-ord = Community Facilities Co-ordinator - Primarily based at LHCC, however would tour / inspect all centres during the week and assist staff as time permits

LHCC = Casual staff in the interim - Monday to Thursday AM Shifts. During the initial opening period of the centre these shifts should be filled until need is determined. If appropriate they should be dropped back to just the afternoon shifts. The unknown workload for this position means that it could be filled by either 1 x Full Time Load Casual or 2 x Part Time Load Casuals, depending on need. A preference would be for multiple staff across LHCC and BCSC.

Saturday AM & PM could be a combination of any staff on a rotating roster.

WCC = Casual staff in the interim

ALEC1 = On site co-ordinator if this proposal advanced further

ALEC2 - Support staff if proposal advances

Sundays - Usage would need to be arranged prior to the day.

It is highly likely that there will be demand for the LHCC from 6am for early morning exercise groups and changes such as this, in the interim, will need to be managed by varying the starting and finishing times for the casual staff.

Operating Costs

The difficultly with any proposal to staff a facility is the operating costs. The first attachment to this report provides a financial summary that details the estimated operating income and expenses for the period from April 2011 to December 2012.

This period has been selected as it allows:

a) Council to assess the financial cost for a reasonable period of time, using Council staff; and

b) it allows Council to assess the likely cost for a shorter period, which may be considered sufficient to gauge enough information to then go to tender. For example after a period of three or six months Council may determine staffing is not the preferred option and that there is sufficient financial information available to go to tender.

The information provided in the financial summary is as follows:

Summary - Page One

This page provides a summary of income and expense items and the net operating result, on a monthly basis, for the period from April 2011 to December 2012 (split between 2011 and 2012).

The income and employee costs are outlined in further details on pages two and three, and all the other operating costs are estimates based on the expenditure incurred on similar Council facilities (i.e. ALEC, BCSC etc).

The key figures on this page are:

Income - Total income per month and per annum. Page two then provides the assumptions applied in determining the level of income.

Expenses - Estimated expenses per month and per annum. The employee costs are outlined in further detail on page three and the remaining expenses are based on experience with our existing facilities

Result - Surplus / (Deficit) - This provides the monthly cash operating result (i.e. income less expenses).

Add Council Contribution - These figures represent the operating budgets set aside by Council for the LHCC. For example Council has $50,000 in the 2010/11 budget for operating the LHCC and $150,000 in the 2011/12 budget. Effectively this is the annual subsidy provided by Council.

Cash Reserve Balance - This figure takes the monthly operating result and adds the Council contribution to determine the available cash funds for the centre.

The first objective for Council should be to ensure that the cash reserve balance does not go into overdraft and secondly that the Council contribution should be reduced over time.

Income Projections - Page Two

This table details possible income levels for all the facilities that can be hired based on an estimated number of hours hired (Hours Used) and a hire rate (Hourly Rate).

Revenue from the kiosk is also included based on a gross profit margin of 20% (i.e. Sales income less cost of goods sold estimated at 80%).

The figures included are very broad estimates only, based on information available from the BCSC and ALEC. The figures are considered to be relatively conservative and hopefully actual income will be above these estimates.

Supporting information for the income figures are:

Meeting Room Hire - Estimated income of $30,100 for the balance of 2011 and $42,000 for 2012.

Casual room hire income for the BCSC for July 2010 to January 2011 is approximately $15,000. Annualised this equates to approximately $26,000. Council's Centre Co-ordinator advises there remains strong demand for room hire and as there are only two small rooms for hire at the BCSC compared to five at the LHCC $42,000 should be an attainable benchmark.

Main Hall Hire - Estimated income of $14,700 for 2011 and $31,600 for 2012.

The ALEC is currently generating approximately $30,000 from the hire of the main hall in this facility and Council should be able to reach a similar benchmark figure with a new facility such as the LHCC.

Fees

A key part of the income assumptions is the level of fees and charges. The hourly rate lines on page two of the financial attachment highlight that the charge out rates are based on an average of $15 per hour for the meeting rooms and $75 per hour for the main hall.

In looking at fee options Council's current fees for the Ballina Community Services and Richmond Room are as follows.

Description	**2010/11 Fee ($)**
Ballina Community Services Centre	
Category 1: Commercial Enterprise: *(All Commercial Businesses)*	
Meeting Room 1 & Meeting Room 2	40.00/hr
Multipurpose Room Drop in Lounge	220.00/day
	24.00/hr
	120.00/day
Category 2: Funded/Part funded community group or private operator of community based activity *(organisations receiving full or partial funding and small operators running community service activities for minimal profit)*	
Meeting Room 1 & Meeting Room 2	20.00/hr
Multipurpose Room Drop in Lounge	110.00/day
	12.00/hr 60.00/day
Category 3: Community group non funded/not for profit *(any community or resident groups meeting for not profit)*	
Meeting Room 1 & Meeting Room 2	10.00/hr 55.00/day
Multipurpose Room Drop in Lounge	6.00/hr 30.00/day
Richmond Room	
Full Day Function (9am – 12 midnight):	
- Hall Hire - Full Day Function	430.00
- Hall Hire - Half Day Function	315.00
- Hall Hire - Hourly Rates	Min 2hrs @ 60.00/hr (ie 120.00)
	Thereafter 43.00/hr
- Not for profit groups	Cleaning charge
ALEC	
Regular Non Profit Users	
Multi-Purpose Hall	
- Monday - Friday 9 am - 10 pm	15.00/hr
Sports Hall	
- Monday - Friday 9 am - 10 pm	25.00/hr
- Primary school sport	10.00/hr
OR	
Per student - Primary School	$0.60
Per student - High School	$1.00
Meeting Room	
- Monday - Friday 9 am - 10 pm	5.00/hour
(Community groups free)	
Plus Courtyard	No charge

ALEC (Contd)	
Casual Non Profit Users (based on five hours function time)	
Multi-Purpose Hall	
- Function (including set up and cleaning) - first five hours	150.00
	15.00/hr thereafter
- Meeting	80.00
Sports Hall	
- Function (including set up and cleaning) - first five hours	300.00
	60.00/hr thereafter
Kitchen	
- Function or day hire	120.00
- Hourly Rate	20.00
Weekend Hire	
Sports Hall (including cleaning fee of $200)	1,200.00
Multi-Purpose Hall (including cleaning fee of $200)	1,000.00
Complete Centre (including cleaning fee of $300)	2,000.00

Research was also undertaken on the Raymond Laurie Sports Centre, at Yamba, which was opened in December 2009. This centre has a main hall, which includes two courts (i.e. which is used for a range of activities and a copy of their weekly program is included as an attachment to this report), along with meeting and multi-purpose rooms. Yamba is also considered to be a reasonably similar community to Lennox Head (i.e. coastal village).

Discussions with management at that facility have confirmed that organised sporting activities are the best revenue generator for that centre and you need to be out promoting the services available to the community.

A copy of the current fees for that centre is as follows (along with a comparison to 2009/10).

Description	**2009/10 Fee ($)**	**2010/11 Fee ($)**
Yamba Sports Centre		
Meeting Room 1 - per hour	15	15
Meeting Room 1 - per half day	45	45
Meeting Room 1 - per day	75	75
Meeting Room 2 - per hour	20	10
Meeting Room 2 - per half day	30	30
Meeting Room 2 - per day	50	50
Multi function room (MF3) - per hour	20	12
Multi function room (MF3) - per half day	36	36
Multi function room (MF3) - per day	60	60
Multi function room (MF4) - per hour	20	12
Multi function room (MF4) - per half day	36	36
Multi function room (MF4) - per day	60	60
Multi function room (MF3 + MF4) per hour	30	20
Multi function room (MF3 + MF4) per half day	60	60
Multi function room (MF3 + MF4) per day	100	100
Multi function room (MF5) - per hour	40	25
Multi function room (MF5) - per half day	75	75
Multi function room (MF5) - per day	125	125
Multi function room (MF6) - per hour	30	20
Multi function room (MF6) - per half day	60	60
Multi function room (MF6) - per day	100	100
Single Court - Non sports activities - per hour	75	75
Both Courts - Non sports activities - per hour	140	140
Casual hire per person - Senior - per hour	6	6

Description	2009/10 Fee ($)	2010/11 Fee ($)
Casual hire per person - Junior - per hour	3	3
Total complex (Both Courts) - Senior - per hour	90	90
Total complex (Both Courts) - Junior - per hour	70	70
Off Peak Casual hire (10am to 4pm) - Senior - per hour	4	4
Off Peak Casual hire (10am to 4pm) - Junior - per hour	2	2
Single Court - Off Peak Hire (10am to 4pm) - Per Hour	30	30
Single Court - Training - Seniors - Per Hour	40	45
Single Court - Competition - Seniors - Per Hour	50	50
Single Court - Day Use - Seniors - (up to six hours)	250	250
Single Court - Day Use - Seniors - (up to 12 hours)	500	500
Single Court - Training - Juniors - Per Hour	32	34
Single Court - Competition - Juniors - Per Hour	37	37
Single Court - Day Use - Juniors - (up to six hours)	185	185
Single Court - Day Use - Juniors - (up to 12 hours)	370	370
School Groups - per student	3	3

Based on all the above information Council staff have prepared recommended fee structures for the LHCC and two options are included as attachment three.

- Option A in that attachment is based on the current fee structure in place for the BCSC which has three tiers (commercial entity, funded community group / community service provider and unfunded community group).

- Option B in that attachment reduces these categories back to two for 2011/12 (i.e. commercial and community).

In discussions with current staff the preferred option is to move to two categories (commercial and community) as it:

- Minimises confusion
- Minimises administration time negotiating with ambiguous groups who don't want to pay commercial rates
- We generally receive more enquiries from 'Funded' groups than from 'Commercial' groups, so combining the two means that commercial groups may find the rates more competitive, and overall we might see an increase in income.

Salary Structure - Page Three

The salary structure information provides the monthly salary costs using the estimated work schedule as outlined earlier in this report.

Comments on Financials

Referring back to page one of the financial summary key outcomes from this financial plan are:

- The net operating loss is averaging at around $200,000 per annum. As Council has only included $150,000 in the 2011/12 budget this would mean that the staff proposal was not sustainable unless income levels increased or Council increased its financial subsidy, or expenses were reduced or a combination of any of these.

- The $150,000 Council contribution is similar to the subsidy provided for the ALEC.

- As Council has $50,000 in this year's budget the cash reserve does not go into overdraft this financial year and it takes until approximately May 2012 before the overdraft is reached.

  This means that Council should be able to operate the centre for at least three months (until 30 June 2011) without reaching the overdraft and this could continue into 2011/12 for a number of months without needing to increase the operating subsidy.

  Therefore we are in a position to operate the centre for a period of three, six, nine or 12 months to determine its feasibility.

  Of course this assumes the assumptions in the financial summary are correct. It may also be possible that if Council decides to go to tender that there is not any saving in the forecast operating expenses. If this occurred Council would need to increase its operating contribution in May / June 2012 to offset any forecast reserve deficit.

Legal / Resource / Financial Implications

The commencement of operations for the LHCC will place further financial pressure on Council and it is important that the centre is managed as efficiently and proactively as possible.

Lismore City Council recently opened the Goonellabah Leisure Centre, using staff, and the cost of this proved far in excess of budget. Therefore Council needs to keep a very tight rein on expenditure for the centre, especially during the start up phase.

In examining the staff option it is important to acknowledge that other longer term benefits that could be derived include:

a) creating a Council customer service function at the LHCC for general Council enquiries. In an ideal world if the ALEC could also be staffed it would then provide an opportunity for Council to have customer service functions at Lennox Head, Alstonville and the main business centre in Ballina

b) creating a level 2 or level 3 tourism service at the LHCC and ALEC. The Ballina Visitor Information Centre is a level one centre due to the operating hours and staff qualifications however levels 2 or 3 could be created at these two facilities, which then allows a certain level of signage to be provided at the centres and again improves our service levels.

c) Increased efficiencies in staff time and also infrastructure. For example, Council will soon be implementing a booking system at the BCSC, WCC and Richmond Room that can also be used at the LHCC or ALEC.

All of these points could improve Council's customer service across the shire, however as with any change in service levels, costs need to be carefully managed.

Consultation

Planning for the LHCC was subject to a very extensive consultation process.

Section 610F of the Local Government Act also requires the following in respect to the public notice of fees:

(1) A council must not determine the amount of a fee until it has given public notice of the fee in accordance with this section and has considered any submissions duly made to it during the period of public notice.

(2) Public notice of the amount of a proposed fee must be given (in accordance with section 405) in the draft operational plan for the year in which the fee is to be made

(3) However, if, after the date on which the operational plan commences:

a. a new service is provided, or the nature or extent of an existing service is changed, or

b. the regulations in accordance with which the fee is determined are amended

the council must give public notice (in accordance with section 705) for at least 28 days of the fee proposed for the new or changed service or the fee determined in accordance with the amended regulations.

As per sub clause (3) the LHCC is a new centre and the recommendations include public notification of the proposed fees.

Options

There are two main options in respect to the management of the LHCC, being by contract or staff. There is also the option of immediately implementing a permanent contract management arrangement.

For the reasons outlined in the report the recommendation is to commence operation of the centre with an interim staff structure, with that option to be reviewed on a regular basis (three monthly) prior to Council making a final decision on the long term management structure.

In respect to fees option B of the third attachment to this report is considered to be the preferred fee structure and it is recommended that public notice of the LHCC component of those fees be given in accordance with Section 610F(3) of the Local Government Act. The balance of the fees (I.e. BCSC) will be advertised as part of Council's 2011/12 Operational Plan.

RECOMMENDATIONS

1. That Council approves the implementation of an interim staffing structure for the Lennox Head Community Centre based on the financial summary attached to this report.

2. This interim staffing structure is to be subject to a further report to Council after three months to allow Council to assess the effectiveness of this structure and to consider whether it should be extended or alternatively whether tenders should be called for the contract management of the facility.

3. That Council approves the exhibition of the proposed fee schedule for the Lennox Head Community Centre, as included in Option B of the third attachment to this report, for a minimum period of 28 days, as per Section 610F(3) of the Local Government Act.

Attachment(s)

1. Financial Summary (three pages - Financial Summary, Income Projections, Staffing Structure)
2. Raymond Laurie Sports Centre - Timetable for Activities (two pages)
3. Proposed Fees - Option A and Option B (two pages)

4.5 Lennox Head Community Centre - Management

Lennox Head Community Centre - Financial Summary - 2011 and 2012

Year - 2011	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
Income													
Main Hall	0	0	0	0	400	800	1,900	2,250	3,000	3,000	3,000	750	14,700
Meeting Rooms	0	0	0	0	800	1,500	3,100	4,600	6,200	6,200	6,200	1,500	30,100
Kiosk (Net)	0	0	0	0	200	300	400	500	600	600	600	100	3,300
Less GST on Fees	0	0	0	0	(100)	(200)	(500)	(700)	(900)	(900)	(900)	(200)	(4,400)
Total Income	0	0	0	0	1,300	2,400	4,900	6,650	8,900	8,900	8,900	2,150	43,700
Expenses													
Employee Costs	0	0	0	11,600	13,600	13,600	13,600	13,600	13,600	13,600	13,600	13,600	120,400
Vehicle	0	0	0	800	800	800	800	800	800	800	800	800	7,200
Cleaning Contracts	0	0	0	0	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	14,400
Office Administration	0	0	0	0	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	8,000
Telephone	0	0	0	0	200	200	200	200	200	200	200	200	1,600
Rates and Charges	0	0	0	0	300	300	300	300	300	300	300	300	2,400
Security	0	0	0	0	200	200	200	200	200	200	200	200	1,600
Building / Grounds Mtce	0	0	0	0	2,000	2,000	3,000	3,000	3,000	3,000	3,000	3,000	22,000
Air Conditioning Mtce	0	0	0	0	200	200	200	200	200	200	200	200	1,600
Electricity	0	0	0	0	600	600	600	600	600	600	600	600	4,800
Total Expenses	0	0	0	12,400	20,700	20,700	21,700	21,700	21,700	21,700	21,700	21,700	184,000
Result - Surplus / (Deficit)	0	0	0	(12,400)	(19,400)	(18,300)	(17,200)	(15,050)	(12,800)	(12,800)	(12,800)	(19,550)	(140,300)
Add Council Contribution	50,000	0	0	0	0	0	150,000	0	0	0	0	0	
Cash Reserve Balance	50,000	50,000	50,000	37,600	18,200	(100)	132,700	117,650	104,850	92,050	79,250	59,700	

Year - 2012	Jan	Feb	Mar	April	May	June	July	August	Sept	Oct	Nov	Dec	Total
Income													
Main Hall	800	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	800	31,800
Meeting Rooms	1,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	1,000	42,000
Kiosk (Net)	100	600	600	600	600	600	600	600	600	600	600	100	6,200
Less GST	(200)	(700)	(700)	(700)	(700)	(700)	(700)	(700)	(700)	(700)	(700)	(200)	(7,400)
Sub Total	1,700	6,900	6,900	6,900	6,900	6,900	6,900	6,900	6,900	6,900	6,900	1,700	72,400
Expenses													
Employee Costs	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	168,000
Vehicle	800	800	800	800	800	800	800	800	800	800	800	800	9,600
Cleaning Contracts	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	21,600
Office Administration	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Telephone	300	300	300	300	300	300	300	300	300	300	300	300	3,600
Rates and Charges	300	300	300	300	300	300	300	300	300	300	300	300	3,600
Security	300	300	300	300	300	300	300	300	300	300	300	300	3,600
Building / Grounds Mtce	3,500	3,500	3,500	3,500	3,500	3,500	4,000	4,000	4,000	4,000	4,000	4,000	45,000
Air Conditioning Mtce	200	200	200	200	200	200	200	200	200	200	200	200	2,400
Electricity	700	700	700	700	700	700	700	700	700	700	700	700	8,400
Total Expenses	22,900	22,900	22,900	22,900	22,900	22,900	23,400	23,400	23,400	23,400	23,400	23,400	277,800
Result - Surplus / (Deficit)	(21,200)	(16,000)	(16,000)	(16,000)	(16,000)	(16,000)	(16,500)	(16,500)	(16,500)	(16,500)	(16,500)	(21,700)	(205,400)
Add Council Contribution	0	0	0	0	0	0	154,500	0	0	0	0	0	
Cash Reserve Balance	38,500	22,500	6,500	(9,500)	(25,500)	(41,500)	96,500	80,000	63,500	47,000	30,500	8,800	

Lennox Head Community Centre - Income Projections 2011 and 2012													
Item	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Total Hours Hired P.A.
Year 2011													
Main Hall													
Hours Used	0	0	0	0	5	10	20	30	40	40	40	10	195
Hourly Rate	0	0	0	0	75	75	75	75	75	75	75	75	
Meeting Room 1													
Hours Used	0	0	0	0	10	20	40	60	80	80	80	20	390
Hourly Rate	0	0	0	0	15	15	15	15	15	15	15	15	
Meeting Room 2													
Hours Used	0	0	0	0	10	20	40	60	80	80	80	20	390
Hourly Rate	0	0	0	0	15	15	15	15	15	15	15	15	
Meeting Room 3													
Hours Used	0	0	0	0	10	20	40	60	80	80	80	20	390
Hourly Rate	0	0	0	0	15	15	15	15	15	15	15	15	
Room above library													
Hours Used	0	0	0	0	10	20	40	60	80	80	80	20	390
Hourly Rate	0	0	0	0	12	12	12	12	12	12	12	12	
Activities Room													
Hours Used	0	0	0	0	10	20	40	60	80	80	80	20	390
Hourly Rate	0	0	0	0	20	20	20	20	20	20	20	20	
Kiosk													
Kiosk Revenue	0	0	0	0	1,000	1,500	2,000	2,500	3,000	3,000	3,000	500	
Less Cost of Good Sold	0	0	0	0	800	1,200	1,600	2,000	2,400	2,400	2,400	400	
Library	0	0	0	0	0	0	0	0	0	0	0	0	
Children's Room	0	0	0	0	0	0	0	0	0	0	0	0	
Total Income	**0**	**0**	**0**	**0**	**1,345**	**2,590**	**4,980**	**7,370**	**9,760**	**9,760**	**9,760**	**2,390**	
Year - 2012													
Main Hall													
Hours Used	10	40	40	40	40	40	40	40	40	40	40	10	420
Hourly Rate	75	75	75	75	75	75	75	75	75	75	75	75	
Meeting Room 1													
Hours Used	20	80	80	80	80	80	80	80	80	80	80	20	840
Hourly Rate	10	10	10	10	10	10	10	10	10	10	10	10	
Meeting Room 2													
Hours Used	20	80	80	80	80	80	80	80	80	80	80	20	840
Hourly Rate	10	10	10	10	10	10	10	10	10	10	10	10	
Meeting Room 3													
Hours Used	20	80	80	80	80	80	80	80	80	80	80	20	840
Hourly Rate	10	10	10	10	10	10	10	10	10	10	10	10	
Room above library													
Hours Used	20	80	80	80	80	80	80	80	80	80	80	20	840
Hourly Rate	10	10	10	10	10	10	10	10	10	10	10	10	
Activities Room													
Hours Used	20	80	80	80	80	80	80	80	80	80	80	20	840
Hourly Rate	10	10	10	10	10	10	10	10	10	10	10	10	
Kiosk													
Kiosk Revenue	500	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	500	
Less Cost of Good Sold	400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	400	
Library	0	0	0	0	0	0	0	0	0	0	0	0	
Children's Room	0	0	0	0	0	0	0	0	0	0	0	0	
Total Income	**1,850**	**7,600**	**7,600**	**7,600**	**7,600**	**7,600**	**7,600**	**7,600**	**7,600**	**7,600**	**7,600**	**1,850**	

Facilities Management - Staffing Structure - Calculations for Employee Costs for 2011 and 2012

Position	Hourly Rate	Hours	Weekly	Yearly	Oncosts	Relief Allowance	Total	Per Week 2011	Per Week 2012
Employees									
Co-ordinator	39.38	35	1,378	64,100	28,268	5,000	97,368	1,865	1,921
LHCC Casuals									
Normal time	26.41	45	1,188	62,000	14,880	0	76,880	1,473	1,517
Saturday - Time and one quarter	33.01	5	165	8,600	2,064	0	10,664	204	210
Sunday - Time and one half	39.62			0			0	0	0
BCSC Casuals									
Normal time	26.41	16	423	22,100	5,304	0	27,404	525	541
WCC Casuals									
Normal time	26.41	12	317	16,500	3,960	0	20,460	392	404
Total Salary Costs				**173,300**	**54,476**	**5,000**	**232,776**	**4,459**	**4,593**
Less Current Salary Budget	29.652	35	1,038	48,300	21,300	0	69,600	1,333	1,373
Net Additional Cost				**125,000**	**33,176**		**163,176**	**3,126**	**3,220**
Contract Cleaners - LHCC									
Normal time	27.27	15	409	21,400	0	0	21,400	410	422
Saturday - Time and one half	40.91	0	0	0	0	0	0	0	0
Sunday - Double time	54.55	0	0	0	0	0	0	0	0
Totals				**21,400**	**0**	**0**	**21,400**	**410**	**422**

Assumptions	**Rates**
Weeks P.A. for Permanent Staff	46.5
Oncost Rate for Permanent Staff	44.1%
Oncost Rate for Casual Staff	24.0%

October 2010 Issue

Raymond Laurie Sports Centre

INDOOR SPORTS
MULTI FUNCTION ROOMS
DANCE STUDIO
MEETING ROOMS
GYM / WEIGHTS ROOM
FITNESS CLASSES
KIOSK and COFFEE MACHINE
KIDS CORNER

SUMMER SPORTS

Monday- Futsal (men's/mixed)
Tuesday- Basketball (men's/women's)
Wednesday- Table tennis/ Badminton
Thursday- Netball (Juniors/Mixed/Women's)
Friday- Remote control vehicles
Saturday- Junior basketball competition

Endura Sports Nutrition

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YAMBA - 78 Angourie Rd
Phone - 02 6646 8822

Fitness Classes and Gym
For more information contact centre staff

Centre Timetable For Activities

Monday
Futsal juniors 4.30pm & seniors 5.30pm
Feldenkrais method, with Tom 6pm
Yoga, with Alicia 6pm

Tuesday
Senior's activities, 9.00am - 12.00
Toddler Tuesdays 9.00am - 12.00
Hip Hop, with Lil 4.00pm
Basketball, juniors 4.30pm & seniors 5.30pm

Wednesday
Feldenkrais method, with Tom 10.30am
Table tennis, (social games) from 5.00pm
Badminton, (social games) from 6pm
Pilates, with Sophie 5.30pm
Velocity wind Training, with Veronica, 5.45pm

Thursday
Zumba, with Sophie 5.30pm
Netball, juniors 4.30pm & seniors 6pm

Friday
Roller Derby, 7.00pm- 9.00pm
Remote control vehicles, 3pm - 5pm

Saturday
Saturday junior basketball 8.30am
Monster garage and Auto sales,
Every 4th Saturday of the month.

Sunday
Yoga, with Alicia 9am

Opening Hours

Mondays: 6.30am - 7.30pm
Tuesdays: 9am - 7.30pm
Wednesdays: 6am - 7.30pm
Thursdays: 9am - 7.30pm
Fridays: 9am - 5.30pm
Saturdays: 10.30am - 1.30pm

Monday		9.30am Pilates	11.30am Seniors		
Tuesday		9.30am Inner strength	4.30pm Athletic development	5.30pm Burn	
Wednesday	6.00am Boxing	9.30am Court			
Thursday			1.30pm Inner strength	5.30pm Boxing	

YAMBA - 78 Angourie Rd
Phone - 02 6646 8822

Table Tennis

Juniors and Seniors Social Competition

Wednesday's
Juniors - 4pm till 5pm
Social seniors - 5pm till 6pm
Competition games - 6pm till 7pm

Saturday Morning Basketball

Saturday morning basketball is for all primary school aged children in the lower Clarence. As summer comes around sports such as soccer, rugby league, rugby union, netball and many more come to a close. We aim to make basketball take charge of the summer period.

Hip Hop dancing *(with Lil Sheurman)*

Learn all the moves with Lil:
Tuesdays- Primary 1,2,3 4pm to 5pm
Primary 4,5,6 5pm to 6pm
(Boys and Girls welcome)

Inner strength *(fitness class)*

The focus of inner strength is your core, the power house of your body. All movements are controlled and performed with an emphasis and awareness on the activation of our core muscles.

Tuesday- 9:30am

Thursday- 1:30pm NEW class

Court *(fitness class)*

A high intensity boot camp style fitness class, classes can be adjusted to suit you. Class held inside so no excuses about the weather!

Wednesdays- 9:30am

FOR THE MONTH OF OCTOBER YOUR FIRST COURT CLASS IS FREE!!!

OPTION A	2010 - 2011			2011 - 2012			FURNITURE	EQUIPMENT INC.
ROOMS	Commercial	Funded	Community	Commercial	Funded	Community		
BALLINA COMMUNITY SERVICES CENTRE								
Meeting Room 1	$40/hr $220/day	$20/hr $110/day	$10/hr $55/day	$45/hr $235/day	$24/hr $120/day	$12/hr $60/day	4 x Tables 20 x Chairs	1 x Whiteboard
Meeting Room 2	$40/hr $220/day	$20/hr $110/day	$10/hr $55/day	$60/hr $260/day	$30/hr $140/day	$15/hr $70/day	6 x Tables 30 x Chairs	1 x Whiteboard
Interview Room 1	$24/hr $120/day	$12/hr $60/day	$6/hr $30/day	$28/hr $125/day	$14/hr $65/day	$7/hr $32/day	1 x Round Table 6 x Chairs	1 x Whiteboard
Interview Room 2	$24/hr $120/day	$12/hr $60/day	$6/hr $30/day	$28/hr $125/day	$14/hr $65/day	$7/hr $32/day	1 x Coffee Table 3 x Tub Chairs	1 x Whiteboard
LENNOX HEAD COMMUNITY CENTRE								
Meeting Room 1	N/A	N/A	N/A	$60/hr $250/day	$30/hr $140/day	$15/hr $70/day	6 x Tables 30 x Chairs	1 x Whiteboard
Meeting Room 2	N/A	N/A	N/A	$60/hr $260/day	$30/hr $140/day	$15/hr $70/day	6 x Tables 30 x Chairs	1 x Whiteboard
Meeting Room 3	N/A	N/A	N/A	$60/hr $260/day	$30/hr $140/day	$15/hr $70/day	6 x Tables 30 x Chairs	1 x Whiteboard
Activities Room	N/A	N/A	N/A	$75/hr $285/day	$50/hr $175/day	$20/hr $100/day	8 x Tables 40 x Chairs	1 x Elect. W'board 1 x TV / DVD
Cupola	N/A	N/A	N/A	$45/hr $235/day	$24/hr $120/day	$12/hr $60/day	1 x Circular Table 10 x Chairs	N/A
Village Hall ^	N/A	N/A	N/A	$100/hr * $300/½ day $500/day	$75/hr * $175/½ day $300/day	$85 cleaning fee	400 x Chairs 50 x Tables	2 x P/A System w. 2 x High Quality Projector & Screen
Courts ^	N/A	N/A	N/A	Competition Hire: $50 /hr Competition Hire: $250 /½ day Competition Hire: $500 /day	Casual Hire: $8 p/pnr & $3 p/pnr /hr Casual Group Training Hire: $40 /hr		12 x Bench Seats Across 3 Courts	2 x P/A System w. 2 x High Quality Projector & Screen
THE RICHMOND ROOM								
Richmond Room	$60/hr $315/½ day $430/day	N/A	$65 cleaning fee	$75/hr * $300/½ day $450/day	$50/hr * $175/½ day $300/day	$85 cleaning fee	200 x Chairs 26 x Tables	1 x Stage 1x P/A System Commercial Kitchen
WARDELL COMMUNITY CENTRE								
Meeting Room 1	$10/hr	N/A	N/A	$10/hr	$5/hr	$1/hr	1 x Lounge 10 x Chairs	1 x Whiteboard
Meeting Room 2	$10/hr	N/A	N/A	$10/hr	$5/hr	$1/hr	4 x Tables 10 x Chairs	1 x Whiteboard
Computer Room	$10/hr	N/A	N/A	$10/hr	$5/hr	$1/hr	3 x Computers 1 x Long Bench	1 x Whiteboard
Outside Area	$10/hr	N/A	N/A	$10/hr	$5/hr	$1/hr	10 x Chairs	1 x Whiteboard

DEFINITIONS	CONDITIONS	EQUIPMENT				
Commercial Enterprise: All Commercial Businesses Funded / Part funded Community Group OR Private/Public operator of Community Based Activity: Organisations receiving full or partial funding and small operators running community service activities for minimal profit Community Group Non funded/ Not for Profit: Any community or resident Groups meeting for no profit	* Minimum 2 Hours Required ^ The Village Hall is the Courts In Non-Sports Mode If cancelled 8 days or more prior to booking: No cancellation fee If cancelled 7 days or less prior to booking: 25% cancellation fee	Data Projector	$30 /day	Whiteboards	No Charge
		TV / DVD Player	$10 /day	Tables / Chairs	No Charge

	2010 - 2011			2011 - 2012			
ROOMS	Commercial	Funded	Community	Commercial	Community	FURNITURE	EQUIPMENT INC.
BALLINA COMMUNITY SERVICES CENTRE							
Meeting Room 1	$40/hr $220/day	$20/hr $110/day	$10/hr $55/day	$30/hr $160/day	$12/hr $60/day	4 x Tables 20 x Chairs	1 x Whiteboard
Meeting Room 2	$40/hr $220/day	$20/hr $110/day	$10/hr $55/day	$35/hr $175/day	$15/hr $70/day	6 x Tables 30 x Chairs	1 x Whiteboard
Interview Room 1	$24/hr $120/day	$12/hr $60/day	$6/hr $30/day	$20/hr $100/day	$7/hr $32/day	1 x Round Table 6 x Chairs	1 x Whiteboard
Interview Room 2	$24/hr $120/day	$12/hr $60/day	$6/hr $30/day	$20/hr $100/day	$7/hr $32/day	1 x Coffee Table 3 x Tub Chairs	1 x Whiteboard
LENNOX HEAD COMMUNITY CENTRE							
Meeting Room 1	N/A	N/A	N/A	$35/hr $175/day	$15/hr $70/day	6 x Tables 30 x Chairs	1 x Whiteboard
Meeting Room 2	N/A	N/A	N/A	$35/hr $175/day	$15/hr $70/day	6 x Tables 30 x Chairs	1 x Whiteboard
Meeting Room 3	N/A	N/A	N/A	$35/hr $175/day	$15/hr $70/day	6 x Tables 30 x Chairs	1 x Whiteboard
Activities Room	N/A	N/A	N/A	$50/hr $200/day	$20/hr $100/day	8 x Tables 40 x Chairs	1 x Elect. Wboard 1 x TV / DVD
Cupola	N/A	N/A	N/A	$30/hr $150/day	$12/hr $60/day	1 x Circular Table 10 x Chairs	N/A
Village Hall ^	N/A	N/A	N/A	$75/hr * $250/½ day $450/day	$85 cleaning fee	400 x Chairs 50 x Tables	2 x P/A System w. 2 x High Quality Projector & Screen
Courts	N/A	N/A	N/A	Competition Hire: $50 /hr Competition Hire: $250 /½ day Competition Hire: $500 /day	Casual Hire: $6 p/snr & $3 p/jnr /hr Casual Group Training Hire: $40 /hr	12 x Bench Seats Across 3 Courts	2 x P/A System w. 2 x High Quality Projector & Screen
THE RICHMOND ROOM							
Richmond Room	$60/hr $315/½ day $430/day	N/A	$85 cleaning fee	$75/hr * $250/½ day $450/day	$85 cleaning fee	200 x Chairs 26 x Tables	1 x Stage 1x P/A System Commercial Kitchen
WARDELL COMMUNITY CENTRE							
Meeting Room 1	$10/hr	N/A	N/A	$10/hr	$1/hr	1 x Lounge 10 x Chairs	1 x Whiteboard
Meeting Room 2	$10/hr	N/A	N/A	$10/hr	$1/hr	4 x Tables 10 x Chairs	1 x Whiteboard
Computer Room	$10/hr	N/A	N/A	$10/hr	$1/hr	3 x Computers 1 x Long Bench	1 x Whiteboard
Outside Area	$10/hr	N/A	N/A	$10/hr	$1/hr	10 x Chairs	1 x Whiteboard

DEFINITIONS	CONDITIONS	EQUIPMENT			
Commercial and Professional Organisations: All Commercial Businesses, Organisations or Government Departments using the facility for profit or for internal use ie. Staff Training, Commercial Hiring, Conferences, Seminars etc Community Groups or Not for Profit Activities: Any Community or Resident Groups meeting for no profit, or organisations providing services to the community for no profit. ie. Health Services, Government Services, Local Community Groups etc	* Minimum 2 Hours Required ^ The Village Hall is the Courts in Non-Sports Mode If cancelled 8 days or more prior to booking: No cancellation fee If cancelled 7 days or less prior to booking: 25% cancellation fee	Data Projector	$30 /day	Whiteboards	No Charge
		TV / DVD Player	$10 /day	Tables / Chairs	No Charge

4.6 Ballina Naval and Maritime Museum and associated timber vessels

File Reference	Ballina Naval and Maritime Museum
CSP Linkage	Resilient and adaptable communities
Delivery Program	Strategic Planning
Objective	To report on the potential costs and issues associated with a proposed extension to the Ballina Naval and Maritime Museum and conserving the MV *Florrie* and the *Richmond* Pilot boat.

Background

The Ballina Naval and Maritime Museum has recently approached Council to discuss its proposal to undertake a further extension of the museum. The proposed extension seeks to provide additional protection - from weather and vandalism - for the Pilot vessel the *Richmond*. The *Richmond* is currently housed on the external north elevation of the building under a corrugated awning.

This proposal is potentially complicated by a number of issues concerning the museum and the future conservation management of the timber vessels it houses.

These vessels - the *Florrie* and the *Richmond* Pilot boat - are owned by Council and are listed on Council's Local Environmental Plan as items of environmental heritage. Both vessels are considered to have important local heritage significance to the Ballina Shire. *MV Florrie* is listed on the Australian National Maritime Museum's Historic Vessels Register.

The purpose of this report is to ascertain whether there is Council interest in providing significant financial support to the on-going preservation of these vessels.

Key Issues

- The appropriateness of any future extension to provide an environment conducive to the conservation of historic timber vessels, and in accordance with best practice heritage management; that any structure built to contain and protect the museum's timber vessels does not compromise the exhibit and interpretation of these items
- the conservation of timber vessels is complex and costly, requiring a long term and ongoing financial commitment to their heritage management.

Information

A report prepared by Mr Michael Staples in September 2009 (copy attached) provides a series of conservation management options for retaining and conserving *Florrie.* This report highlights the potential complexities associated with the conservation of the *Florrie*, and historic timber vessels generally; the potential for such projects to be very costly; and that *Florrie*'s conservation would involve a long term and ongoing commitment.

Staples' report also highlighted that, ideally, retaining and conserving *Florrie* into the future would involve improving the current environment in which it is housed, to better serve her protection from detrimental environmental elements and to interpret her heritage values.

Moreover, overarching concerns are that the *ad hoc* approach to making extensions to the museum to date has not resulted in the best aesthetic outcomes for the building, its broader setting, and the capacity for the museum to protect and exhibit some of its moveable heritage items.

It is recognized of course that, from the museum's perspective, the main focus for building extensions has been to maximize space and to promote a secure environment for its displays.

It is considered that any future extension to the museum should seek to provide the right environment for the museum exhibits it houses.

In addition, it is understood that the long term management of the reserve on which the museum is located is to be subject to a proposed review/plan of management by the NSW Land and Property Management Authority. The unknown outcome of this proposal in turn creates uncertainty regarding the future use and management of the reserve. Moreover, the future strategic direction of the museum, including succession planning, is important to determining the sustainability of any future commitment made to the museum.

Legal / Resource / Financial Implications

A preservation needs assessment for the *Richmond* would result in discerning the most appropriate way to house this vessel to ensure the right environmental conditions for its conservation are determined. Moreover, it would also assist in determining likely costs of ongoing conservation. A preservation needs assessment for the *Richmond* would cost approximately $6,500.

The *Florrie* and the *Richmond* currently do not have specified budget allocations for their conservation.

Staples' report does not specify a total cost of conservation in dollar terms for *Florrie* given it would be a long term and ongoing commitment. It is estimated that this project could however run into hundreds of thousands of dollars; its actual cost depending on conservation options executed. Staging the conservation management of *Florrie* would assist managing the cost of its conservation. There is some potential for grant opportunities to fund the conservation of *Florrie.*

Consultation

The Staples' report was subject to consultation with the Naval Museum.

Options

The purpose of this report has been to highlight to Council the financial commitment that is needed if we wish to provide on-going support for the preservation of the timber vessels. There are concerns that we are not in a position to provide that financial support, considering all the other demands across the shire, and therefore a decision needs to be made at some point in time as to how these matters are to be managed.

In looking at how to move forward on this the options are:

1. A financial commitment is given to the conservation of the *Richmond* and *Florrie* in accordance with a professionally prepared Conservation Management Plan (CMP) for both vessels. Conservation of the *Richmond* and *Florrie* would retain and conserve two important items of environmental heritage in the Ballina Shire. The conservation of these items would contribute to the cultural infrastructure of the Ballina Shire/ the Ballina Naval and Maritime Museum. The conservation of the *Florrie* and *Richmond* in accordance with a professionally prepared CMP could assist in addressing the broader issue of aesthetics of the museum building. Any financial commitment given to the conservation of these items, however may be, in the future, compromised by any change in status to the future management of the reserve on which the museum is located.

2. Any commitment made to the ongoing conservation of the *Richmond* and *Florrie* is put on hold until the future management status of the reserve is determined. This option would ensure any financial commitment given by Council to conserve the *Richmond* and *Florrie* is made in the context of certainty surrounding the future management status of the reserve. Moreover, this option could provide the opportunity to address the issues of the aesthetic of the museum building and its setting; as well as the broader sustainability of the museum.

3. The allocation of additional resources toward the retention and conservation of the *Richmond* and *Florrie* is not supported by Council. This option would potentially see the loss of two significant items of environmental heritage to the Ballina Shire/the Ballina Naval and Maritime Museum.

4. That Council note the contents of the report and acknowledge that the *Richmond* and *Florrie* are just another two liabilities that Council needs to address at some time in the future.

It is unreasonable to expect Council to make a decision on this matter without considering in full the entire Council budget. However it would also be useful if Council could provide direction to staff as to how this issue is to be managed. Questions that could be answered include:

Are Councillors supportive of allocating hundreds of thousands of dollars to this restoration project?

Would Council be prepared to allocate half the funding required and then seek matching grant funds?

Based on all the other community priorities does Council not support substantial funding for this project?

The recommendation is to note the contents of this report as it is hoped that any discussion generated will provide direction on the type of information Council requires to make a final or firmer decision on this issue.

RECOMMENDATIONS

That Council notes the contents of this report regarding the on-going need for preservation and expansion of the Ballina Naval Museum and Associated Timber Vessels.

Attachment(s)

1. Michael Staples's Report

Florrie; Inspection and Suggestions
September 2009
Michael Staples

CONTENTS

Summary

Re-location of *Florrie* to undercover storage has been a significant step in assuring the long-term preservation of the vessel; the rate of deterioration of the hull will be slow in comparison to that which was occurring while the vessel was on outdoor display.

Additional work on the vessel hull and covering shelter would further reduce the risk of damage to the remains.

Measurement and documentation of the vessel structure should be completed as a priority before further damage occurs.

Collection and assembly of documentation relating to the vessels history should continue in order to provide a basis for future interpretation; interviews of people associated with *Florrie* during its' working life should be prioritised.

Provision of interpretative material around the hull in it's present location would allow the existing remains to be more easily understood, and assist in maintaining public support for the project.

A long term plan and budget for the preservation and display of *Florrie* should be developed; all works performed on the vessel and its' housing should be consistent with this plan.

The long term cost of preserving and displaying *Florrie* will be very large. However, a project such as this can attract outside funding which in normal circumstances would not be available to the community.

A stabilised, restored, and interpreted vessel, would be a valuable addition to the existing material displayed at the Maritime Museum, and as such would add to the attractiveness of Ballina as a tourist destination.

Present Location and Condition

Florrie is stored under an open sided metal roof attached to the western end of the Ballina Maritime Museum.
Access to vessel from outside of the building is restricted by a steel mesh enclosure.

The hull is well supported in a heavily constructed purpose built cradle of galvanised steel.
The fore and aft centreline of the vessel is lying roughly in a north-south direction, with the bow to the north.
The vessel is lying bow-down in the cradle; the load waterline is not horizontal.

The structure of the vessel is largely as it was when inspected in 2002, in extremely poor condition.

- the timber structure has been extensively damaged by rot; most pieces of timber in the vessel show signs of fungal activity.
- the interior of the vessel contains a large quantity of dirt and rubbish.
- all of the superstructure above the weather deck is missing; this was present in 2002.
- the starboard side main hatch coaming has collapsed into the hull.
- there is a large hole in the hull planking, below the waterline on the port side, aft.
- A quantity of material is currently stored on the deck.
- The vessel is sitting in the cradle with the underside of the keel horizontal, that is, the load waterline is not horizontal.

It was possible to access the area under the foredeck, previously closed off under the fibreglassed over fore-hatch; the structure in this area was found to be in a similar condition to the hull amidships, certainly no worse.

The covering roof effectively protects the hull remains from most direct sunlight and rain under normal conditions, thereby reducing the rate of deterioration due to fungal activity.
The port side of the hull is exposed to the afternoon sun.
Driving rain can wet the hull when blown through the open sides of the enclosure.
The uninsulated roof condenses moisture on the underside of the metal sheeting; drops then fall onto the deck or into the bilge.

Leaves and other wind borne material tend to accumulate under the hull and around the cradle, driven through the open sides of the enclosure.

The construction of the steel cradle and the successful movement of the hull to undercover storage has been a major step in ensuring the future preservation of the vessel.

The design of the cradle allowed the fragile structure to be moved without damage, provides good support for the hull in it's present condition, and makes it comparatively simple to add or remove support points as required. Further re-location of the hull in its' cradle would be fairly straightforward.

The hull is neatly located alongside the Maritime Museum, and being somewhat hidden by the low roof is less likely to attract negative public opinion than when it was prominently decaying on the riverbank.

Although further deterioration in the structure will occur, the rate of deterioration will be minimal compared to that which was occurring while the vessel was exposed to the weather on the river bank.

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Threats to the continued preservation of the vessel in its' present location

Exposure to ambient conditions of temperature and humidity

The vessel is stored under a metal roof with open sides.
The vessel is largely protected from rain and sun, but is exposed to all seasonal and daily variations in temperature and relative humidity.

High temperatures will increase the rate of fungal activity, the rate of corrosion of metal parts, and the rate of chemical deterioration of paint finishes.

High humidity will increase the rate of fungal activity, and the rate of corrosion of metal parts.

High temperatures combined with high humidity will increase the rate of fungal activity and the rate of corrosion of metal parts even further.

Variations in relative humidity will result in dimensional changes in the timber structure, stressing fastening connections, and loosening fillers and finishes.

Variations in temperature can result in condensation forming on metal components, and the underside of the uninsulated metal roof; the resulting moisture will increase corrosion of metal surfaces and locally raise the moisture content of affected timber, increasing the possibility of fungal decay.

Continued deterioration of the timber structure

As noted above, and in the 2002 report, the hull structure has been extensively damaged by rot.

The hull interior has provided an ideal environment for fungal decay, essentially from the time the vessel was placed on the riverbank in 1975 until it was re-located to covered storage in 2006, a period of 31 years.
Wet regularly by rain through the leaking decks and warmed daily by the sun, the dark, poorly drained and ventilated hull interior would have provided an almost constantly warm and humid environment perfect for fungal growth.
Consequently, ALL of the existing timber structure is either rot damaged or affected by fungal growth in some way.

All deteriorated timber in the structure, and the accumulation of dirt and debris in the bottom of hull, serves as a reservoir for moisture and fungal spores.
Whenever the moisture content of the timbers rises above ca.20%, fungal attack of the timber can re-commence.

The moisture content of the timber can be raised to this level either by

- local saturation with free water, that is, being wet by rain or condensation, or
- by periods of high ambient humidity which will cause the equilibrium moisture content of the timber to rise to 20% and above.

Based on the climate records for Ballina Airport (records from Ballina Airport AWS attached) and the chart of Equilibrium Moisture Content (attached), it is reasonable to expect that at regular intervals the equilibrium moisture content of the timber structure will be raised to the point that fungal decay could continue.
For much of the year, from January through to June, the average humidity readings suggest that the timber moisture content will be around 14% to 16%. Any extended periods of rainy weather in this part of the year may raise the moisture content of the timber to the point that decay is could continue.

Corrosion of fastenings

Corrosion of the steel fastenings can be expected to continue slowly; there is probably a certain amount of residual chlorine retained in the timbers of the underwater parts of the hull which will promote corrosion of steel components. The rate of corrosion of the steel fastenings will be increased by elevated temperatures and relative humidity.

Continued corrosion of steel fastenings will damage the adjacent timber by chemically, by degradation of the wood fibres, and mechanically due to the increase in volume of the fastening as corrosion product accumulates.

Continued Distortion of the Structure

The hull is well presently well supported.
It will be relatively simple to monitor the hull for changes in shape; the cradle base and the contact points of the support pads serve as a stable references for check measurements, and it would a be comparatively simple job to add additional supports if required.
The additional weight of any material stored on deck will increase the tendency of the hull to compress.

Note that there appears to have been some settling and movement of the hull in the cradle supports since they were fitted;

(supports are counted aft from the bow)

Starboard side
Support 3; settled 6-10mm. at the top of the sheathing.
Support 7; settled ca.10mm., underwater section of hull.
Support 8; settled ca.10mm., underwater section of hull.

There is a gap of ca.15mm. between the hull planking and the starboard side support pad fitted under the counter.

Port side
Support 3; settled 8mm. at the top of the sheathing.
Support 7; settled ca.12mm., underwater section of the hull; there appears to have been similar movement at the sheer.
Support 8; settled 5mm., underwater section of the hull; there appears to be a lot of weight on the support prop jammed under the short broken section of sponson.

The counter appears to have shifted 15mm. to port at the port side support pad.

The keel is not supported on the #14 cradle beam (aft end of the hull).

This movement is probably due to slight flexing of the cradle base when it was re-located to the concrete slab, but gaps should be wedged, and all pad supports marked (trace around the pad with a pencil) to allow checking for any further signs of change in the hull shape.

Fire

There is no fire alarm or sprinkler system installed in the vessel or the storage area.
There are no installed electrical systems in and around the vessel, and there are no obvious sources of ignition.

However, the deteriorated timber structure, now comparatively dry, and containing a quantity of timber fragments and rubbish in the bilge, is essentially highly flammable.

The main fire risk would be probably be from a deliberate attempt to damage the vessel by setting it alight from outside the steel mesh panelling, either by throwing something through the mesh, flooding a flammable liquid under the hull and igniting it, or setting fire to leaves or other flammable material that may have accumulated under the hull.

Vandalism

Access to the hull, apart from via the Maritime Museum, is restricted by the steel mesh panelling.
The risk of malicious damage to the vessel is probably low, apart from possibly an attempt to set fire to it as noted above.

Exposure to sunlight

The port side of the hull is exposed to direct afternoon sunlight.
This will increase the rate of deterioration of paint finishes and fillers on the exposed areas, and will result in daily dimensional change in the exposed planks.
Exposure to intense ultra violet radiation will also slowly degrade the fibres of exposed timber surfaces.

Salt Air

During conditions of heavy swell and onshore winds, the air in this location close to the coast will contain an aerosol of sea water droplets.
Deposition of salt on the hull will increase the rate of corrosion of metal parts.

Attack by insects and borers

Theoretically, the hull in an open sided enclosure is exposed to any insect pests.
Generally, moist timber containing sapwood is most likely to be attacked.
Being under cover, the moisture content of the timbers should mostly be at a level below that which is attractive to insects, and given the earlier poor display conditions, any sapwood in the structure would have rotted long ago.

The fact that the vessel has survived 31 years on open display in this environment suggests that in reality, the risk of insect attack is low.

The concrete pad beneath the hull offers good protection against termite attack if kept clean.
It would be difficult in any case to detect the usual signs of borer activity, frass deposits, because of the extremely dirty state of the hull interior.

Loss of public support

It will be difficult to maintain public support for the vessel while it remains in visibly poor condition with no apparent purpose (no interpretation) and no apparent plan for conservation or restoration; to the uninformed observer the vessel could be perceived as a wreck beyond repair requiring constant input of Council finances to maintain.

Suggested work to stabilise and preserve the existing remains in the present location

1. Remove stored material from the deck

Any additional weight placed on the deck will increase the tendency of the hull to compress and distort.

2. Remove as much as possible of the recently added plywood and fibreglass decking

This decking was apparently added after the vessel was placed on the riverbank, in an attempt to keep rain water out of the hull.
It has no connection with the working history of the vessel or the construction techniques used in this type of vessel.

Removal of this decking will improve lighting and ventilation, and simplify access to the hull interior for cleaning.

It may be worth leaving in place for the time being any sections which appear to serve to strengthen the hull.

3. Remove the galvanised steel hull sheathing

Most of this sheathing appears to have been added after the vessel was placed on the riverbank;

- the sheathing was fitted around the three concrete hull supports.
- the sheet sizes are unusually large and consequently do not fit closely to the hull surface.
- the sheet laps are arranged in many cases opposite to how they would be expected to be for a boat in service (sheets laid from aft to forward so that the water flow would not tend to open the lap joint.)
- there is little sign of salt water corrosion on the sheet material.

It is probable that there is a quantity of debris trapped between the metal sheathing and the hull surface.

The metal sheathing was never well sealed along the upper edge (2002 report).
The underwater plank seams of the hull are open, and given the quantity of dirt and rubbish in the bilge, it is likely that a fair amount has been washed or fallen through the seams to remain trapped under the sheathing.

Removal of the sheathing will;

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- allow the hull underwater surfaces to be cleaned and inspected.
- allow access to the plank surfaces for the purpose of repair or re-fastening.
- allow measurement of plank widths and reveal the layout of butt joints to permit the lining out of the planking to be recorded.
- allow any original scribed waterlines to be located and recorded.
- allow sheet layouts of earlier sheathing layers to be deciphered using the tack holes.
- allow accurate measurements of the hull surface to be taken in order to produce a lines plan.
- simplify cleaning of the hull interior and application of fungicide treatments

Note that for the time being, any areas of original sheathing (that is, sheathing fitted while the vessel was in service) should remain undisturbed.
Two areas identified as original sheathing are;

- the rudder; all the rudder sheathing appears to be original.
- under the concrete block supports; heavily corroded remains of an earlier steel sheathing layer remain, with tarred paper beneath.

If, in the course of removing the existing sheathing, any areas are found likely to date from the service life of the vessel, they should be left in place for the moment.

The use of galvanised steel sheathing is unusual in salt water vessels; copper and Muntz metal sheathing was more common.
Additional research is required to determine whether the use of galvanised steel sheathing was common practice for the working craft of the Richmond River or whether it was something that was fitted to *Florrie* as cheaper alternative late in its' life.

4. Secure loose hull planking

The appearance of the hull will probably be very "archaeological" with the sheathing removed, and some temporary fixing arrangement will almost certainly be required to restrain loose planks currently held in place by the sheathing.
The best methods to use at this stage would be the quickest and simplest that caused the least damage to the existing structure; either wire tying, or screwing with light gauge screws into temporary blocking fitted inside the hull.
The purpose of the exercise is simply to keep the planks in place and maintain a reasonable appearance to minimise negative public comment.

5. Thoroughly clean the interior of the hull

The lower part of the hull contains a large quantity of rubbish and degraded timber, up to 100mm. deep in places.
The topsides and deck head are dusty, cobwebbed and mould stained.

This material;

- acts as reservoir for moisture and fungal spores
- is a fire hazard
- obscures the technical detail of the hull structure

As a first step, the accumulated debris should be carefully shovelled out, taking care not to damage rotted frame futtock remains and fragile surfaces of the bottom planking; it may be possible to consolidate these damaged areas later on, thereby maintaining the appearance of the hull interior.
If these parts are damaged by careless cleaning, the appearance of the internal hull structure will be diminished and very difficult to restore.

It may be worth sorting through the removed material for any artefacts related to the earlier history of the vessel.

Topside and deckhead surfaces can be cleaned by brushing and vacuuming to remove accumulated dust and mould.

Some care should be taken in cleaning out the hull interior;

- there are several pieces of broken asbestos/cement (or something very similar) in the bilge.
- the diesel exhaust system and steam boiler may have been lagged with asbestos.
- the large quantity of fungal spores present in the hull interior could possibly cause respiratory problems.

6. Measure the moisture content of the hull timbers

Measure the moisture content of the hull timbers at a number of points, and various depths, to get some indication of the likelihood of continuing decay. Investigate the feasibility of installing permanent fixed probes to allow the moisture content to be checked at various times throughout the year; resistance type moisture meters usually require pin-type electrodes to pushed into the timber; repeated measurements at the same spot will soon result in unsightly damage.

7. Treat with fungicide to prevent further decay of the timber structure

As noted in the 2002 report and above, because of the almost ideal conditions for fungal growth that existed inside the hull during the 31 years that the boat

was on the river bank, there is no part of the hull structure that can be considered free of rot, or safe from further attack.
A fundamental step in assuring the preservation of the remains would be to treat the entire structure with a fungicide.
There are a number of products available, but the simplest to use would probably be a borax solution.
Borax is relatively inexpensive, water soluble, essentially non-toxic to mammals, non-corrosive, colourless, and somewhat fire retardant.

Being water soluble, borate treatments will leach out when exposed to the weather, and require periodic re-application; this would not be an issue in the case of *Florrie*, now being under cover.

Assuring penetration of the fungicide deep into large structural members would require that the structure remains completely saturated for some time, which may not be achievable or practical; an alternative treatment in these situations might be to insert borate plugs.

It would be worth doing some further research to determine the detail of the method if this work was contemplated, and to check whether any alternatives treatments have been developed recently (none to my knowledge).

Treatment of the hull would be a major job and would require an arrangement of bunding and pumps to contain run-off and allow re-cycling of the fungicide fluid.

Prior to this treatment it would be worth identifying which parts of the existing structure were added after the vessel was removed from service.
If it can be shown that these parts are of no technical or historical interest, and they are in poor condition and have no structural function, then they should probably be removed, in order to allow better access for the fungicide to the important parts of the hull.

Note that some borate MSDS sheets suggest that the fumes emitted by burning borate treated timber are toxic, and that in the case of fire, firefighters should wear breathing apparatus.

See articles relating to the use of borates attached to the 2002 report;

Boron Wood Preservatives And Their Application To Historic Vessels At San Francisco Maritime N.H.P.
David Casebolt

Borates Offer Effective Protection With Less Hazard to the Environment.
A.B. Curtis & L.H. Williams

Borate Wood Preservatives - Marine Applications?
Richard Jagels

8. Fit a breathable dust proof cover

After the fungicide treatment the hull would be very clean, so provision of a lightweight breathable cover, eg. Tyvek, on a light frame over the deck, would keep it that way, saving a lot of recurring work and minimising the potential for damage to fragile parts of the hull.

9. Install a fire detection system

If possible, install some form of fire detection and alarm system; further research would be required, I am not sure if conventional smoke detectors would be effective in an open sided shed; thermal sensors may be.

10. Modify the shelter

Adding insulation under the metal roof will reduce radiant heat in summer, and prevent condensation from dripping on the hull.
Adding shade cloth along the western mesh panels will reduce the effect of afternoon sun on the port side of the hull.

Alternatively, the sides of the shelter could be closed in; this would keep out wind-blown rain and leaves, protect the hull from sun, reduce the risk of malicious fire damage and would probably simplify the installation of a fire detection system.
If the building were to be closed in, it would be necessary to insulate the roof to keep the temperature to a reasonable level in summer.
If the roof and walls were insulated, a more stable environment would be provided; variations in temperature and humidity would be slower and smaller.
If the building was well sealed, the hull could probably be kept reasonably clean without a cover, allowing it and accompanying interpretation material to be accessible to the viewing public.

11. Record the details of the hull structure with photographs and drawings.

After cleaning, the technical detail of the hull should be recorded with drawings and photographs.
All structural components should be measured and the fastening system described, and an attempt made to separate original or earlier parts of the structure from later repairs or modifications.

Evidence may be found of;

- earlier deck layouts
- the location of previously fitted masts
- earlier engine beds and machinery installations

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A shell expansion diagram should be produced to record the layout of planking and framing; this diagram can also be use to record future conservation and repair work.
A naming system should be devised to allow all parts of the structure to be easily identified without confusion.

12. Measure the hull shape and produce lines plan and construction drawings.

The hull should be measured and a number of drawings produced.

- "as lifted" lines
- faired lines
- construction details
- outboard profile and deck plan, prior to the loss of the recent superstructure
- outboard profile and deck plans of earlier configurations, if sufficient evidence and detail can be found.

Some basic measurements of the hull were taken for the purposes of constructing the cradle, but the poorly fitting sheathing was in place at the time and I feel it would be better to start with a new set of measurements.

The measuring process will reveal areas of existing distortion in the hull and assist in planning re-shaping of the hull if structural repairs are contemplated in the future.

The faired lines plan will enable calculations of stability and load carrying to be performed, and will allow the *Florrie* hull to be compared with similar craft for which plans exist.

The drawings listed above would allow an accurate replica of *Florrie* to be constructed.

The completed drawings can be used to illustrate earlier configurations and can be made available for sale to interested parties such as model makers.

I suggest that David Payne (02 9969 1563) is contacted to measure the hull and produce the drawings noted above.
David Payne has measured and drawn a number of historic vessels as a sub-contractor to the Australian National Maritime Museum.

13. Record selected measurements as an ongoing check against distortion

A number of measurement points should be marked at appropriate points on the hull and cradle to allow the hull to be periodically checked for changes in shape.
If any areas of the hull are found to be distorting over time, add external or internal props or supports as required.

14. Arrange interpretation material

If the hull can be stored without a dust cover, that is if the hull shelter can be made reasonably dust proof, or arrangements can be made to regularly clean the vessel, the hull remains, in a stable but unrestored state, could be used as the basis of an exhibition using interpretative material based on the themes outlined in the section following.

Developing an exhibition around the hull remains would be valuable in maintaining public support for the vessel.
In my experience, the general public does not have a good understanding of heritage management issues; many would be inclined to view the uninterpreted *Florrie* remains as a particularly large and foolish waste of limited Council resources, with no apparent benefit.

Setting up interpretation material related to *Florrie* would form a valuable addition to the existing exhibits of the Maritime Museum and would allow the importance of the apparently derelict hull to be explained.

The only means of representing the missing superstructure is with drawings and photographs; the above water parts of the hull are the parts that would normally be seen, and in the case of *Florrie*, with low freeboard, the superstructure represented a significant proportion of what was usually visible.

From an interpretation perspective, the poor condition of the hull does allow technical detail normally hidden, to be easily seen; e.g. the plank thickness and framing arrangement are easily seen through the hole in the underwater hull on the port side, aft, and the absence of large areas of deck planking allows the deck and hull framing to be easily seen.

It may be possible to allow the hull interior and decks and to be viewed, by providing visitor access via ramps alongside the hull.

Suggestions for Additional Repairs

Additional work could be carried out to improve the quality of the exhibit.

Level the hull

At the moment the hull is sitting in the cradle with the underside of the keel parallel to the floor, the load waterline is not horizontal.
The profile of the hull and the inclination of the sheer line are not representative of the vessel's appearance as it would have been while afloat; the unusual aft rake of the stem is disguised by the bow-down attitude of the hull.

Levelling the hull would require careful jacking along the full length of the keel to raise the bow, and possibly some additional blocking under the aft end of the keel as the heel will swing downwards as the bow is raised.

At the moment, the white boot top at the upper edge of the metal sheathing is 503mm. lower at the bow than it is at the stern. Note, however, that the white boot top at the bow is not on the load waterline, but a considerable distance above it, something like another 600mm. to 700mm.
The bow would therefore have to be raised about 1100mm. to 1200mm. in order to have the hull sitting parallel to its' floating waterline.
The clearance between the top of the stem and the underside of the metal roof at the moment is currently 600mm.; it may be possible to fit the top of the stem into a sheet metal housing added around a hole cut in the existing roof.

All the existing support struts would have to be re-built to support the hull in this new position.

Raising the bow would also allow for a better perception of the shape of the hull, as the underwater body is lifted out from between the cradle longitudinal beams.

At this stage it would be worth attempting to remove existing distortion in the hull shape by fitting adjustable supports where necessary to allow the hull to be slowly re-shaped.
The objective here would be to being to bring the hull closer to the "as built " lines, and remove any obvious deformation.
The aft section of the keel is hogged (droops) 130mm. in 3500mm. aft of the #16 cradle beam; the sheer line this area also appears flat; the hull was unlikely to have been built this way.

Structural Repairs to the Hull

At the present time, the hull is structurally unreliable and unpredictable.

The keel and keelsons, the stringers and sheer clamps, the engine bed assembly, the two watertight bulkheads and some of the deck beams, clearly retain some degree of strength; but most of these components show locally severe rot damage.
The planking and framing are generally very badly affected by rot, and the security of the fastenings is doubtful; structurally, the assembly of planks and frames must be considered to be completely unreliable.

In short it is not really clear what is holding the vessel in shape. I suspect that the sheer clamps connected to the two bulkheads, and the stem forward, are doing most of the work of supporting the deck structure.
The hull planking and framing is probably more or less suspended below, fixed in space to some extent by the connection to the bilge stringers.

The objective of work suggested below would be to repair parts of the structure so that the hull could be relied upon to support itself and hold its' shape in the long term, and allow possible future reconstruction of the deck and superstructure.
As strength is built back into the hull, the requirement for external supports will be reduced, which will improve the appearance of the exhibit; it may be possible to allow visitor access to reconstructed areas of the deck.

The repairs below are suggested as a possible means of stabilising the hull structure, without excessive loss of the existing original hull fabric.
Where possible, repair work should be done using materials appropriate to the style of construction of the vessel and arranged so as not to confuse or obscure the original structural detail.

1. Create two structurally sound bands around the bilge of the hull by repairing both bilge stringers as required, and through bolting to repaired original or replacement planks on the outside of the hull; additional packing may be require to separate the stringers and planks where the original frames are badly deteriorated.
Each bolted bilge stringer and plank assembly will form a rigid curved beam.

Connect the forward ends of the stringers to each other and to the stem with steel plate brackets.
Connect the aft end of the upper stringers to the counter framing.

2. Create a structurally sound band around the sheer by repairing or replacing the sheer strake and plank beneath, and the sponsons, and through bolting to the repaired sheer clamp.
Short additional sections of new frame may be required to be fitted either between remaining original sections, or as replacements for deteriorated original sections, in order to connect the sheer strake to the plank below.
Fasten the forward ends of the sheer clamps to the repaired upper section of stem and to each other.
Connect the aft ends of the sheer clamps to the counter framing.

3. Tie the two halves of the sheer together by repairing or replacing deck beams as required; if the beam ends are not dovetailed into the upper edge of the sheer clamp, some additional steel tie-rodding may be required.
Repair the deck beams to a standard that would allow visitor access to a re-constructed deck and would support the weight of a replicated superstructure. Ideally, the appearance of the structure would be maintained by repairing rotted centres and beam ends in preference to replacement of complete beams.

4. Fit internal steel fabricated trusses, which will support the repaired deck beam and sheer assembly above the keel, and connect to the repaired bilge stringer/plank bands.

The trusses would probably have to be spaced at about 2 metre intervals; the weight of the deck would be transmitted from the truss to the cradle via the keelson and packing blocks fitted between the keelson and the keel.
Anywhere the keelson and keel were not capable of bearing the compression load of the deck, a steel pin or tube support would have to be inserted through a hole bored in the keel and keelson (and the external bronze or copper worm shoe) to transmit the compression loads to the cradle transverse supports, or an additional support point fitted beneath the keel.

These trusses could probably be avoided through the amidships section of the hull; a repaired carline and coaming assembly, and the repaired sheer clamps/sheer strake/sponson assembly would probably be sufficiently rigid to span the length of the hatch opening without distorting in the long term.
This would leave the structure of the amidships section of the hull uncluttered and clear for viewing by visitors.

A few trusses of this type have been fitted to the *Lady Denman* ferry, for local reinforcement only; the *Lady Denman* hull is in much better condition.

5. Secure the planking in place.
The planking and framing are no longer required to support the weight of the deck; they are required only to support their own weight, and remain stable in the correct location, essentially hanging beneath the supported deck structure.
The function of the remaining original planking is to define the hull shape, represent the technology of the original structure, and to provide a means of securing a replica sheathing layer should one be re-fitted.

There are three possible ways to achieve this;

(a) Re-fasten the planking, as required, to original frames with screws.
Where the original frames are deteriorated to the point that screws will not hold, remove the original frames if possible, and repair the frame centres to allow screw fastenings to grip securely; re-fit the repaired frame in it's original location.
Where the original frame sections have been lost, fit replacement timbers shaped as closely as possible to match the missing originals.

(b) Fit light steam bent timbers at ca. 600mm. spacing between the original frame pieces and screw fasten the planking to these.
There may be some difficulty in bending these timbers around the hard turn of the bilge amidships; some alternative method may be required here.
It would be preferable to minimise the amount of added material in order to maintain the original appearance of the structure.

(c) If it is decided to re-fit underwater metal sheathing to the hull for display purposes, it may be possible to secure the planking with thin bands fitted from the upper edge of the sheathing to the keel at ca.300mm. spacing.
These bands would be working in tension, so would need to be connected at the upper ends to the repaired plank below the sheer strake (via a tension strap fitted inside the hull), and at the lower ends, either to each other across the keel, or to securely re-fastened garboards (first plank either side of the keel).
The bands could be either of metal, or an inert material such as glass or carbon fibre; the bands would be screw fastened to each plank.
If the underwater sheathing was re-fitted in the traditional manner over a layer of tarred felt or paper, then 2mm. to 4mm. thickness would be available for the bands outside the plank surfaces.
An advantage of this method is that the original framing system would not be interfered with.

Although much of the internal framing is severely damaged by rot, careful consolidation of the frame remains may allow badly damaged frame sections to be retained in place.
If all the badly rotten frames are discarded, the original framing layout will become increasingly difficult to perceive; the system of framing employed in this vessel is one of the major points of technical interest and should be preserved where possible.

Re-arrange the hull supports

If the hull structure was stabilised, the number of external props could be reduced, which would improve the appearance of the exhibit.
Once all parts of the hull structure are reliably connected, the main purpose of the external props would be to stop the hull falling over.

This could be achieved by;
(a) fitting props in compression between the repaired bilge stringers and the cradle longitudinal beams, or
(b) fitting tension rods penetrating the hull skin and connecting the internal truss frames to the cradle longitudinal beams.

Tension rods could be of much smaller diameter than props fitted under the bilge; the appearance of the hull would be improved.
Some external propping under the counter may still be required to prevent long-term distortion of the repaired structure.

Re-construct the deck and superstructure

If the hull structure was stabilised, re-construction of the deck and missing superstructure could be considered.
Any repair or re-construction should ideally be based on evidence contained in the remains of the hull, or photographic or documentary records.
At the present time, the most clearly documented configuration of the vessel is the most recent one, as the vessel appeared when placed on the river bank in 1975.

A re-constructed deck and awning could be made accessible to visitors and some interpretation material could be placed on board the vessel.

Re-construction of the superstructure would require a higher ceiling over the vessel, and preferably a larger floor area than the current space, to allow the shape and size of the vessel to be better appreciated.

New Housing for the Vessel

If re-housing of the vessel is contemplated to allow the superstructure to be replicated, care should be taken with the detail design of the building in order to ensure that it will provide conditions suitable for the long-term preservation of the vessel.

1. The building should be well insulated to minimise the rate and magnitude of daily and seasonal variations in temperature and humidity.
The building should be able to maintain the basic standard requirements for museum exhibition spaces, 20°C +/- 2° and 50% +/-5% relative humidity, with minimum recurring energy costs, and have the ability to maintain this standard through the normal range of ambient conditions experienced in Ballina.
20° and 50% RH should result in an equilibrium moisture content for the timber structure of around 9%, much further into the safe range as far as fungal decay is concerned, and the rate of corrosion of metal components will be reduced at these more moderate levels of temperature and relative humidity.

2. The building should be fitted with an accurate environmental monitoring system.

3. The building should be fitted with an effective fire detection and extinguishing system.

4. The building should be designed to exclude dust and salt laden air.

5. Any large glazed areas should be arranged so as to minimise added heat load through direct sun entering the building and should be coated with a film to reduce ultra-violet levels within the display area.

6. Internal lighting should be of a low UV type.

7. An area with low and controllable light levels should be provided for the display of light sensitive material; e.g. photographs, charts, plans, works of art.

It has been suggested that by glazing the western side of the current enclosure, the entire vessel could be better viewed from the park.
This is certainly a good idea, except for the issue of afternoon sun.
If however the hull were to be re-aligned east-west, a glazed wall facing south to the river could be employed without receiving any direct sunlight.

The ideal solution would be to construct a purpose designed building on the existing Maritime Museum site to house the Maritime Museum collection, *Florrie*, and *Richmond*, all under cover in a controlled environment, with *Florrie* aligned east-west on the south side of the building.

The design of the *Florrie* cradle makes it a relatively simple job to move the hull around on hard surfaces; re-location of the hull within the existing site would be relatively straightforward.

A building with a controlled environment would allow for the temporary display of exhibition material borrowed from larger Museums, or the return on loan of items that relate to the Richmond River region.

A good example of a large timber vessel housed and displayed in a purpose designed building is the *Lady Denman* ferry at Huskisson N.S.W.
The *Lady Denman*, although never in as poor physical shape as *Florrie*, has been extensively restored, but is not yet complete.
See photographs on the attached CD.

In considering the long term options for *Florrie*, I think it would be valuable for Council to contact the Lady Denman Museum and arrange a visit.
The Director of the Museum is Robin Oliver; ph. 02 4441 5675.; I have mentioned the *Florrie* to her.
Web address is www.ladydenman.asn.au.

The *Lady Denman* exhibition is essentially the end point for the long term static display of a timber vessel on land.

The vessel is;

- Protected from the elements
- Well supported
- Restored to an appropriate configuration

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- Displayed in a space sufficiently large to allow a good viewing perspective of the hull
- Supported by the exhibition of relevant interpretative material

To arrive at a similar arrangement would be an appropriate long term objective for the preservation of *Florrie*.

Opportunities for Interpretation

The preserved remains of *Florrie* could be used as the basis for exhibition material relating to a number of themes.

Construction methods used in *Florrie*

The work of the builder of *Florrie*, Rock Davis, and his activities at Blackwall on the Central Coast.

A comparison of the construction methods seen in *Florrie* with the different traditional methods used in Australian and European vessels at different times.
The planking and framing system used in *Florrie* can be demonstrated with a small section of planks and frames constructed from new timbers; other building systems can be demonstrated in the same way.

The types of timber found in parts of *Florrie* and the specific uses of various timber species in wooden shipbuilding.

Metal sheathing techniques; the use of copper, Muntz metal, and galvanised steel.
The life and activity of the teredo worm and examples of damage seen in *Florrie*.

The tools and techniques used by shipwrights in the construction of wooden vessels.

Timber Shipbuilding in the Richmond River region

Timber boat and shipbuilding in the Ballina district, from the early builders to the present day.

Early builders and examples of their craft; (list taken from Windsor Lang).

William Yabsley, Coraki
Coraki
Schoolboy
Examiner
Index
Beagle

Robert McKenzie, Lismore
Lismore

Fred West, Gundurimba
Trition

Robert Armstrong, Wardell
Magnet

Conroy Bros., Woodburn
Messenger

Thomas King, Woodburn
Mabel

Emma Pyers, Irvington

Yabsley, Burns Pt.
Protector

O.R.Jones, Bungawalbyn Creek
Mystery

O.R.Jones, Oakland
Britannia
Araucaria
Australasia
Captain Frederick Davis

In more recent times, Mclaren's and Browns, builders of fishing craft, and Broadwater Yachts builders of yachts, (for example, there are probably others) and numerous amateur builders.

Design Features and Characteristics of the *Florrie* hull shape

An easily driven hull form due to the limited power of engines available at the time of construction.

Ram bow and counter stern, aesthetic features fashionable at the time of construction.

The requirement for moderate draught for use in shallow rivers, and low freeboard to simplify loading; both features related to the prime use of the vessel in sheltered water only.

Calculation of weight and carrying capacity, inches per ton immersion, based on the measured lines plan.

Comparison of *Florrie* with other craft used on the Richmond River and craft used on other Australian inland waterways.

Marine Engines

The development of marine propulsion systems and Australian manufacturers of steam engines.
Florrie was powered initially with an English made steam engine, replaced in 1882 with a single Australian manufactured steam engine.
A steam engine was replaced in 1963 with a diesel.

Examples of, or information relating to, the actual engines fitted to *Florrie*.
Operating principles and differences between the various types of steam and diesel engines.

The working history of *Florrie* and modifications during its' life

The configuration of Florrie was probably altered in accordance with changes in its' activities.

In early days the vessel was apparently schooner rigged with two masts.
Florrie was wrecked on the Richmond River bar in 1882 and subsequently repaired.

Florrie was apparently twice re-fitted, by the B.A.T. company and Grant Bros; these re-fits possibly incorporated alterations or modifications related to the changing uses the vessel.
The arrangement of the superstructure may have been altered several times.

Florrie apparently served as a home for the Grant brothers, and was also occupied from time to time while on display on the river bank.

The commercial activities of *Florrie* and similar craft as part of the economic and social life in the Richmond River basin.

Vessels similar to *Florrie* were involved with;

The transport of;
Local people
Commercial travellers
Livestock
Groceries
Building Materials
Agricultural equipment
Stone barges and log rafts
Timber
Dairy products

The distribution of consumer goods (store boats) and newspapers

The carriage of passengers for social functions and recreation, to race meetings and regattas

N.S.W. Coastal shipping

Coastal cargo vessels carried goods and people to the region, and carried away agricultural produce; *Florrie* and other similar vessels served to distribute goods and people up and down the river.
In the absence of an efficient road network the coastal steamers were the connection between coastal centres and Sydney and Brisbane.

Research and Documentation Required

All possible documentary material relating to *Florrie* should be assembled to assist with future interpretation and repair.
It would be better to begin this task sooner rather than later; as time goes by people with first hand knowledge of the vessel will become older and fewer, and documentary evidence is more likely to be lost.
Assembling the documentary evidence should be treated as an ongoing task. Regular public appeals for information can help.

1. Collect and assemble copies of all available reference material relating to the vessel.

Arrange this material in chronological order, or according to periods of ownership or commercial activity, in an accessible and easily modified format; e.g. ring binder folders.

The ownership of *Florrie* can be divided into the following periods (extracted form Helen Wilson's report);

1. 1880 to 1882; F.G. Crouch, until wrecked on the Richmond River bar. Florrie was apparently schooner rigged, fitted with an awning, funnel and deck house, and powered by a steam engine of English manufacture.

2. 1883 to 1899; T. Fenwick; apparently all above the sheer re-built, fitted with a new steam engine, manufactured in Australia, still schooner rigged, used for passenger carrying.

3. 1899 to 1902; Charles Jacobsen, probably still passenger carrying.

4. 1902 to 1906; Charles Dorrough, activities not clear, possible ceased passenger carrying in April 1904, not re-surveyed.

5. 1906 to 1913 British American Timber Company; probably towing log punts; was apparently re-modelled by B.A.T.

6. 1913 to date unknown Dalgety and Company Ltd.; activities not clear.

7. Date unknown, sold to Grant Bros., in their ownership by 1937, and until 1962 used to tow gravel a gravel dredge; also apparently served as a home to the operators and was re=modelled by them.

8. 1963 sold to S.G. White trading as Ballina Slipway and Engineering; steam engine replaced with a diesel; towed a gravel dredge until 1975.

9. 1975 to 2006; transferred to Ballina Council, engine removed, and placed on display on the river bank; superstructure collapsed and removed early 2006.

10. 2006; hull remains moved to covered storage at the western end of the Maritime Museum.

Separate the collected material into;

Photographs of *Florrie*
- in service
- on the riverbank
- in it's present location

Photographs of similar vessels

Newspaper and other documentary reports concerning *Florrie*
Newspaper and other documentary reports concerning similar vessels.

Records of interviews with people associated with *Florrie*.

Reports and suggestions relating to the history and preservation of *Florrie*.

Technical records relating to *Florrie*
Bills of Sale
MSB Survey Reports
Receipts for repairs and slipping
Council records relating to re-location to the riverbank and repairs carried out 1975 to 2006.
Measurements and drawings produced for the purpose of constructing the cradle.

Create an accurate and easily updateable index of all the above archival material.

The purpose of assembling and arranging this material is to enable easy access all available documentary evidence and to allow the various accounts and evidence to be compared for accuracy.
Copies of all material should be obtained; apparently unimportant items can become significant when combined with other seemingly unimportant details.

Arrangement of photographs and the technical records is of critical importance if any restoration of the vessel is contemplated in the future, or if any attempt is to be made to record the various earlier configurations and details of the vessel with drawings.
Details contained in photos and documents can be a valuable guide for repair work and can assist in separating parts of the structure which may have been added or modified at different times.

Much of the above documentary evidence can be used as part of a display related to the vessel; a comprehensive and complete documentary record will make it easier to produce logical and informative interpretative material.

It will be difficult to produce a coherent history of the vessel with any depth, in the absence of a reasonable documentary record.

Original photographs should be copied and the originals and negatives placed in archival storage.
Good quality copies should be obtained of all published images, e.g. from newspapers.
If photographs are to be scanned to be retained as digital files, scanning should be at the highest possible resolution and the files saved in TIFF format.
All images should be dated and referenced, and any copyright issues clarified.

2. Identify gaps in the documentary record and attempt to fill them.

Helen Wilson appears to have made a fairly thorough search of official documentary records for information about *Florrie*; she may be able to suggest further areas for research.

It would be worth attempting to contact and interview people in the district who were associated with *Florrie* during its' working life; there don't appear to be any such accounts in the existing records for the vessel.

This can often produce valuable information about the day to day operation of the vessel, and details and incidents not normally considered necessary to include in official or written records.
Helen Wilson mentions a Reg Waters, manager of Ballina Slipway from 1943 to 1990; he may be a good source of information regarding the technical details of *Florrie* in the later period of service.
A Mr. Lionel Newman, a former ferry driver for Grant Bros. is mentioned in the letter from E.L.Dann.
James McLean is noted as a *Florrie* crew member 1953-57.

There does not appear to be any record of work carried out after *Florrie* was placed on the river bank, or work that was done specifically to prepare the vessel for removal from the water.
This information would allow recently added parts with no connection to the vessels' working life to be separated from the original structure.

If it can be shown that the vessel was sheathed underwater during its' working life, replication of the in-service sheathing arrangement for display purposes would be an effective and straightforward way of dealing with a large quantity of underwater planking in poor condition.

3. Attempt to locate and obtain any remaining artefacts related to *Florrie*

The small quantity of timber remaining from the collapsed superstructure, currently stored at the Council depot, should be re-packed and clearly

marked; for the present, it would probably be safer if stored alongside or beneath the hull.

A name board from *Florrie* is apparently in the possession of the Richmond River Historical Society.

The steam engine removed in 1963 was apparently installed in the *Kyogle*, the remains of which finished up on the river bank at Coraki.

Any small related artefacts can form part of a supporting display.
Any large items can possibly be re-fitted to a restored hull.

Long Term Plan

A long term plan with clearly defined objectives should be developed for the vessel.
If all work carried out is in accordance with this plan, the desired result will eventually be achieved.

The cost of work required to stabilise, house and interpret *Florrie*, will be enormous.
However, the end result would be of significant ongoing benefit to the local community, and the project can be used to attract outside funding, specifically for heritage projects, which would not normally be available for other uses.
$1000 of outside funding, that is, not Council money, is $1000 that has been introduced into the local economy, and whether it is spent on parks, libraries, or pre-school centres is immaterial.
Rather than being seen as a drain on Council resources, the process of preserving and restoring *Florrie* should be presented as an opportunity to add to the attractions of Ballina and in the process assist the local economy.

Michael Staples
21/9/09

4.7 Policy - Financial Planning (Draft)

File Reference	Financial Reporting
CSP Linkage	Transparent and accountable governance
Delivery Program	Financial Management
Objective	This report promotes the creation of a Financial Planning Policy. The policy establishes benchmarks that if achieved, will assist Council to be financially sustainable.

Background

The Draft Quarterly Budget Review Statement and Long Term Financial Planning (LTFP) Guidelines recently released by the Division of Local Government via Circular No. 10/25 both require Council to establish a suite of key performance indicators (KPIs) that monitor Council's financial performance and also measure Council's long term financial sustainability.

The LTFP Guidelines specifically state *"that the indicators or measures will tie back to council's financial strategies and provide a framework against which to benchmark council's performance. Performance measures might include the financial indicators specified in Note 13 of the Code of Accounting Practice and Financial Reporting, asset management performance measures and any other indicator that council considers will assist in measuring its financial performance.*

Performance measures need to be simple, measurable and understandable. To be effective, indicators need to:

- *Measure those factors which define financial sustainability;*
- *Be relatively few in number; and*
- *Be based on information that is readily available and reliable."*

The proposed financial Planning Policy aims to provide Council with benchmarks against which to measure our financial position, financial performance, asset management performance and financial sustainability.

Key Issues

- Suitable Benchmarks

Information

The primary objective of Council's Financial Planning Policy is to establish a set of financial indicators that will guide Council's financial performance in the short to medium term plus establish a framework for the long term financial sustainability of Council. As a result it is important to include a definition of financial sustainability in the Policy.

There are many definitions and interpretations of what constitutes a financially sustainable local council. The IPWEA - Australian Infrastructure Financial Management Guidelines have defined Financial Sustainability for Local Government as follows:

"A local council is sustainable if its infrastructure capital and financial capital is able to be maintained over the long term. Financial sustainability for local governments is being able to manage likely developments and unexpected financial shocks in future periods without having, at some time to introduce economically significant or socially destabilising income or expenditure adjustments.

The indicators proposed in the Financial Planning Policy measure Council's financial position and financial performance and are categorised as follows:

1. *Operational Liquidity – Short Term Focus*

2. *Fiscal Responsibility – Medium Term Focus*

3. *Financial Sustainability - Long Term Intergenerational Focus*

The next section of this report deals with each of these categories in detail.

1. Operational Liquidity – Short Term Focus

The financial indicators in this category measure Council's financial position, as at reporting date, and assess the ability of Council to satisfy its obligations in the short term as and when they arise.

There are three indicators, including benchmark goals, recommended for inclusion in Council's Financial Planning Policy for this category.

Rationale for the Benchmark

a) Unrestricted Current Ratio >2:1

This ratio refers to unrestricted assets and liabilities. This means that it excludes grants, water, sewer, DWM and developer contributions. The intent is to focus on the health of the General Fund operations of Council, which traditionally has been the area of Council that has struggled financially due to rate pegging.

Secondly the ratio is only concerned with current assets and liabilities. In terms of assets this refers to cash that is not invested long term and some stock items, including land if it is likely to be sold in that year and debtors due inside twelve months.

Current liabilities include that proportion of external loans that must be repaid inside twelve months, accounts payable, deposits held in trust and proportions of provisions such as leave liabilities.

This ratio matches current assets to current liabilities and suggests that for each $1 of liabilities you should have $2 of assets.

If you achieve this benchmark it means that, in the short term, you are well placed to meet all of your obligations. An indicator of >2:1 has been generally accepted as the minimum benchmark for many years.

b) Rates and Annual Charges Outstanding Ratio: <6%

This ratio is self explanatory and for further information refer to the table included at the end of this section of the report.

c) Available Working Capital (Funds): >$3 Million General Fund, >$1 Million Water/Sewer Operations

Working capital is the amount of funds on hand to meet short term commitments and manage budget shocks. Prudent financial management requires that there is surplus cash or assets easily converted to cash, in excess of known short term commitment that is available for unforeseen financial demands.

For example perhaps the greatest financial demand, in relatively recent times, that arose quickly and without a ready funding source was a legal case where Council was sued (Simpson Case). Council's insurer had gone bankrupt and it was necessary to finance approximately $2 million in legal fees with the majority of this burden falling in the one financial year. Council was able to meet these costs by extracting funds from what was then the Land Development Reserve; i.e. a ready source of uncommitted cash.

There may also be a short fall in expected revenue, as opposed to an increase in expense that causes the problem. An example of this is the 'user charge' in our water operations, which is liable to fluctuate by hundreds of thousands of dollars in any given year. To meet this possibility it is necessary that sufficient reserves are available in the refurbishment reserve.

The point is that unforeseen demands arise from time to time and the available working capital benchmark looks to ensure that Council has a ready ability to meet these 'budget shocks'.

Working capital extends beyond immediate cash and looks to deduct current liabilities from current assets and calculate the balance on hand. What is an acceptable amount of working capital is suggested by 'LG Solutions' (Local Government Accounting Specialist) as being:

- 5% of gross expenditure (excluding wages/depreciation) plus
- 2% of gross income (excluding annual charges and grants) plus

- Amount equal to the value of debtors and other current assets that will not convert to cash over the short to medium term.

Using this formula there will be a different benchmark annually. In respect of general fund it would produce a target in the order of $3 to $4 million and water and sewer will vary considerably depending on the year. Hence it is considered that a reasonable target is $3 million for general fund and $1 million for each of water and sewer.

These benchmarks are based on both the LG Solutions formula and historical information of budget shocks.

The actual working capital figure has the potential to fluctuate considerably depending on movements in debtors, creditors and cash /investments. Hence it is possible to test against the benchmark in April and pass and do the same test in May and fail. For this reason, in respect of General Fund it is proposed to create an internally restricted reserve for the specific purpose of managing budget shocks.

In the ordinary course of events the 'budget shocks reserve' would not be used but rather sit as a buffer to support the actual working funds available at any particular time. This internally restricted reserve will be included in the calculation of working funds whereas all other internally restricted reserves are excluded because they are identified for future works and services. It is considered that the General Fund Budget shocks reserve should be set at $1 million.

It is proposed that the 'budget shocks reserve' be created by taking $500,000 from each of the community infrastructure and commercial opportunistic reserves, and it is recommended that this be subject to a further report at the March Finance Committee meeting.

In respect to the water and sewer operations it is considered that the refurbishment reserve should always be in excess of $1 million dollars and this will satisfy the working capital benchmark.

In a practical sense the internal reserves would accumulate interest that is returned as income to their respective funds as per normal.

Each of these indicators is outlined in the following table.

FINANCIAL INDICATORS	BENCHMARK GOAL	INDICATOR TYPE	
		Financial Position	Financial Performance
1. Operational Liquidity - Short Term Focus			
1.1 Unrestricted Current Ratio (General Fund Only)			
Unrestricted current assets divided by unrestricted current liabilities. Measured as a ratio. (This ratio is as per Note 13) Purpose - this is a measure of Council's ability to meet its short term liabilities with its short term assets.	> 2:1 (Igma Health Check Recc)	Yes	No
1.2 Rates & Annual Charges Outstanding Ratio			
Rates and annual charges outstanding divided by rates and annual charges collectible. Measured as a percentage. (This ratio is as per Note 13) Purpose - this measure assesses the impact of uncollected rates and charges on Council's liquidity and the adequacy of Council's debt recovery efforts.	< 6% (Igma Health Check Recc)	Yes	No
1.3 Available Working Funds			
General Fund	$3,000	Yes	No
Sewer Fund	$1,000	Yes	No
Water Fund	$1,000	Yes	No
Total of cash, investments, receivables and inventory assets less total payables liabilities, externally restricted receivables, internally and externally restricted investments and real estate inventory. To be greater than 5% of expenses (excl depreciation and wages) plus 2% of Income (excl rates & annual charges and grants & contributions) plus core inventory and receivables balance. Measured in $000's. Purpose - shows Council's short term ability to cover short term financial shocks whether they be reductions in anticipated revenues or unplanned additional expenditure	BSC calculated)		

2. Fiscal Responsibility – Medium Term Focus

The indicators in this category have a medium term focus and can be affected by changes in Council's service delivery, revenue raising and expenditure control policies. There are five indicators for this category including benchmark goals for four of the indicators. The fifth indicator, cost efficiency per resident is from the Municipal Association of Victoria – Viability Analysis of Councils, but has no suggested benchmark level.

Council staff are not aware of any other NSW Council publishing this information and cannot therefore recommend an appropriate benchmark goal.

Nevertheless it is considered important to include this figure in the policy as it will allow Council to monitor our own performance over time.

Rationale for the Benchmark

a) Operating Balance Ratio : < minus 10%

The ideal scenario is for an operating surplus, inclusive of depreciation. This means that you are generating sufficient profit to maintain existing assets with some surplus for new works or services. IPART have recommended that in respect of operating performance all councils should make a concerted effort to achieve, within 3 to 5 years a surplus on their operating budgets (excluding capital grants as income).

However, with the introduction of regular revaluation of assets at fair value, the increase to the cost of depreciation will make this outcome very difficult to achieve. Also it can be argued that if you are funding depreciation calculated under fair value existing rate payers are funding the future rate payer's cost of replacing assets.

The benchmark that has been chosen for this policy looks to set realistic goals for operating performance and is in fact the current IPART benchmark. It is also one of the benchmarks adopted by the National Finance Sustainability Study of Local Government by Price Waterhouse Coopers (November 2006).

This benchmark calculates the operating result from continuing operations less capital items as a percentage of operating revenue (excluding capital items).

The benchmark indicates that it is possible for local governments to operate sustainably with operating deficits so long as they are not large in comparison to the revenue raising capacity of the council.

b) Debt service Ratio: <12% plus new loans have identified funding source

The benchmark of less than 12% aims to prevent Council from raising debt that will be difficult to finance without impacting on service levels going forward. The ratio benchmark is less than the LGMA Health check of < 15% as finance staff are of the opinion this is to liberal.

The reality is that if Council raises new loans that do not have their own funding source the loan repayments must impact existing and future works or services. Hence as part of the Financial Planning Policy it is recommended considered that no new loans should be approved without firstly identifying a funding source.

c) Rates and annual charges coverage ratio: > 40%

The thrust of the benchmark is to say that rates income is reliable and other incomes sources typically are not. At the least you should have 40% of your income from rates.

d) Outstanding Employee Leave entitlements ratio: < 47%

The ratio is outstanding leave entitlements as a percentage of gross wages. It looks to identify whether the organisation has excessive liability in respect of leave.

Liability in excess of 47% indicates employees have not been taking leave in accordance with the award. It can be argued that this ultimately costs the organisation more than it would if the leave was taken in a timely manner given that many employees have position changes and get paid more over time.

In respect of Ballina Council there was in place a policy for many years that left the taking of long service leave up to the individual. This was because it was considered that the cost of replacement during absence coupled with the interest saving of not paying the leave (i.e. Council retained the funds in the bank) outweighed the future costs of entitlements.

Also there is in place a policy in respect of sick leave whereby staff employed prior to 2001 are paid 50% of the value of the untaken leave on departure, where the employee had served for 10 years or more.

These two policies have served to elevate the level of Ballina's leave liability. However of recent times there has been a concerted effort to get staff to take both annual and long service leave and the sick leave policy has not been available to new staff after 2001.

e) Cost Efficiency Per Resident

This ration has been included largely to assist with trending over time. Victorian councils place a strong emphasis on it and it will be interesting to see how this figure moves as the population of the shire increases.

This information is outlined in the following table.

FINANCIAL INDICATORS	BENCHMARK GOAL	INDICATOR TYPE	
		Financial Position	Financial Performance
2. Fiscal responsibility - Council elected term focus			
2.1 Operating Balance Ratio Net operating result from continuing operations (excluding capital items) as a percentage of operating revenue (excluding capital items). Measured as a percentage. Purpose - measures whether the Council is sustainable in terms of its operating result. Council should not be recording recurring operating deficits or funding operating results from capital revenues.	< -10% (IPART Recc)	No	Yes
2.2 Debt Service Ratio Loan principal & interest payments divided by revenue from continuing operations excluding capital items and specific purpose grants and contributions. (as per Note 13). Measured as a percentage. Purpose - a measure of whether Council has excessive debt servicing costs, relative to operating revenue,	< 12% (Igma Health Check Recc)	No	Yes
2.3 Rates & Annual Charges Coverage Ratio Rates & annual charges levied divided by total operating revenue from continuing operations. (as per Note 13) Measured as a percentage. Purpose - this is a indicator of a Council's financial self sufficiency. It indicates how a Council covers its operating costs through its taxation revenue. Councils that have a low ratio tend to more reliant on grants and generally have lower flexibility to vary these charges.	> 40% (IPART Recc)	No	Yes
2.4 Outstanding Employee Leave Entitlements Ratio Total of outstanding employee leave entitlements divided by total wages and salaries paid. Measured as a percentage. Purpose - measures the Council's leave liabilities as a percentage of total wages and salaries. Shows possible excessive build up of liabilities.	< 47% (Calc from award conditions)	Yes	No
2.5 Cost efficiency per resident Total operating costs divided by Shire population. Measured in $'s. Purpose - measures the cost of Council's opeartions on a per head basis.	For Information only	No	Yes

3. Financial Sustainability - Long Term Intergenerational Focus

The two indicators in this group focus on the long term infrastructure and debt positions. The benchmark goals and commentary is tabled below.

Rationale for the Benchmark

a) Asset Consumption Ratio: >40%

Takes the written down value of our assets and divides it by current replacement cost.

The ratio provides a gauge as to the age of our infrastructure and indicates that below 40% we should be seriously looking at spending more money on replacing assets.

Net Financial Liabilities ratio: <60%

Takes total liabilities less current assets and divides the outcome by operating revenue.

The asset consumption ration is based upon an IPWEA recommendation and seeks to highlight the age of infrastructure assets.

The IPWEA guidelines state *"if an entity is responsibly maintaining and renewing/replacing its assets in accordance with a well prepared asset management plan, then the fact that is Asset Consumption Ratio may be relatively low and/or declining should not be a cause for concern - providing it is operating sustainably. It makes no sense to replace perfectly serviceable assets, just because they are old. In such circumstances, the decline in the value of an entity's physical assets will be offset by a reduction in its net financial liabilities (either by an increase in its financial assets of preferably wherever possible, a reduction in its debt) as a result of operating income generated being sufficient to cover its depreciation expense."*

The ratio measures the organisations capacity to cope with long term debt and is taken from the QLD Local Government Act.

If long term debt is a relatively small percentage of revenue then the organisation has not over committed to debt. This is a reasonably liberal benchmark.

This information is outlined in the next table.

FINANCIAL INDICATORS	BENCHMARK GOAL	INDICATOR TYPE	
		Financial Position	Financial Performance
3. Financial Sustainability - Long term intergenerational focus			
3.1 Asset Consumption Ratio Depeciated replacement cost of assets divided by current replacement cost of depreciable assets. Measured as a percentage. Purpose - this ratio seeks to highlight the aged condition of Council's physical assets. The indicator shows the depreciated replacement cost of the assets relative to their "as new" (replacement) value.	>40% (IPWEA Rec)	Yes	Yes
3.2 Net Financial Liabilities Ratio Total liabilities less current assets divided by total operating revenues. Measured as a percentage. Purpose - measures the long term debt position of Council and Council's ability to meet its financial obligations from revenue streams.	< 60% (Qld LG Act recc)	Yes	Yes

Council's 2009/10 accounts have been benchmarked against the proposed policy with comments from staff and are presented as the second attachment to this report.

The information is that attachment is presented on a Consolidated, General, Water and Sewer Fund basis.

It should be noted that the Leave Entitlements indicator is only provided on a Consolidated basis.

In reviewing that second attachment there are many areas where Council passes and there are areas where improvement is required (i.e. charges outstanding, leave entitlements, water fund operating result.) These are all areas which will be targeted for improvement over the next few years.

Sustainability Considerations

- **Environment**
  Environmental outcomes are impacted by effective financial management.

- **Social**
  Social outcomes are impacted by effective financial management.

- **Economic**
  Financial planning is vital to the long term financial sustainability of Council.

Legal / Resource / Financial Implications

The attached Financial Benchmarks Policy provides financial direction for Council over the short, medium and long terms. The benchmarks in this policy, if adopted, will provide a guide to Council for decisions affecting finances.

The Policy provides benchmarks on appropriate levels of external debt, cash on hand and the age of Council's assets. The Policy also looks to identify an acceptable annual operating performance.

It is important to note that Council will not always achieve the benchmark however the intent will be to put in place a strategy to gradually improve our financial position/performance over time.

Consultation

This report seeks a resolution to place the draft policy on exhibition to seek community feedback.

Options

The options are:

1. to endorse the draft policy for public exhibition
2. to make changes prior to placing it on public exhibition
3. determine not to exhibit or endorse the draft policy.

It is recommended that Council place the document on exhibition for public comment as the Policy is considered to have substantial merit. This exhibition period will also allow Council to consider a further report on the merits of the working capital indicator for General Fund, which effectively requires $500,000 transfers from Council's two main property reserves.

RECOMMENDATIONS

1. That approves the exhibition of the Draft Financial Planning Policy, as attached to this report.

2. That Council receive a further report on the implications of creating a 'Budget Shocks' reserve of $1 million sourced equally from the Community Infrastructure and Commercial Opportunities reserves.

Attachment(s)

1. Financial Planning Policy - Draft
2. Ballina Shire Council - Comparison for 2009/2010 Results to Benchmarks

POLICY NAME:	FINANCIAL PLANNING (DRAFT)
POLICY REF:	TBA
MEETING ADOPTED:	TBA Resolution No. TBA
POLICY HISTORY:	

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OBJECTIVE

The purpose of this policy is to establish a set of financial indicators that will guide Council's financial performance in the short to medium term plus establish a framework for the long term financial sustainability of Council.

BACKGROUND

As a public sector organisation it is essential that Council manage its finances in a prudent and responsible manner. Also public sector organisations do not operate on a standard operating profit basis as many services are provided at a net cost to the community.

Therefore it is important that Council endorse a range of financial indicators that can be reported to the public on a regular basis and that will assist Council in managing its finances in the short, medium and long term.

DEFINITIONS

Financial Sustainability	A local council is sustainable if its infrastructure capital and financial capital is able to be maintained over the long term. Financial sustainability for local governments is being able to manage likely developments and unexpected financial shocks in future periods without having at some time to introduce economically significant or socially destabilising income or expenditure adjustments. (Source: IPWEA Australian Infrastructure Financial Management Guidelines 2009).
Assets Renewals	Expenditure on an existing asset that returns the service potential or life of the asset, to that which it was originally intended. As it reinstates existing service potential it has no impact on revenue, but may reduce future operating and maintenance expenditure if completed in the optimum time. (Source: IPWEA Australian Infrastructure Financial Management Guidelines 2009).
Asset Upgrades	Upgrading of an existing asset to provide a higher level of service, increasing the life of the asset beyond the life that was originally intended. (Source: IPWEA Australian Infrastructure Financial Management Guidelines 2009).

SCOPE OF POLICY

This policy applies to:
- Council employees
- Councillors

RELATED DOCUMENTATION

Related documents, policies and legislation:

- Local Government Act 1993;
- Local Government General Regulation 2005;
- Local Government Code of Accounting Practice and Financial Reporting; and
- Australian Accounting Standards

POLICY

PART 1 - POLICY STATEMENT

Council has a fiduciary responsibility to the community to manage our finances and assets over the long term that balances the community's needs with the long term financial sustainability of Council. The key performance indicators established by this Policy will guide Council with both its short term and long term financial planning and decision making.

The financial indicators adopted by Council measure Council's financial position and its financial performance. The framework* for these indicators is tabled below.

*Source: LG Solutions Pty Ltd – April 2010 Newsletter

Table 1

FINANCIAL INDICATOR GOAL			INDICATOR TYPE	
Goal	Achievability	Time Horizon	Financial Position Indicator	Financial Performance Indicator
1. Operational Liquidity	Short Term	Day to Day	Yes	No
2. Fiscal Responsibility	Medium Term	Council's Elected Term	Yes	Yes
3. Financial Sustainability	Long Term	Inter Generational	Yes	Yes

PART 2 - FINANCIAL PERFORMANCE INDICATORS & BENCHMARKS

Council's benchmark goals for the performance indicators are as follows:

1.1 **Unrestricted Current Ratio** - Council aims to maintain a Consolidated Unrestricted Current Ratio above 2:1.

1.2 **Rates and Annual Charges Outstanding Ratio** - Council aims to maintain a Rates and Annual Charges Outstanding Ratio of less than 6% for Consolidated, General, Water and Sewer Funds'.

1.3 **Available Working Capital / Funds** - Council aims to maintain the General Fund Available Working Capital / Funds above $3 million and Water and Sewer above $1 million each.

2.1 **Operating Balance Ratio -** Councils aim to maintain the Operating Balance Ratio at better than minus 10% for Consolidated, General, Water and Sewer Funds.

2.2 **Debt Service Ratio -** Council aims to maintain a Debt Service Ratio at less than 12% for Consolidated, General, Water and Sewer Funds and new loans have identified repayment funding sources.

2.3 **Rates and Annual Charges Coverage Ratio** - Council aims to maintain a Rates and Annual Charges Coverage Ratio of greater than 40% for Consolidated, General, Water and Sewer Funds.

2.4 **Outstanding Employee Leave Entitlements Ratio** - Council aims to maintain a Consolidated Outstanding Employee Leave Entitlements Ratio of less than 47%.

3.1 **Asset Consumption Ratio -** Councils aim to maintain an Asset Consumption Ratio of greater than 40% for Consolidated, General, Water and Sewer Funds.

3.2 **Net Financial Liabilities Ratio -** Councils aim to maintain a Net Financial Liabilities Ratio of less than 60% for Consolidated, General, Water and Sewer Funds.

The financial indicators tabled below have been referenced from Note 13 of the Local Government Code of Accounting Practice and Financial Reporting, the LGMA Health Check, the IPWEA Australian Infrastructure Financial Management Guidelines, the NSW IPART report Revenue Framework for Local Government, and the Queensland LG Act.

FINANCIAL INDICATORS	BENCHMARK GOAL	INDICATOR TYPE	
		Financial Position	Financial Performance
1. Operational Liquidity - Short Term Focus			
1.1 Unrestricted Current Ratio (General Fund Only) Unrestricted current assets divided by unrestricted current liabilities. Measured as a ratio. (This ratio is as per Note 13) Purpose - this is a measure of Council's ability to meet its short term liabilities with its short term assets.	> 2:1 (Igma Health Check Recc)	Yes	No
1.2 Rates & Annual Charges Outstanding Ratio Rates and annual charges outstanding divided by rates and annual charges collectible. Measured as a percentage. (This ratio is as per Note 13) Purpose - this measure assesses the impact of uncollected rates and charges on Council's liquidity and the adequacy of Council's debt recovery efforts.	< 6% (Igma Health Check Recc)	Yes	No
1.3 Available Working Funds **General Fund** **Sewer Fund** **Water Fund** Total of cash, investments, receivables and inventory assets less total payables liabilities, externally restricted receivables, internally and externally restricted investments and real estate inventory. To be greater than 5% of expenses (excl depreciation and wages) plus 2% of Income (excl rates & annual charges and grants & contributions) plus core inventory and receivables balance. Measured in $000's. Purpose - shows Council's short term ability to cover short term financial shocks whether they be reductions in anticipated revenues or unplanned additional expenditure	 $3,000 $1,000 $1,000 BSC calculated)	 Yes Yes Yes	 No No No

FINANCIAL INDICATORS	BENCHMARK GOAL	INDICATOR TYPE	
		Financial Position	Financial Performance
2. Fiscal responsibility - Council elected term focus			
2.1 Operating Balance Ratio Net operating result from continuing operations (excluding capital items) as a percentage of operating revenue (excluding capital items). Measured as a percentage. Purpose - measures whether the Council is sustainable in terms of its operating result. Council should not be recording recurring operating deficits or funding operating results from capital revenues.	< -10% (IPART Recc)	No	Yes
2.2 Debt Service Ratio Loan principal & interest payments divided by revenue from continuing operations excluding capital items and specific purpose grants and contributions. (as per Note 13). Measured as a percentage. Purpose - a measure of whether Council has excessive debt servicing costs, relative to operating revenue.	< 12% (Igma Health Check Recc)	No	Yes
2.3 Rates & Annual Charges Coverage Ratio Rates & annual charges levied divided by total operating revenue from continuing operations. (as per Note 13) Measured as a percentage. Purpose - this is a indicator of a Council's financial self sufficiency. It indicates how a Council covers its operating costs through its taxation revenue. Councils that have a low ratio tend to more reliant on grants and generally have lower flexibility to vary these charges.	> 40% (IPART Recc)	No	Yes
2.4 Outstanding Employee Leave Entitlements Ratio Total of outstanding employee leave entitlements divided by total wages and salaries paid. Measured as a percentage. Purpose - measures the Council's leave liabilities as a percentage of total wages and salaries. Shows possible excessive build up of liabilities.	< 47% (Calc from award conditions)	Yes	No
2.5 Cost efficiency per resident Total operating costs divided by Shire population. Measured in $'s. Purpose - measures the cost of Council's opeartions on a per head basis.	For Information only	No	Yes

FINANCIAL INDICATORS	BENCHMARK GOAL	INDICATOR TYPE	
		Financial Position	Financial Performance
3. Financial Sustainability - Long term intergenerational focus			
3.1 Asset Consumption Ratio Depeciated replacement cost of assets divided by current replacement cost of depreciable assets. Measured as a percentage. Purpose - this ratio seeks to highlight the aged condition of Council's physical assets. The indicator shows the depreciated replacement cost of the assets relative to their "as new" (replacement) value.	>40% (IPWEA Rec)	Yes	Yes
3.2 Net Financial Liabilities Ratio Total liabilities less current assets divided by total operating revenues. Measured as a percentage. Purpose - measures the long term debt position of Council and Council's ability to meet its financial obligations from revenue streams.	< 60% (Qld LG Act recc)	Yes	Yes

REPORTING

The financial indicators included in this Policy will be reported annually to Council after completion of the Annual Statements. Where Council has not achieved the benchmark a strategy will be recommended such that the benchmark is achieved in the future.

REVIEW

This policy shall be reviewed at least every four years to ensure it meets relevant legislation and benchmarks are relevant.

Ballina Shire Council Benchmark Indicators - Consolidated Basis

FINANCIAL INDICATORS	BENCHMARK GOAL	BSC INDICATORS 2009/10	
	$000's	Indicator	Pass/ Fail
1. Operational Liquidity - Short Term Focus			
1.1 Unrestricted Current Ratio (General Fund Only)	> 2:1	2.05:1	Pass
1.2 Rates & Annual Charges Outstanding Ratio *Comment:* This ratio is high because we levied 4th quarter Water & Sewer Charges as at 30th June 2010. *Remedial Action*: In future years this ratio should fall within the benchmark goal as all Annual charges are levied within the year in which they are due.	< 6%	12.17%	Fail
1.3 Available Working Funds	$5,000	$5,085+	Pass
2. Fiscal responsibility - Council elected term focus			
2.1 Operating Balance Ratio	< -10%	1.15%	Pass
2.2 Debt Service Ratio	< 12%	4.89%	Pass
2.3 Rates & Annual Charges Coverage Ratio *Comment*: Ballina Council has a high level of User charges Income (Water, Airport, waste centre etc) which affects this ratio. *Remedial Action:* Council is quite close to this benchmark and with the already approved rate increases to come should achieve this benchmark by June 2014.	> 40%	35.88%	Fail
2.4 Outstanding Employee Leave Entitlements Ratio *Comment*: Ballina Council has traditionally not forced employees to take LSL as it falls due. *Remedial Action*: Council has recently started to require employees to take leave in accordance with the Award, this ratio should slowly improve.	< 47%	51.54%	Fail
2.5 Cost efficiency per resident	For Information only	$1,497.81	
3. Financial Sustainability - Long term intergenerational focus			
3.1 Asset Consumption Ratio	>40%	62.53%	Pass
3.2 Net Financial Liabilities Ratio	< 60%	-21.14%	Pass

Ballina Shire Council Benchmark Indicators - General Fund

FINANCIAL INDICATORS	BENCHMARK GOAL	BSC INDICATORS 2009/10	
		Indicator	Pass/ Fail
1. Operational Liquidity - Short Term Focus			
1.1 Unrestricted Current Ratio (General Fund Only)	> 2:1	2.05:1	Pass
1.2 Rates & Annual Charges Outstanding Ratio	< 6%	4.38%	Pass
1.3 Available Working Funds	$3,000	$3,085	Pass
2. Fiscal responsibility - Council elected term focus			
2.1 Operating Balance Ratio	< -10%	1.30%	Pass
2.2 Debt Service Ratio	< 12%	7.22%	Pass
2.3 Rates & Annual Charges Coverage Ratio	> 40%	34.20%	Fail
Comment: Ballina Council has a high level of User charges Income (Water, Airport, Waste etc) which affects this ratio. *Remedial Action:* Council is quite close to this benchmark and with the already approved rate increases in place and to come should achieve this benchmark by June 2014.			
3 Cost efficiency per resident	For Information only	$1,023.55	
3. Financial Sustainability - Long term intergenerational focus			
3.1 Asset Consumption Ratio	>40%	67.50%	Pass
3.2 Net Financial Liabilities Ratio	< 60%	9.92%	Pass

Ballina Shire Council Benchmark Indicators - Sewer Fund

FINANCIAL INDICATORS	BENCHMARK GOAL	BSC INDICATORS 2009/10	
		Indicator	Pass/ Fail
1. Operational Liquidity - Short Term Focus			
1.2 Rates & Annual Charges Outstanding Ratio *Comment:* This ratio is high because we levied 4th quarter Sewer Charges as at 30th June 2010. *Remedial Action*: This ratio should be achievable by 30th June 2011, as all Sewer Annual Charges are now levied in July.	< 6%	34.05%	Fail
1.3 Available Working Funds	$1,000	$1,000+	Pass
2. Fiscal responsibility - Council elected term focus			
2.1 Operating Balance Ratio	< -10%	21.89%	Pass
2.2 Debt Service Ratio Comment: The takeup of the State Govt loans will significantly affect this ratio in future years.	< 12%	0.17%	Pass
2.3 Rates & Annual Charges Coverage Ratio Comment: Water Fund has a high level of User charges Income which affects this ratio.	> 40%	50.01%	Pass
2.5 Cost efficiency per resident	For Information only	$263.36	
3. Financial Sustainability - Long term intergenerational focus			
3.1 Asset Consumption Ratio	>40%	48.82%	Pass
3.2 Net Financial Liabilities Ratio	< 60%	-72.20%	Pass

Ballina Shire Council Benchmark Indicators - Water Fund

FINANCIAL INDICATORS	BENCHMARK GOAL	BSC INDICATORS 2009/10	
		Indicator	Pass/ Fail
1. Operational Liquidity - Short Term Focus			
1.2 Rates & Annual Charges Outstanding Ratio *Comment:* This ratio is high because we levied 4th quarter Water Charges as at 30th June 2010. *Remedial Action*: This ratio may be a struggle to achieve in Water Fund, as 4th quarter water charges will still be levied as at 30th June, however it will improve as all Annual Charges are levied in July.	< 6%	12.51%	Fail
1.3 Available Working Funds	$1,000	$1,000+	Pass
2. Fiscal responsibility - Council elected term focus			
2.1 Operating Balance Ratio *Comment:* Water Fund is presently making an operating loss, which causes a "Fail" on this ratio. *Remedial Action*: Water revenue needs to increase Income (or decrease expenses) so as to provide an operating profit. This matter has been discussed in finance committees and quarterly reviews. There has been little scope to improve the operating result whilst Rous has been raising the cost of bulk water by 15% annually. Council exhausts the tolerance of ratepayers by raising charges significantly simply to keep pace with the Rous increase. **The recommended strategy** is to continue raising Ballina's tariffs in excess of cpi in the years after the Rous 15% increase ceases (15% increase has been in place for 5 years and it ceases in 2011/12). This strategy will gradually enable an improvement to this ratio.	< -10%	-19.64%	Fail
2.2 Debt Service Ratio	< 12%	0.06%	Pass
2 Rates & Annual Charges Coverage Ratio *Comment*: Water Fund has a high level of User charges Income which affects this ratio. *Remedial Action:* No specific action planned to fix this ratio in Water Fund, as best practice guidelines for Water require a large percentage of Income to come from User Charges.	> 40%	21.85%	Fail
2.5 Cost efficiency per resident	For Information only	$210.90	
3. Financial Sustainability - Long term intergenerational focus			
3 Asset Consumption Ratio	>40%	57.51%	Pass
3 Net Financial Liabilities Ratio	< 60%	-116.41%	Pass